



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

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NEWS RELEASE

FOR RELEASE February 12, 2003

Contact: Andy Nielsen
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The Auditor of State today released an audit report on Lee County, Iowa.

The County had local tax revenue of \$33,317,352 for the year ended June 30, 2002, which included \$2,415,909 in tax credits from the state. The County forwarded \$25,626,120 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,691,232 of the local tax revenue to finance County operations, a 3 percent increase from the prior year. Other revenues included \$5,541,539 from the state, including indirect federal funding, \$1,547,350 from direct federal grants and entitlements, \$1,225,989 in local option sales tax and \$296,207 in interest on investments.

Expenditures for County operations totaled \$20,278,897, a 4 percent increase from the prior year. Expenditures included \$4,734,145 for mental health, \$3,576,503 for roads and transportation and \$2,624,050 for public safety.

A copy of the audit report is available for review in the office of the Auditor of State and the County Auditor's Office.

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LEE COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2002

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Lee County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Matt Mohrfeld	Board of Supervisors	Jan 2003
Tracy R. Vance	Board of Supervisors	Jan 2003
Matt Pflug	Board of Supervisors	Jan 2005
Anne M. Pedersen	County Auditor	Jan 2005
Mary C. Hoenig	County Treasurer	Jan 2003
Larry J. Holtkamp	County Recorder	Jan 2003
David L. Ireland	County Sheriff	Jan 2005
Michael P. Short	County Attorney	Jan 2003
Janice C. Calvert	County Assessor	Jan 2004

Lee County



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Independent Auditor's Report

To the Officials of Lee County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Lee County, Iowa, as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of Lee County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Lee County at June 30, 2002 and the results of its operations and cash flows of its internal service funds and non-expendable trust fund for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust funds of Lee County for the year ended June 30, 2002.

As discussed in Note 15 to the general purpose financial statements, Lee County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2003. The effects of these statements are expected to significantly impact the presentation of the governmental financial statements and related notes in the year of implementation. The revised requirements will include the use of economic resources measurement focus and full accrual accounting, as well as an analytical overview of the governmental financial activities in the Management's Discussion and Analysis introduction to the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our reports dated November 22, 2002 on our consideration of Lee County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 14, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 22, 2002

Financial Statements

Lee County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund	
	General	Special Revenue
Assets and Other Debits		
Cash and pooled investments:		
County Treasurer	\$ 3,667,293	2,128,831
Other County officials	-	-
Cash held in escrow by South Iowa Area Detention Service Agency (note 6)	-	-
Cash held in escrow by Bankers Trust (note 6)	-	14,276
Cash held by component unit	-	161,659
Receivables:		
Property tax:		
Delinquent	35,051	20,281
Succeeding year	4,195,000	2,332,000
Interest and penalty on property tax Accounts	156,743	-
Accrued interest	50,100	7,582
Special assessments	58,822	-
Special assessments	-	-
Due from other funds (note 3)	114,127	1,739
Due from other governments	585,048	356,187
Inventories	-	430,693
Prepaid rent	-	27,500
Property and equipment (note 4)	-	-
Amount available in Debt Service Fund	-	-
Amount to be provided for retirement of general long-term debt	-	-
	\$ 8,862,184	5,480,748
Total assets and other debits	\$ 8,862,184	5,480,748

Types		Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Debt Service	Capital Projects	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
10,285	-	1,025,682	1,857,599	-	-	8,689,690
-	-	-	268,350	-	-	268,350
-	15,000	-	-	-	-	15,000
-	-	-	-	-	-	14,276
-	-	-	-	-	-	161,659
-	-	-	205,857	-	-	261,189
-	-	-	20,828,000	-	-	27,355,000
-	-	-	-	-	-	156,743
-	-	8,383	29,989	-	-	96,054
-	-	13,968	3,806	-	-	76,596
-	-	-	30,800	-	-	30,800
-	-	-	-	-	-	115,866
-	-	-	509,736	-	-	1,450,971
-	-	4,102	-	-	-	434,795
-	-	-	-	-	-	27,500
-	-	-	-	17,650,125	-	17,650,125
-	-	-	-	-	39,561	39,561
-	-	-	-	-	7,293,400	7,293,400
10,285	15,000	1,052,135	23,734,137	17,650,125	7,332,961	64,137,575

Lee County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund	
	General	Special Revenue
Liabilities, Fund Equity and Other Credits		
Liabilities:		
Accounts payable	\$ 240,208	262,315
Salaries and benefits payable	177,013	58,449
Due to other funds (note 3)	-	-
Due to other governments (note 5)	96,044	368,181
Trusts payable	-	-
Deferred revenue:		
Succeeding year property tax	4,195,000	2,332,000
Other	215,210	32,346
Capital loan notes payable (note 6)	-	-
Tax increment urban renewal revenue bonds payable (note 6)	-	-
Real estate installment contract (note 6)	-	-
Bank loan (note 6)	-	-
Service agreement (note 6)	-	-
Construction note (note 6)	-	-
Compensated absences	65,143	35,039
Total liabilities	4,988,618	3,088,330
Fund equity and other credits:		
Investment in general fixed assets	-	-
Unreserved retained earnings	-	-
Fund balances:		
Reserved for:		
Inventories	-	430,693
Prepaid rent	-	27,500
Supplemental levy purposes	408,588	-
Building repair and maintenance	396,613	-
Debt service	-	14,276
Memorial	-	-
Unreserved:		
Designated for vehicle replacements	5,550	-
Designated for medicare/medicaid contingencies	179,094	-
Undesignated	2,883,721	1,919,949
Total fund equity and other credits	3,873,566	2,392,418
Total liabilities, fund equity and other credits	\$ 8,862,184	5,480,748

See notes to financial statements.

Types		Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Debt Service	Capital Projects	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
-	-	175,766	610,858	-	-	1,289,147
-	-	1,937	9,704	-	-	247,103
-	-	-	115,866	-	-	115,866
-	-	-	22,544,936	-	-	23,009,161
-	-	-	212,981	-	-	212,981
-	-	-	-	-	-	6,527,000
-	-	-	-	-	-	247,556
-	-	-	-	-	87,500	87,500
-	-	-	-	-	5,900,000	5,900,000
-	-	-	-	-	84,000	84,000
-	-	-	-	-	100,000	100,000
-	-	-	-	-	400,000	400,000
-	-	-	-	-	496,780	496,780
-	-	1,005	16,395	-	264,681	382,263
-	-	178,708	23,510,740	-	7,332,961	39,099,357
-	-	-	-	17,650,125	-	17,650,125
-	-	873,427	-	-	-	873,427
-	-	-	-	-	-	430,693
-	-	-	-	-	-	27,500
-	-	-	-	-	-	408,588
-	-	-	-	-	-	396,613
10,285	15,000	-	-	-	-	39,561
-	-	-	82,500	-	-	82,500
-	-	-	-	-	-	5,550
-	-	-	-	-	-	179,094
-	-	-	140,897	-	-	4,944,567
10,285	15,000	873,427	223,397	17,650,125	-	25,038,218
10,285	15,000	1,052,135	23,734,137	17,650,125	7,332,961	64,137,575

Lee County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Funds

Year ended June 30, 2002

	Governmental	
	General	Special Revenue
Revenues:		
Property and other County tax	\$ 5,334,714	3,098,554
Interest and penalty on property tax	150,239	-
Intergovernmental	3,045,688	5,214,919
Licenses and permits	70,171	1,100
Charges for service	873,951	6,788
Use of money and property	309,779	71,812
Fines, forfeitures and defaults	1,410	-
Miscellaneous	98,750	1,548,495
Total revenues	9,884,702	9,941,668
Expenditures:		
Operating:		
Public safety	2,624,050	-
Court services	98,275	-
Physical health and education	1,684,437	52,500
Mental health	-	4,734,145
Social services	1,956,734	-
County environment	492,212	501,930
Roads and transportation	-	3,576,503
State and local government services	786,061	2,241
Interprogram services	2,048,425	3,557
Debt service	-	1,427,498
Capital projects	-	249,486
Total expenditures	9,690,194	10,547,860
Excess (deficiency) of revenues over (under) expenditures	194,508	(606,192)

Fund Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
-	-	-	8,433,268
-	-	-	150,239
-	-	999	8,261,606
-	-	-	71,271
-	-	-	880,739
259	-	6,990	388,840
-	-	-	1,410
-	-	24,505	1,671,750
259	-	32,494	19,859,123
-	-	-	2,624,050
-	-	-	98,275
-	-	15,122	1,752,059
-	-	-	4,734,145
-	-	-	1,956,734
-	-	-	994,142
-	-	-	3,576,503
-	-	-	788,302
-	-	-	2,051,982
-	-	-	1,427,498
-	-	25,721	275,207
-	-	40,843	20,278,897
259	-	(8,349)	(419,774)

Lee County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Funds

Year ended June 30, 2002

	<u>Governmental</u>	
	<u>General</u>	<u>Special Revenue</u>
Other financing sources (uses):		
Bank loan proceeds	-	100,000
Construction note proceeds	-	496,780
Sale of fixed assets	-	2,750
Operating transfers in	-	1,278,287
Operating transfers out	(98,548)	(1,179,739)
Total other financing sources(uses)	<u>(98,548)</u>	<u>698,078</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	95,960	91,886
Fund balances beginning of year	3,777,606	2,147,031
Increase in reserve for:		
Inventories	-	126,001
Prepaid rent	-	27,500
Fund balances end of year	<u>\$ 3,873,566</u>	<u>2,392,418</u>

See notes to financial statements.

Fund Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
-	-	-	100,000
-	-	-	496,780
-	-	-	2,750
-	-	-	1,278,287
-	-	-	(1,278,287)
-	-	-	599,530
259	-	(8,349)	179,756
10,026	15,000	149,246	6,098,909
-	-	-	126,001
-	-	-	27,500
10,285	15,000	140,897	6,432,166

Exhibit C

Lee County

**Comparison of Receipts, Disbursements and
Changes in Balances - Actual to Budget (Cash Basis)
All Governmental Fund Types and Expendable Trust Funds**

Year ended June 30, 2002

	Actual	Less Fund not Required to be Budgeted	Net	Amended Budget	Variance - Favorable (Unfavorable)	Net as % of Amended Budget
Receipts:						
Property and other County tax	\$8,442,572	-	8,442,572	8,871,319	(428,747)	95%
Interest and penalty on property tax	149,802	-	149,802	107,149	42,653	140%
Intergovernmental	8,011,594	343,884	7,667,710	7,931,402	(263,692)	97%
Licenses and permits	65,841	-	65,841	78,950	(13,109)	83%
Charges for service	881,175	-	881,175	784,128	97,047	112%
Use of money and property	412,692	3,789	408,903	566,125	(157,222)	72%
Fines, forfeitures and defaults	1,389	-	1,389	2,000	(611)	69%
Miscellaneous	1,665,386	73,638	1,591,748	951,199	640,549	167%
Total receipts	19,630,451	421,311	19,209,140	19,292,272	(83,132)	100%
Disbursements:						
Public safety	2,655,502	-	2,655,502	2,682,066	26,564	99%
Court services	103,187	-	103,187	141,214	38,027	73%
Physical health and education	1,699,222	-	1,699,222	1,762,630	63,408	96%
Mental health	4,901,297	697,183	4,204,114	4,278,390	74,276	98%
Social services	1,934,432	-	1,934,432	2,009,558	75,126	96%
County environment	990,207	123,129	867,078	879,544	12,466	99%
Roads and transportation	3,541,215	-	3,541,215	3,763,377	222,162	94%
State and local government services	787,094	-	787,094	825,749	38,655	95%
Interprogram services	2,304,307	-	2,304,307	2,551,461	247,154	90%
Debt service	1,427,498	-	1,427,498	1,465,195	37,697	97%
Capital projects	277,966	-	277,966	714,800	436,834	39%
Total disbursements	20,621,927	820,312	19,801,615	21,073,984	1,272,369	94%
Deficiency of receipts under disbursements	(991,476)	(399,001)	(592,475)	(1,781,712)		
Other financing sources, net	599,530	496,780	102,750	(7,836)		
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(391,946)	97,779	(489,725)	(1,789,548)		
Balance beginning of year	6,526,940	63,880	6,463,060	6,463,062		
Balance end of year	\$6,134,994	161,659	5,973,335	4,673,514		

See notes to financial statements.

Lee County

Combined Statement of Revenues, Expenses and
Changes in Retained Earnings/Fund Balance

Internal Service Funds and Non-expendable Trust Fund

Year ended June 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	
	Internal Service Funds	Non-expendable Trust Fund - Neff Memorial	Total
Operating revenues:			
Contributions and reimbursements from operating funds and other governmental units	\$ 1,246,301	-	1,246,301
Health fees from employees	183,039	-	183,039
Miscellaneous	6,908	-	6,908
Total operating revenues	<u>1,436,248</u>	-	<u>1,436,248</u>
Operating expenses:			
Medical and health services	1,037,076	-	1,037,076
Supplemental insurance	13,889	-	13,889
Salaries and benefits	57,026	-	57,026
Administrative fees, network access fees and stop-loss premium	192,834	-	192,834
Supplies, utilities and data processing services	89,627	-	89,627
Repair and maintenance	6,797	-	6,797
Miscellaneous	29,136	-	29,136
Total operating expenses	<u>1,426,385</u>	-	<u>1,426,385</u>
Operating income	9,863	-	9,863
Non-operating revenues:			
Interest on investments	34,385	-	34,385
Net income	<u>44,248</u>	-	<u>44,248</u>
Retained earnings/fund balance, beginning of year	<u>829,179</u>	<u>82,500</u>	<u>911,679</u>
Retained earnings/fund balance, end of year	<u>\$ 873,427</u>	<u>82,500</u>	<u>955,927</u>

See notes to financial statements.

Exhibit E

Lee County
 Combined Statement of Cash Flows
 Internal Service Funds and Non-expendable Trust Fund
 Year ended June 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	
	Internal Service Funds	Non-expendable Trust Fund - Neff Memorial	Total
Cash flows from operating activities:			
Cash received from employee contributions	\$ 183,543	-	183,543
Cash received from operating funds and other governmental units	1,215,501	-	1,215,501
Cash received from reimbursements	40,216	-	40,216
Cash payments to suppliers for services	(1,413,830)	-	(1,413,830)
Net cash provided by operating activities	<u>25,430</u>	-	<u>25,430</u>
Cash flows from investing activities:			
Interest on investments	58,712	-	58,712
Net increase in cash and cash equivalents	84,142	-	84,142
Cash and cash equivalents at beginning of year	941,540	82,500	1,024,040
Cash and cash equivalents at end of year	<u>\$ 1,025,682</u>	<u>82,500</u>	<u>1,108,182</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 9,863	-	9,863
Adjustments to reconcile operating income to net cash provided by operating activities:			
Changes in asset and liabilities:			
Decrease in accounts receivable	433	-	433
Decrease in due from other governments	2,577	-	2,577
Decrease in inventory	6,138	-	6,138
Increase in accounts payable	6,215	-	6,215
Increase in salaries and benefits payable	56	-	56
Increase in compensated absences	148	-	148
Net cash provided by operating activities	<u>\$ 25,430</u>	-	<u>25,430</u>

See notes to financial statements.

Lee County

Notes to Financial Statements

June 30, 2002

(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.

A. Reporting Entity

For financial reporting purposes, Lee County has included all funds, organizations, account groups, 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 burden 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 relationship 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 that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate fund.

The 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 by the Governmental Accounting Standards Board, the Three Rivers Conservation Foundation meets the definition of a component unit that should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

The Lee County Economic Development Group, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of encouraging economic development and expansion in Lee County. The

corporation is comprised of six members, including the Keokuk Economic Development Corporation, the Fort Madison Economic Development Corporation, the cities of Montrose, Donnellson and West Point and the Lee County Board of Supervisors. In accordance with criteria set by the Governmental Accounting Standards Board, the Lee County Economic Development Group, Inc. meets the definition of a component unit that should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

The 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. The Corporation's initial directors were named by the Lee County Board of Supervisors. All future directors are to be elected based on nominations of eligible persons by the Lee County Board of Supervisors. In accordance with criteria set by the Governmental Accounting Standards Board, the Great River Progressive Housing Corporation meets the definition of a component unit that should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

The Lincoln Ridge Limited Partnership is a partnership 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 was established for the sole purpose of engaging in the business of constructing, acquiring, developing, owning, renting, leasing and disposing of a residential multiple-dwelling housing project of up to 16 units for hard to house persons of low income. The limited partnership agreement provides that the General Partner shall have full, exclusive, and complete discretion in the management and control of the affairs of the Partnership. Accordingly, the Partnership is controlled and managed by the County. In accordance with criteria set by the Governmental Accounting Standards Board, the Lincoln Ridge Limited Partnership meets the definition of a component unit that should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Jointly Governed Organizations

The County also 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 Development Corporation, Lee County Emergency Management Commission and Lee County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund 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 Commission, South Iowa Area Crime Commission, South Iowa Area Detention Service Agency and Southeast Iowa Regional Planning Commission.

B. Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures or expenses. The various funds and account groups and their designated purposes are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds - The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

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

Proprietary Funds

Internal Service 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

Trust Funds - The Trust Funds are used to account for assets held by the County in a trustee capacity. These include expendable trust funds and non-expendable trust funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds. Non-Expendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds.

Agency Funds - The Agency Funds are used to account for assets held by the County as an agency for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Groups

General Fixed Assets - This account group is established to account for the general fixed assets of the County.

General Long-Term Debt - This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this Account Group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds and Non-Expendable Trust Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund and Non-expendable Trust Fund Type operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its proprietary funds, the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property taxes, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The Proprietary Funds and the Non-expendable Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

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.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Automated Government Money Trust, which is valued at amortized cost, and 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, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental fund types are 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 that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes 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 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 1 ½% per month penalty for delinquent payments; is based on January 1, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2001.

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 amounts assessed to individuals for work done that 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. Assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2002, balances of interfund amounts receivable or payable have been recorded.

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

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Proprietary Fund type inventories of materials and supplies are valued at cost using the first-in, first-out method.

General Fixed Assets - General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or "infrastructure" general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Asset Account Group. Maintenance and repairs are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2002, no interest costs were capitalized since the County's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

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 represent amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivables and other receivables not collected within sixty days after year end.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation benefits and compensatory time for subsequent use or for payment upon termination, death or retirement. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the

General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2002.

Unreserved Retained Earnings – The unreserved retained earnings of the Employee Health Plan Trust is designated for anticipated future catastrophic losses of the County.

F. Budgets and Budgetary Accounting

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 internal service, non-expendable trust 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 12 major classes of expenditures known as service areas, not by fund or fund type. These 12 service areas are: public safety, court services, physical health and education, mental health, social services, county environment, roads and transportation, state and local government services, interprogram services, non-program, debt service and capital projects. Service area disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and expendable trust funds. Although the budget document presents service area disbursements by fund, the legal level of control is at the aggregated service area level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by service area, not fund-type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 9,651,693	233,009	9,884,702	9,948,671	(7,003)	9,941,668
Expenditures	9,899,481	(209,287)	9,690,194	10,681,603	(133,743)	10,547,860
Net	(247,788)	442,296	194,508	(732,932)	126,740	(606,192)
Other financing sources (uses)	(98,548)	-	(98,548)	698,078	-	698,078
Beginning fund balances	4,013,629	(236,023)	3,777,606	2,339,620	(192,589)	2,147,031
Increase in reserve for:						
Inventories	-	-	-	-	126,001	126,001
Prepaid rent	-	-	-	-	27,500	27,500
Ending fund balances	\$ 3,667,293	206,273	3,873,566	2,304,766	87,652	2,392,418

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 286	(27)	259	-	-	-
Expenditures	-	-	-	-	-	-
Net	286	(27)	259	-	-	-
Other financing sources (uses)	-	-	-	-	-	-
Beginning fund balances	9,999	27	10,026	15,000	-	15,000
Increase in reserve for:						
Inventories	-	-	-	-	-	-
Prepaid rent	-	-	-	-	-	-
Ending fund balances	\$ 10,285	-	10,285	15,000	-	15,000

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 29,801	2,693	32,494	19,630,451	228,672	19,859,123
Expenditures	40,843	-	40,843	20,621,927	(343,030)	20,278,897
Net	(11,042)	2,693	(8,349)	(991,476)	571,702	(419,774)
Other financing sources (uses)	-	-	-	599,530	-	599,530
Beginning fund balances	148,692	554	149,246	6,526,940	(428,031)	6,098,909
Increase in reserve for:						
Inventories	-	-	-	-	126,001	126,001
Prepaid rent	-	-	-	-	27,500	27,500
Ending fund balances	\$ 137,650	3,247	140,897	6,134,994	297,172	6,432,166

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2002 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 insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Automated Government Money Trust valued at an amortized cost of \$92,313 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2002 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency:	
	County Attorney	\$ 700
	County Auditor	50
	County Recorder	44,694
	County Sheriff	52,598
	Auto License and Use Tax	16,085
Special Revenue:	Trust and Agency:	
County Recorder's Records Management	County Recorder	<u>1,739</u>
Total		<u>\$ 115,866</u>

(4) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2002 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 1,222,928	120,033	-	1,342,961
Buildings	8,290,743	556,589	24,813	8,822,519
Equipment	6,582,471	751,795	319,043	7,015,223
Construction in Progress	-	469,422	-	469,422
Total	<u>\$ 16,096,142</u>	<u>1,897,839</u>	<u>343,856</u>	<u>17,650,125</u>

The County's general fixed assets additions include \$117,595 of land and \$469,422 of construction in progress of the Lincoln Ridge Limited Partnership, a blended component unit of the County.

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 96,044
Special Revenue:		
Mental Health Services	Services	341,158
Secondary Roads		27,023
		<u>368,181</u>
Trust and Agency:	Collections	
County Assessor		773,173
Schools		12,697,400
Community Colleges		944,539
Corpoations		7,025,080
Auto License amd Use Tax		483,947
Drainage Districts		65,502
E911 Surcharge		45,774
E911 Contribution		28,049
All other		481,472
		<u>22,544,936</u>
Total		<u>\$ 23,009,161</u>

(6) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	Tax Increment						Compen- sated Absences	Total
	Capital Loan Notes	Urban Renewal Revenue Bonds	Real Estate Installment Contract	Bank Loan	Service Agreement	Construction Note		
Balance beginning of year	\$ 106,000	6,885,000	84,000	-	-	-	287,145	7,362,145
Additions	-	-	-	100,000	400,000	496,780	-	996,780
Deletions	18,500	985,000	-	-	-	-	22,464	1,025,964
Balance end of year	<u>\$ 87,500</u>	<u>5,900,000</u>	<u>84,000</u>	<u>100,000</u>	<u>400,000</u>	<u>496,780</u>	<u>264,681</u>	<u>7,332,961</u>

Capital Loan Notes

Lee County is one of ten participating member counties in the South Iowa Area Detention Service Agency (SIADSA) Capital Loan Note Certificate agreement. Each member County issued \$230,000 of General Obligation Capital Loan Notes on May 1, 1991 to the SIADSA which secured \$2,300,000 of Capital Loan Notes Certificates issued by SIADSA. SIADSA is holding cash of \$15,000, which represents the unspent note proceeds, in escrow for Lee County at June 30, 2002. The Notes issued by the County are payable from the General Fund as follows:

Year Ending June 30,	Interest Rates	Principal Amount	Interest	Total
2003	6.80%	\$ 19,500	6,065	25,565
2004	6.90	21,000	4,739	25,739
2005	7.00	22,500	3,290	25,790
2006	7.00	24,500	1,715	26,215
		<u>\$ 87,500</u>	<u>15,809</u>	<u>103,309</u>

During the year ended June 30, 2002, \$18,500 of these bonds were retired.

Tax Increment Urban Renewal Revenue Bonds

The County sold \$10,260,000 of tax increment urban renewal revenue bonds dated December 1, 1994 to construct a floodwall within the limits of the County and the City of Keokuk. The bonds are payable from the income and proceeds of the Urban Renewal Tax Increment Fund, Keokuk Flood Wall, and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. On November 1, 1994, the County entered into an agreement with the City of Keokuk and Roquette America, Inc. which provides for supplemental payments to be made to the County in the event that taxes are insufficient to service the debt. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County, however, the debt is subject to the constitutional debt limitation of the County.

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

Year Ending June 30,	Interest Rates	Principal Amount	Interest	Total
2003	6.10%	\$ 1,040,000	371,095	1,411,095
2004	6.20	1,105,000	307,655	1,412,655
2005	6.30	1,175,000	239,145	1,414,145
2006	6.40	-	165,120	165,120
2007	6.40	2,580,000	165,120	2,745,120
Total		<u>\$ 5,900,000</u>	<u>1,248,135</u>	<u>7,148,135</u>

During the year ended June 30, 2002, \$985,000 of these bonds were retired.

Real Estate Installment Contract

In August, 2000, the County entered into an unconditional purchase agreement with the Iowa Natural Heritage Foundation to acquire 19.53 acres of land. The County made a \$1,000 downpayment and the remaining purchase price of \$84,000 was paid by the Iowa Natural Heritage Foundation. The agreement calls for the County to repay the Iowa Natural Heritage Foundation over 5 years with the interest rate being determined by the local prime rate as published by Banker's Trust of Des Moines on the date of closing and the annual anniversary dates thereafter. During the year ended June 30, 2002, the County paid interest of \$11,234 on the agreement. The balance owed on the contract at June 30, 2002 was \$84,000.

In August 2002, the real estate purchase agreement was revised. Under the new agreement, if the County has not paid the Foundation the entire \$84,000 balance by May 31, 2003, the parties will enter into a new real estate contract payable over five years with the final payment due May 31, 2008.

Bank Loan

In January 2002, the County entered into a bank loan for \$100,000 to provide a grant to the Great River Housing Corporation, as General Partner of the Lincoln Ridge Limited Partnership (LRLP), for the construction of low income housing for persons with mental disabilities. The loan bears interest at the rate of 4.50 percent per annum and matures on October 15, 2002. In October 2002, the loan agreement was modified to extend the maturity date to October 15, 2017 and require semi-annual payments of \$4,956, including interest at 5.55 percent per annum. The balance of the loan at June 30, 2002 was \$100,000.

Service Agreement

In December 2001, the County entered into an agreement with Lincoln Ridge Limited Partnership (LRLP) represented by its General Partner, Great River Progressive Housing Corporation. LRLP intends to construct and operate a low-income housing project for persons with mental disabilities. Pursuant to the agreement, the County will pay LRLP \$400,000 in service fees for the availability of specialized housing for low income persons with mental disabilities. LRLP agreed, for fifteen years, as far as legally possible, to restrict its tenants to persons who are residents of Lee County with a required minimum of four Lee County residents. The service fees will be prorated over the 15 year term with semi-annual payments, including interest at a rate of 5 percent per annum, beginning the first day of the month following the receipt of certificates of occupancy for all units in the project. During the year ended June 30, 2002, no payments were made under the agreement. An amortization schedule for this debt will be included in following years after the due dates of the installments have been finalized.

Construction Note

Lincoln Ridge Limited Partnership (LRLP), a blended component unit of the County, entered into an agreement for a bank note of up to \$1,300,000 to fund construction of specialized housing for low income persons with mental disabilities. The note bears interest of 6.95 percent per annum, and matures on December 14, 2002. The note is secured by a mortgage on the property and an unlimited continuing guaranty signed by the architect on the project. Proceeds of the note are drawn by LRLP as funds are needed. At June 30, 2002, the total amount drawn on the note was \$496,780.

(7) Lincoln Ridge Limited Partnership Project

The Lincoln Ridge Limited Partnership (LRLP) is a partnership between the Great River Progressive Housing Corporation (General Partner) and Lee County Development Corporation (Limited Partner). The Partnership was formed for the sole purpose of engaging in the business of constructing, acquiring, developing, owning, renting, leasing, and disposing of a residential multiple-dwelling housing project of up to 16 units for hard to house persons of low income.

As discussed in Note 6 above, the housing project is partially financed through a bank by LRLP of up to \$1,300,000. Pursuant to the provisions of the Iowa Finance Authority's Partnership Low Income Housing Tax Credit Program, LRLP has received an allocation of low income housing tax credits in the cumulative amount of \$1,692,680. LRLP intends to sell these tax credits for approximately \$1,193,000 and use the proceeds to partially repay the construction note at its maturity. Heartland Properties, a subsidiary of Alliant Energy, is the planned investor and will purchase the tax credits when construction is complete.

In addition, the Great River Housing Corporation, General Partner to the LRLP, is seeking to borrow \$400,000 to provide funds to LRLP to repay a portion of the construction note. The loan will be repaid with funds obtained from Lee County through the service agreement discussed in Note 6 above.

During the year ended June 30, 2002, Lee County provided a grant of \$100,000 to the Great River Progressive Housing Corporation for the Lincoln Ridge construction project.

LRLP has contracted with ResCare, Inc. as management agent to maintain the property. Lee County has arranged for services to be provided to its tenants by ResCare, Inc. as the service provider.

(8) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$326,716, \$313,960, and \$295,672, respectively, equal to the required contributions for each year.

(9) Contingent Liability

The County entered into an agreement on July 1, 1989 with the Lee County Solid Waste Management Commission to assist in financing the Commission's sanitary disposal site. Under the agreement the County sold general obligation solid waste disposal bonds totaling \$1,500,000 and loaned the proceeds to the Commission to acquire, construct, reconstruct, extend, improve, and equip facilities useful for the collection and disposal of solid wastes. The loan is to be repaid from the revenues generated by operation of the sanitary disposal site.

On March 18, 1992, an agreement was entered into by and between the Lee County Solid Waste Management Commission, Lee County, Iowa; the Louisa County Solid Waste Commission, Louisa County, Iowa; Henry County, Iowa; and Hancock County, Illinois to create the Great River Regional Waste Authority (Authority). The Authority assumed the above debt of the Lee County Solid Waste Management Commission. During the year ended June 30, 2002, \$460,000 of bonds, including \$315,000 of bonds called, were retired by the County with funds received from the Authority.

On May 1, 1996, the County entered into a loan agreement with the Authority to assist in financing the cost of the construction and/or acquisition of certain improvements to the Authority's existing solid waste disposal facilities. Pursuant to the loan agreement, the County issued General Obligation Solid Waste Disposal Bonds totaling \$7,445,000 to repay \$6,825,000 of General Obligation Solid Waste Disposal Bond Anticipation, Series 1993 notes, which matured on June 1, 1996, and loaned the remaining cash proceeds to the Authority. These bonds mature on June 1, 2007 and bear interest at the rate of 4.55% to 5% per annum. The Authority agreed to repay the loan and interest thereon and issued a solid waste disposal revenue bond in the principal amount of \$7,445,000 to the County in evidence of the Authority's obligation to repay the amounts payable.

The County is contingently liable for the general obligation solid waste bonds. Interest and bond principal are currently paid from proceeds received from the Great River Regional Waste Authority. However, the bonds are a general obligation of the County and if the revenues of the Regional Waste Authority in future years are not adequate, a tax will be levied on all taxable property in the County. The liability for these bonds is not recorded in the general long-term debt account group on Exhibit A since the bonds are to be paid from other than County resources. The transactions for the bond issue are accounted for in an Agency Fund.

Details of this contingent liability at June 30, 2002 are as follows:

1996 General Obligation Solid Waste Disposal Bond			
Year Ending June 30,	Interest Rates	Principal Amount	Interest
2003	4.70%	\$ 750,000	200,370
2004	4.75	785,000	165,120
2005	4.85	825,000	127,832
2006	4.95	860,000	87,820
2007	5.00	905,000	45,250
Total		\$ 4,125,000	626,392

During the year ended June 30, 2002, \$720,000 of general obligation bonds were retired by the County with funds received from the Authority.

(10) Rural Community 2000 Program Loan

During the year ended June 30, 1991, the County was awarded a \$500,000 loan from the Iowa Department of Economic Development's Rural Community 2001 Program to construct rural water service for northern Lee County. The County subsequently received and loaned \$500,000 to the Rathbun Regional Water Association.

The Rathbun Regional Water Association loan requires 15 annual payments beginning one year after the project completion date, with three percent per annum interest on the unpaid balance. Final payment on the loan is due June 30, 2006.

The County is required to remit the proceeds of the loan repayments from the subrecipients to the Iowa Department of Economic Development. The County's liability for the repayment of the loan is limited to the amount collected from Rathbun Regional Water Association. Therefore, the liability for the loan is not recorded in the general long-term debt account group on Exhibit A. The total balance outstanding on this loan at June 30, 2002 was \$157,979.

(11) Deficit Equity Balance

The Special Revenue, Mental Health Fund had a deficit fund balance of \$220,069 at June 30, 2002. The deficit will be eliminated by increasing the MH/DD levy in the year ending June 30, 2003.

(12) Risk Management

Lee 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 Plan Trust

The Lee County Employee Health Plan Trust was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$100,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Lee County 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 Wellmark from the Lee County Employee Health Plan Trust Fund. The County records the plan assets and related liabilities of the Lee County Employee Health Plan Trust Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2002 was \$1,019,676.

Amounts payable from the Employee Health Plan Trust Fund at June 30, 2002 total \$156,369 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims, and to establish a reserve for catastrophic losses. That reserve was \$711,744 and is reported as a designation of the Employee Health Plan Trust Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2001	\$ 161,752
Incurred claims (including claims incurred but not reported as of June 30, 2002)	1,037,076
Payments on claims during the fiscal year	<u>1,042,459</u>
Unpaid claims at June 30, 2002	<u>\$ 156,369</u>

(14) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by Service Area or amounts appropriated by department. During the year ended June 30, 2002, disbursements exceeded the amount appropriated for one department.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2003. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual basis of accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the financial activities.

Lee County

Supplemental Information

Lee County

Lee County
General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Property and other County tax:

Property tax	\$ 4,391,387	
Gambling tax	85,682	
Local option sales tax	306,497	
Utility tax replacement excise tax	528,466	
Other	<u>22,682</u>	\$ 5,334,714

Interest and penalty on property tax		150,239
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Intergovernmental:

State shared revenues:

Franchise tax	65,518
Other	<u>5,377</u>
	<u>70,895</u>

State grants and reimbursements including indirect federal funding:

Home care aide grant	99,154
Human services administrative reimbursements	87,115
Public health nursing grants	50,860
Bryne Formula Grant program	43,960
Decategorization reimbursements	187,172
Other	<u>275,154</u>
	<u>743,415</u>

State tax replacements:

State tax credits	393,569
State allocation	<u>81,874</u>
	<u>475,443</u>

Direct federal grants and entitlements:

Medicare and medicaid	1,546,790
Other	<u>560</u>
	<u>1,547,350</u>

Contributions and reimbursements from other governmental units

207,684

Payments in lieu of taxes

901

3,045,688

Schedule 1

Lee County
General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues (continued):		
Licenses and permits		70,171
Charges for service:		
Office fees and collections	334,010	
Auto license, use tax, drivers license and postage	244,843	
Nursing service	220,944	
Other	74,154	873,951
Use of money and property:		
Interest on investments	284,574	
Other	25,205	309,779
Fines, forfeitures and defaults		1,410
Miscellaneous		98,750
Total revenues		<u>9,884,702</u>
Expenditures:		
Operating:		
Public safety		2,624,050
Court services		98,275
Physical health and education		1,684,437
Social services		1,956,734
County environment		492,212
State and local government services		786,061
Interprogram services		2,048,425
Non-program		-
Total expenditures		<u>9,690,194</u>
Excess of revenues over expenditures		<u>194,508</u>
Other financing uses:		
Operating transfers out:		
Special Revenue:		
Rural Services		(7,248)
Secondary Roads		(91,300)
Total other financing uses		<u>(98,548)</u>
Excess of revenues over expenditures and other financing uses		95,960
Fund balance beginning of year		<u>3,777,606</u>
Fund balance end of year		<u>\$ 3,873,566</u>

See accompanying independent auditor's report.

Lee County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Public Safety Service Area:

Law enforcement:

Uniformed patrol services	\$ 565,095	
Investigations	112,509	
Law enforcement communication	6,471	
Adult correctional services	826,718	
Administration	241,812	
	<u>1,752,605</u>	

Legal services:

Criminal prosecution	408,708	
Medical examinations	64,511	
	<u>473,219</u>	

Emergency services:

Ambulance services	365,019	
Emergency management	33,207	
	<u>398,226</u>	\$ 2,624,050

Court Services Service Area:

Assistance to district court system:

Research and other assistance	23,199	
	<u>23,199</u>	

Court proceedings:

Juries and witnesses	591	
Detention services	290	
Court costs	85	
Service of civil papers	27,643	
	<u>28,609</u>	

Juvenile justice administration:

Juvenile representation services	37,309	
Court-appointed attorneys and court costs for juveniles	9,158	
	<u>46,467</u>	98,275

Schedule 2

Lee County
General Fund
Statement of Expenditures
Year ended June 30, 2002

Physical Health and Education Service Area:

Physical health services:

Personal and family health services	1,157,109	
Communicable disease prevention and control services	84,501	
Sanitation	140,717	
Health administration	276,610	
	<u>1,658,937</u>	

Educational services:

Historic preservation	5,500	
Fairgrounds	20,000	
	<u>25,500</u>	1,684,437

Social Services Service Area:

Services to the poor:

Administration	431,052	
General welfare services	538,041	
	<u>969,093</u>	

Services to military veterans:

Administration	27,149	
General services to veterans	53,277	
	<u>80,426</u>	

Children and family services:

Youth guidance	1,090	
Family protective services	269,734	
	<u>270,824</u>	

Services to other adults:

Services to the elderly	559,749	
Other social services	8,647	
	<u>568,396</u>	

Chemical dependency:

Treatment services	9,211	
Preventive services	58,784	
	<u>67,995</u>	1,956,734

Lee County		
General Fund		
Statement of Expenditures		
Year ended June 30, 2002		
County Environment Service Area:		
Environmental quality:		
Natural resources conservation	<u>58,788</u>	
Conservation and recreation services:		
Administration	125,676	
Maintenance and operations	<u>307,748</u>	
	<u>433,424</u>	492,212
State and Local Government Services Service Area:		
Representation services:		
Elections administration	202,312	
Local elections	<u>25,214</u>	
	<u>227,526</u>	
State administrative services:		
Motor vehicle registrations and licensing	264,831	
Recording of public documents	<u>293,704</u>	
	<u>558,535</u>	786,061
Interprogram Services Service Area:		
Policy and administration:		
General County management	510,455	
Administrative management services	334,858	
Treasury management services	262,747	
Other policy and administration	<u>41,878</u>	
	<u>1,149,938</u>	
Central services:		
General services	<u>729,872</u>	
Risk management services:		
Tort liability	81,475	
Safety of workplace	80,620	
Fidelity of public officials	3,310	
Unemployment compensation	<u>3,210</u>	
	<u>168,615</u>	2,048,425
Total		<u>\$ 9,690,194</u>

See accompanying independent auditor's report.

Special Revenue Funds
Combining Balance Sheet
June 30, 2002

	Mental Health Services	Rural Services	Secondary Roads	Resource Enhancement and Protection
Assets				
Cash and pooled investments:				
County Treasurer	\$ 299,370	271,749	1,541,087	3,353
Cash held in escrow by Bankers Trust	-	-	-	-
Cash held by component unit	-	-	-	-
Receivables:				
Property tax:				
Delinquent	15,143	5,138	-	-
Succeeding year	1,812,000	520,000	-	-
Accounts	5,737	-	-	-
Due from other funds	-	-	-	-
Due from other governments	4,401	141,801	209,985	-
Inventories	-	-	430,693	-
Prepaid rent	-	-	-	-
Total assets	\$ 2,136,651	938,688	2,181,765	3,353
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 184,965	24,907	52,443	-
Salaries and benefits payable	3,218	2,388	50,383	-
Due to other governments	341,158	-	27,023	-
Deferred revenue:				
Succeeding year property tax	1,812,000	520,000	-	-
Other	14,543	17,803	-	-
Compensated absences	836	219	33,984	-
Total liabilities	2,356,720	565,317	163,833	-
Fund equity (deficit):				
Fund balance (deficit):				
Reserved for:				
Inventories	-	-	430,693	-
Prepaid rent	-	-	-	-
Debt service	-	-	-	-
Unreserved:				
Undesignated	(220,069)	373,371	1,587,239	3,353
Total fund equity (deficit)	(220,069)	373,371	2,017,932	3,353
Total liabilities and fund equity	\$ 2,136,651	938,688	2,181,765	3,353

See accompanying independent auditor's report.

County Recorder's Records Management	Keokuk Flood Wall	Great River Progressive Housing Corp.	Lincoln Ridge Limited Partnership	Lee County Economic Development Group	Three Rivers Conservation Foundation	Total
13,272	-	-	-	-	-	2,128,831
-	14,276	-	-	-	-	14,276
-	-	45	10,102	79,826	71,686	161,659
-	-	-	-	-	-	20,281
-	-	-	-	-	-	2,332,000
-	-	-	-	1,845	-	7,582
1,739	-	-	-	-	-	1,739
-	-	-	-	-	-	356,187
-	-	-	-	-	-	430,693
-	-	-	-	27,500	-	27,500
15,011	14,276	45	10,102	109,171	71,686	5,480,748
-	-	-	-	-	-	262,315
-	-	-	-	2,460	-	58,449
-	-	-	-	-	-	368,181
-	-	-	-	-	-	2,332,000
-	-	-	-	-	-	32,346
-	-	-	-	-	-	35,039
-	-	-	-	2,460	-	3,088,330
-	-	-	-	-	-	430,693
-	-	-	-	27,500	-	27,500
-	14,276	-	-	-	-	14,276
15,011	-	45	10,102	79,211	71,686	1,919,949
15,011	14,276	45	10,102	106,711	71,686	2,392,418
15,011	14,276	45	10,102	109,171	71,686	5,480,748

Lee County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)

Year ended June 30, 2002

	Mental Health Services	Rural Services	Secondary Roads	Resource Enhancement and Protection
Revenues:				
Property and other County tax:				
Property tax	\$ 1,449,660	510,227	-	-
Local option sales tax	-	919,492	-	-
Utility tax replacement excise tax	174,445	35,904	-	-
Other	6,171	2,655	-	-
	<u>1,630,276</u>	<u>1,468,278</u>	-	-
Intergovernmental:				
State shared revenues:				
Road use tax	-	-	2,492,365	-
State grants and reimbursements including indirect federal funding:				
Social services block grant	206,316	-	-	-
MH-DD community services fund allocation	296,603	-	-	-
Revitalize Iowa Sound Economy grant	-	-	93,391	-
Other	34,366	-	8,184	14,949
	<u>537,285</u>	-	<u>101,575</u>	<u>14,949</u>
State tax replacements:				
State tax credits	129,916	46,150	-	-
State allocation	-	176,383	-	-
Mental health property tax relief	1,186,042	-	-	-
MH-DD allowed growth factor adjustment	135,757	-	-	-
	<u>1,451,715</u>	<u>222,533</u>	-	-
Contributions and reimbursements from other governmental units				
	-	42,501	7,591	-
Payments in lieu of taxes				
	297	224	-	-
	<u>1,989,297</u>	<u>265,258</u>	<u>2,601,531</u>	<u>14,949</u>
Licenses and permits				
	-	-	1,100	-
Charges for service				
	-	-	151	-

County Recorder's Records Management	Keokuk Flood Wall	Great River Progressive Housing Corp.	Lincoln Ridge Limited Partnership	Lee County Economic Development Group	Three Rivers Conservation Foundation	Total
-	-	-	-	-	-	1,959,887
-	-	-	-	-	-	919,492
-	-	-	-	-	-	210,349
-	-	-	-	-	-	8,826
-	-	-	-	-	-	3,098,554
-	-	-	-	-	-	2,492,365
-	-	-	-	-	-	206,316
-	-	-	-	-	-	296,603
-	-	-	-	-	-	93,391
-	-	-	-	-	-	57,499
-	-	-	-	-	-	653,809
-	-	-	-	-	-	176,066
-	-	-	-	-	-	176,383
-	-	-	-	-	-	1,186,042
-	-	-	-	-	-	135,757
-	-	-	-	-	-	1,674,248
-	-	100,050	110,500	133,334	-	393,976
-	-	-	-	-	-	521
-	-	100,050	110,500	133,334	-	5,214,919
-	-	-	-	-	-	1,100
6,637	-	-	-	-	-	6,788

Lee County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)

Year ended June 30, 2002

	Mental Health Services	Rural Services	Secondary Roads	Resource Enhancement and Protection
Revenues (continued):				
Use of money and property:				
Interest on investments	-	-	-	93
Building rent	65,382	-	-	-
Other	-	-	2,046	-
	<u>65,382</u>	<u>-</u>	<u>2,046</u>	<u>93</u>
Miscellaneous:				
Contributions and donations from private sources	36	-	799	-
Sale of materials	-	-	42,844	-
Other	9,330	-	122	-
	<u>9,366</u>	<u>-</u>	<u>43,765</u>	<u>-</u>
Total revenues	<u>3,694,321</u>	<u>1,733,536</u>	<u>2,648,593</u>	<u>15,042</u>
Expenditures:				
Operating:				
Physical Health and Education Service Area:				
Educational services:				
Libraries	-	52,500	-	-
Mental Health Service Area:				
Persons with mental health problems - mental illness:				
Information and education	21,962	-	-	-
General administration	14,049	-	-	-
Personal and environmental support	17,356	-	-	-
Treatment services	195,177	-	-	-
Licensed or certified living arrangements	13,612	-	-	-
Institutional, hospital, and commitment services	79,782	-	-	-
	<u>341,938</u>	<u>-</u>	<u>-</u>	<u>-</u>
Persons with chronic mental illness:				
General administration	37,963	-	-	-
Coordination services	10,284	-	-	-
Personal and environmental support	34,355	-	-	-
Treatment services	281,946	-	-	-
Vocational and day services	101,302	-	-	-
Licensed or certified living arrangements	400,032	-	-	-
Institutional, hospital, and commitment services	181,206	-	-	-
	<u>1,047,088</u>	<u>-</u>	<u>-</u>	<u>-</u>

County Recorder's Records Management	Keokuk Flood Wall	Great River Progressive Housing Corp.	Lincoln Ridge Limited Partnership	Lee County Economic Development Group	Three Rivers Conservation Foundation	Total
258	244	-	-	525	3,264	4,384
-	-	-	-	-	-	65,382
-	-	-	-	-	-	2,046
258	244	-	-	525	3,264	71,812
-	1,421,726	-	-	-	73,638	1,496,199
-	-	-	-	-	-	42,844
-	-	-	-	-	-	9,452
-	1,421,726	-	-	-	73,638	1,548,495
6,895	1,421,970	100,050	110,500	133,859	76,902	9,941,668
-	-	-	-	-	-	52,500
-	-	-	-	-	-	21,962
-	-	-	-	-	-	14,049
-	-	-	-	-	-	17,356
-	-	-	-	-	-	195,177
-	-	100,005	597,178	-	-	710,795
-	-	-	-	-	-	79,782
-	-	100,005	597,178	-	-	1,039,121
-	-	-	-	-	-	37,963
-	-	-	-	-	-	10,284
-	-	-	-	-	-	34,355
-	-	-	-	-	-	281,946
-	-	-	-	-	-	101,302
-	-	-	-	-	-	400,032
-	-	-	-	-	-	181,206
-	-	-	-	-	-	1,047,088

Lee County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)

Year ended June 30, 2002

	Mental Health Services	Rural Services	Secondary Roads	Resource Enhancement and Protection
Expenditures (continued):				
Operating:				
Mental Health Service Area:				
Persons with mental retardation:				
General administration	46,333	-	-	-
Coordination services	34,742	-	-	-
Personal and environmental support	792,082	-	-	-
Treatment services	26,231	-	-	-
Vocational and day services	400,096	-	-	-
Licensed or certified living arrangements	821,140	-	-	-
Institutional, hospital, and commitment services	455,973	-	-	-
	<u>2,576,597</u>	-	-	-
Persons with other developmental disabilities:				
General administration	2,007	-	-	-
Coordination services	7,453	-	-	-
Personal and environmental support	2,426	-	-	-
Treatment services	11,324	-	-	-
Vocational and day services	46,979	-	-	-
Licensed or certified living arrangements	1,038	-	-	-
Institutional, hospital, and commitment services	112	-	-	-
	<u>71,339</u>	-	-	-
	<u>4,036,962</u>	-	-	-
County Environment Service Area:				
Environmental quality:				
Natural resources conservation	-	67,501	-	18,267
Solid waste disposal	-	292,418	-	-
	-	<u>359,919</u>	-	<u>18,267</u>
County development:				
Economic development	-	-	-	-
	-	<u>359,919</u>	-	<u>18,267</u>

County Recorder's Records Management	Keokuk Flood Wall	Great River Progressive Housing Corp.	Lincoln Ridge Limited Partnership	Lee County Economic Development Group	Three Rivers Conservation Foundation	Total
-	-	-	-	-	-	46,333
-	-	-	-	-	-	34,742
-	-	-	-	-	-	792,082
-	-	-	-	-	-	26,231
-	-	-	-	-	-	400,096
-	-	-	-	-	-	821,140
-	-	-	-	-	-	455,973
-	-	-	-	-	-	2,576,597
-	-	-	-	-	-	2,007
-	-	-	-	-	-	7,453
-	-	-	-	-	-	2,426
-	-	-	-	-	-	11,324
-	-	-	-	-	-	46,979
-	-	-	-	-	-	1,038
-	-	-	-	-	-	112
-	-	-	-	-	-	71,339
-	-	100,005	597,178	-	-	4,734,145
-	-	-	-	-	69,096	154,864
-	-	-	-	-	-	292,418
-	-	-	-	-	69,096	447,282
-	-	-	-	54,648	-	54,648
-	-	-	-	54,648	69,096	501,930

Lee County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)

Year ended June 30, 2002

	Mental Health Services	Rural Services	Secondary Roads	Resource Enhancement and Protection
Expenditures (continued):				
Operating:				
Roads and Transportation Service Area:				
Secondary roads administration and engineering:				
Administration	-	-	215,591	-
Engineering	-	-	287,955	-
	-	-	503,546	-
Roadway maintenance:				
Bridges and culverts	-	-	100,492	-
Roads	-	-	1,645,692	-
Snow and ice control	-	-	69,038	-
Traffic controls	-	-	101,019	-
Road clearing	-	79,162	91,887	-
	-	79,162	2,008,128	-
General roadway:				
Equipment	-	-	401,006	-
Equipment operations	-	-	518,876	-
Tools, materials, and supplies	-	-	43,082	-
Real estate and buildings	-	-	22,703	-
	-	-	985,667	-
	-	79,162	3,497,341	-
State and Local Government Services Service Area:				
State administrative services:				
Township officials	-	2,241	-	-
Interprogram Services Service Area:				
Risk management services:				
Safety of workplace	-	3,557	-	-
Debt Service Service Area:				
Principal redeemed	-	-	-	-
Interest paid	-	-	-	-
Administrative fees	-	-	-	-
	-	-	-	-

County Recorder's Records Management	Keokuk Flood Wall	Great River Progressive Housing Corp.	Lincoln Ridge Limited Partnership	Economic Development Group	Three Rivers Conservation Foundation	Total
-	-	-	-	-	-	215,591
-	-	-	-	-	-	287,955
-	-	-	-	-	-	503,546
-	-	-	-	-	-	100,492
-	-	-	-	-	-	1,645,692
-	-	-	-	-	-	69,038
-	-	-	-	-	-	101,019
-	-	-	-	-	-	171,049
-	-	-	-	-	-	2,087,290
-	-	-	-	-	-	401,006
-	-	-	-	-	-	518,876
-	-	-	-	-	-	43,082
-	-	-	-	-	-	22,703
-	-	-	-	-	-	985,667
-	-	-	-	-	-	3,576,503
-	-	-	-	-	-	2,241
-	-	-	-	-	-	3,557
-	985,000	-	-	-	-	985,000
-	430,195	-	-	-	-	430,195
-	12,303	-	-	-	-	12,303
-	1,427,498	-	-	-	-	1,427,498

Lee County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)

Year ended June 30, 2002

	Mental Health Services	Rural Services	Secondary Roads	Resource Enhancement and Protection
Expenditures (continued):				
Capital Projects Service Area:				
Roadway construction	-	-	249,486	-
Total expenditures	4,036,962	497,379	3,746,827	18,267
Excess (deficiency) of revenues over (under) expenditures	(342,641)	1,236,157	(1,098,234)	(3,225)
Other financing sources (uses):				
Bank loan proceeds	100,000	-	-	-
Construction note proceeds	-	-	-	-
Sale of fixed assets	-	-	2,750	-
Operating transfers in (out):				
General	-	7,248	91,300	-
Special Revenue:				
Rural Services	-	-	1,179,739	-
Secondary Roads	-	(1,179,739)	-	-
Total other financing sources (uses)	100,000	(1,172,491)	1,273,789	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(242,641)	63,666	175,555	(3,225)
Fund balances beginning of year	22,572	309,705	1,716,376	6,578
Increase in reserve for:				
Inventories	-	-	126,001	-
Prepaid rent	-	-	-	-
Fund balances (deficit) end of year	\$ (220,069)	373,371	2,017,932	3,353

See accompanying independent auditor's report.

County Recorder's Records Management	Keokuk Flood Wall	Great River Progressive Housing Corp.	Lincoln Ridge Limited Partnership	Lee County Economic Development Group	Three Rivers Conservation Foundation	Total
-	-	-	-	-	-	249,486
-	1,427,498	100,005	597,178	54,648	69,096	10,547,860
6,895	(5,528)	45	(486,678)	79,211	7,806	(606,192)
-	-	-	-	-	-	100,000
-	-	-	496,780	-	-	496,780
-	-	-	-	-	-	2,750
-	-	-	-	-	-	98,548
-	-	-	-	-	-	1,179,739
-	-	-	-	-	-	(1,179,739)
-	-	-	496,780	-	-	698,078
6,895	(5,528)	45	10,102	79,211	7,806	91,886
8,116	19,804	-	-	-	63,880	2,147,031
-	-	-	-	-	-	126,001
-	-	-	-	27,500	-	27,500
15,011	14,276	45	10,102	106,711	71,686	2,392,418

Schedule 5

Lee County
Internal Service Funds
Combining Balance Sheet
June 30, 2002

Assets	<u>Supplies</u>	<u>Employee Health Plan Trust</u>	<u>Information Technology</u>	<u>Total</u>
Cash and pooled investments	\$ 26,118	863,057	136,507	1,025,682
Receivables:				
Accounts	-	8,313	70	8,383
Accrued interest	-	13,968	-	13,968
Inventories	4,102	-	-	4,102
Total assets	\$ 30,220	885,338	136,577	1,052,135
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 75	173,594	2,097	175,766
Salaries and benefits payable	-	-	1,937	1,937
Compensated absences	-	-	1,005	1,005
Total liabilities	75	173,594	5,039	178,708
Fund equity:				
Unreserved retained earnings	30,145	711,744	131,538	873,427
Total liabilities and fund equity	\$ 30,220	885,338	136,577	1,052,135

See accompanying independent auditor's report.

Lee County

Internal Service Funds

Combining Statement of Revenues, Expenses and
Changes in Retained Earnings

Year ended June 30, 2002

	Supplies	Employee Health Plan Trust	Information Technology	Total
Operating revenues:				
Contributions and reimbursements from operating funds and other governmental units	\$ 30,800	1,019,676	195,825	1,246,301
Health fees from employees	-	183,039	-	183,039
Miscellaneous	328	6,502	78	6,908
Total operating revenues	<u>31,128</u>	<u>1,209,217</u>	<u>195,903</u>	<u>1,436,248</u>
Operating expenses:				
Medical claims	-	1,037,076	-	1,037,076
Supplemental insurance	-	13,889	-	13,889
Salaries and benefits	-	-	57,026	57,026
Administrative fees, network access fees and stop-loss premium	-	192,834	-	192,834
Supplies, utilities and data processing services	37,725	824	51,078	89,627
Repair and maintenance	-	-	6,797	6,797
Miscellaneous	-	4,575	24,561	29,136
Total operating expenses	<u>37,725</u>	<u>1,249,198</u>	<u>139,462</u>	<u>1,426,385</u>
Operating income (loss)	(6,597)	(39,981)	56,441	9,863
Non-operating revenues:				
Interest on investments	-	34,385	-	34,385
Net income (loss)	<u>(6,597)</u>	<u>(5,596)</u>	<u>56,441</u>	<u>44,248</u>
Retained earnings, beginning of year	<u>36,742</u>	<u>717,340</u>	<u>75,097</u>	<u>829,179</u>
Retained earnings, end of year	<u>\$ 30,145</u>	<u>711,744</u>	<u>131,538</u>	<u>873,427</u>

See accompanying independent auditor's report.

Schedule 7

Lee County
Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2002

	Supplies	Employee Health Plan Trust	Information Technology	Total
Cash flows from operating activities:				
Cash received from employee contributions	\$ -	183,543	-	183,543
Cash received from operating funds and other governmental units	-	1,019,676	195,825	1,215,501
Cash received from reimbursements	33,706	6,502	8	40,216
Cash payments to employees and suppliers for services	(31,603)	(1,237,357)	(144,870)	(1,413,830)
Net cash provided (used) by operating activities	2,103	(27,636)	50,963	25,430
Cash flows from investing activities:				
Interest on investments	-	58,712	-	58,712
Net increase in cash and cash equivalents	2,103	31,076	50,963	84,142
Cash and cash equivalents at beginning of year	24,015	831,981	85,544	941,540
Cash and cash equivalents at end of year	\$ 26,118	863,057	136,507	1,025,682
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (6,597)	(39,981)	56,441	9,863
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Changes in asset and liabilities:				
(Increase) decrease in accounts receivable	-	503	(70)	433
Decrease in due from other governments	2,577	-	-	2,577
Decrease in inventory	6,138	-	-	6,138
Increase (decrease) in accounts payable	(15)	11,842	(5,612)	6,215
Increase in salaries and benefits payable	-	-	56	56
Increase in compensated absences	-	-	148	148
Net cash provided (used) by operating activities	\$ 2,103	(27,636)	50,963	25,430

See accompanying independent auditor's report.

Lee County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2002

Assets	Expendable	Non-Expendable		Total
	Trust Funds	Trust - Neff Memorial	Agency	
Cash and pooled investments				
County Treasurer	\$ 137,650	82,500	1,637,449	1,857,599
Other County officials	-	-	268,350	268,350
Receivables:				
Property tax:				
Delinquent	-	-	205,857	205,857
Succeeding year	-	-	20,828,000	20,828,000
Accounts	-	-	29,989	29,989
Accrued interest	3,247	-	559	3,806
Special assessments	-	-	30,800	30,800
Due from other governments	-	-	509,736	509,736
Total assets	\$ 140,897	82,500	23,510,740	23,734,137
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	610,858	610,858
Salaries and benefits payable	-	-	9,704	9,704
Due to other funds	-	-	115,866	115,866
Due to other governments	-	-	22,544,936	22,544,936
Trusts payable	-	-	212,981	212,981
Compensated absences	-	-	16,395	16,395
Total liabilities	-	-	23,510,740	23,510,740
Fund equity:				
Fund balance:				
Reserved for memorial	-	82,500	-	82,500
Unreserved	140,897	-	-	140,897
Total fund equity	140,897	82,500	-	223,397
Total liabilities and fund equity	\$ 140,897	82,500	23,510,740	23,734,137

See accompanying independent auditor's report.

Schedule 9

Lee County
Expendable Trust Funds
Combining Balance Sheet
June 30, 2002

	Conservation			
	Land	Memorial	Neff	Total
Assets	Acquisition	Trust	Memorial	Total
	Trust	Trust	Trust	Trust
Cash and pooled investments	\$ 6,640	122,848	8,162	137,650
Accrued interest receivable	-	-	3,247	3,247
Total assets	\$ 6,640	122,848	11,409	140,897
	Liabilities and Fund Equity			
Fund equity:				
Unreserved fund balance	\$ 6,640	122,848	11,409	140,897

See accompanying independent auditor's report.

Lee County

Expendable Trust Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Conservation Land Acquisition Trust	Memorial Trust	Neff Memorial	Total
Revenues:				
Intergovernmental:				
State grants and reimbursements including indirect federal funding:				
Other	\$ 999	-	-	999
Use of money and property:				
Interest on investments	246	3,159	3,585	6,990
Miscellaneous:				
Donations	5,000	19,505	-	24,505
Total revenues	<u>6,245</u>	<u>22,664</u>	<u>3,585</u>	<u>32,494</u>
Expenditures:				
Operating:				
Physical Health and Education Service Area:				
Physical Health Services:				
Personal and family health services	-	15,122	-	15,122
Capital Projects Service Area:				
Conservation land acquisition and development	25,721	-	-	25,721
Total expenditures	<u>25,721</u>	<u>15,122</u>	<u>-</u>	<u>40,843</u>
Excess (deficiency) of revenues over (under) expenditures	(19,476)	7,542	3,585	(8,349)
Fund balances beginning of year	<u>26,116</u>	<u>115,306</u>	<u>7,824</u>	<u>149,246</u>
Fund balances end of year	<u>\$ 6,640</u>	<u>122,848</u>	<u>11,409</u>	<u>140,897</u>

See accompanying independent auditor's report.

Lee County
 Agency Funds
 Combining Balance Sheet
 June 30, 2002

	County Offices			
	County Attorney	County Auditor	County Recorder	County Sheriff
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	20	-	-
Other County officials	700	97,432	56,834	113,384
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	110	-
Accrued interest	-	559	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 700	98,011	56,944	113,384
Liabilities				
Liabilities:				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other funds	700	50	46,433	52,598
Due to other governments	-	-	10,511	178
Trusts payable	-	97,961	-	60,608
Compensated absences	-	-	-	-
Total liabilities	\$ 700	98,011	56,944	113,384

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax
2,874	418,013	259,360	12,744	126,809	5,070	500,032
-	-	-	-	-	-	-
1,168	3,153	110,040	7,795	81,271	2,399	-
140,000	377,000	12,328,000	924,000	6,817,000	238,000	-
-	276	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
144,042	798,442	12,697,400	944,539	7,025,080	245,469	500,032
-	259	-	-	-	-	-
-	8,615	-	-	-	-	-
-	-	-	-	-	-	16,085
144,042	773,173	12,697,400	944,539	7,025,080	245,469	483,947
-	-	-	-	-	-	-
-	16,395	-	-	-	-	-
144,042	798,442	12,697,400	944,539	7,025,080	245,469	500,032

Lee County
 Agency Funds
 Combining Balance Sheet
 June 30, 2002

	Brucellosis and Tuberculosis Eradication	Drainage Districts	Emergency Management Services
Assets			
Cash and pooled investments:			
County Treasurer	88	162,721	38,432
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	29	-	-
Succeeding year	3,000	-	-
Accounts	-	-	2,839
Accrued interest	-	-	-
Special assessments	-	-	-
Due from other governments	-	509,736	-
Total assets	3,117	672,457	41,271
Liabilities			
Liabilities:			
Accounts payable	-	606,955	328
Salaries and benefits payable	-	-	1,089
Due to other funds	-	-	-
Due to other governments	3,117	65,502	39,854
Trusts payable	-	-	-
Compensated absences	-	-	-
Total liabilities	3,117	672,457	41,271

See accompanying independent auditor's report.

Special Assessments	Treasurer's Trust	Tax Sale Redemption	E911 Surcharge	E911 Contribution	Sanitary Sewer	Total
6,483	10,026	44,386	22,326	28,049	16	1,637,449
-	-	-	-	-	-	268,350
-	-	-	-	-	2	205,857
-	-	-	-	-	1,000	20,828,000
-	-	-	26,764	-	-	29,989
-	-	-	-	-	-	559
30,800	-	-	-	-	-	30,800
-	-	-	-	-	-	509,736
37,283	10,026	44,386	49,090	28,049	1,018	23,510,740
-	-	-	3,316	-	-	610,858
-	-	-	-	-	-	9,704
-	-	-	-	-	-	115,866
37,283	-	-	45,774	28,049	1,018	22,544,936
-	10,026	44,386	-	-	-	212,981
-	-	-	-	-	-	16,395
37,283	10,026	44,386	49,090	28,049	1,018	23,510,740

Lee County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	County Offices			
	County Attorney	County Auditor	County Recorder	County Sheriff
Assets and Liabilities				
Balance beginning of year	\$ 700	97,991	78,622	67,082
Additions:				
Property and other County tax	-	-	-	-
E911 surcharge	-	-	-	-
State tax credits	-	-	-	-
Office fees and collections	-	8,464	305,443	208,326
Auto licenses, use tax and postage	-	-	-	-
Drivers license fees	-	-	-	-
Assessments	-	-	-	-
Trusts	1,279	6,168	-	825,932
Miscellaneous	-	-	-	-
Total additions	1,279	14,632	305,443	1,034,258
Deductions:				
Agency Remittances:				
To other funds	-	8,444	182,627	198,603
To other governments	-	-	144,353	1,006
Trusts paid out	1,279	6,168	141	788,347
Total deductions	1,279	14,612	327,121	987,956
Balances end of year	\$ 700	98,011	56,944	113,384

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations	Townships	Auto License and Use Tax
143,550	936,474	12,856,936	646,290	7,051,544	234,188	508,427
157,266	427,865	14,043,711	1,001,614	7,893,043	251,813	-
-	-	-	-	-	-	-
12,445	38,010	1,110,750	55,665	607,686	21,231	-
-	-	-	-	-	-	-
-	-	-	-	-	-	6,669,688
-	-	-	-	-	-	95,671
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	11,343	-	-	-	-	-
169,711	477,218	15,154,461	1,057,279	8,500,729	273,044	6,765,359
-	-	-	-	-	-	247,397
169,219	615,250	15,313,997	759,030	8,527,193	261,763	6,526,357
-	-	-	-	-	-	-
169,219	615,250	15,313,997	759,030	8,527,193	261,763	6,773,754
144,042	798,442	12,697,400	944,539	7,025,080	245,469	500,032

Lee County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Drainage Districts</u>	<u>Emergency Management Services</u>
Assets and Liabilities			
Balance beginning of year	<u>6,559</u>	<u>131,369</u>	<u>14,136</u>
Additions:			
Property and other County tax	3,784	-	-
E911 surcharge	-	-	-
State tax credits	382	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Drivers license fees	-	-	-
Assessments	-	83,034	-
Trusts	-	-	-
Miscellaneous	-	686,159	68,235
Total additions	<u>4,166</u>	<u>769,193</u>	<u>68,235</u>
Deductions:			
Agency Remittances:			
To other funds	-	-	-
To other governments	7,608	228,105	41,100
Trusts paid out	-	-	-
Total deductions	<u>7,608</u>	<u>228,105</u>	<u>41,100</u>
Balances end of year	<u><u>3,117</u></u>	<u><u>672,457</u></u>	<u><u>41,271</u></u>

See accompanying independent auditor's report.

City Special Assess- ments	Treasurer's Trust	Tax Sale Redemp- tion	E911 Sur- charge	E911 Contribu- tion	Sanitary Sewer	Solid Waste Debt Service	Total
27,424	10,719	80,475	68,384	26,200	1,000	-	22,988,070
-	-	-	-	-	750	-	23,779,846
-	-	-	114,992	-	-	-	114,992
-	-	-	-	-	105	-	1,846,274
-	-	-	-	-	-	-	522,233
-	-	-	-	-	-	-	6,669,688
-	-	-	-	-	-	-	95,671
33,864	-	-	-	-	-	-	116,898
-	-	656,275	-	-	-	-	1,489,654
-	2,883	-	1,324	1,849	-	1,446,391	2,218,184
33,864	2,883	656,275	116,316	1,849	855	1,446,391	36,853,440
-	-	-	-	-	-	-	637,071
24,005	-	-	135,610	-	837	1,446,391	34,201,824
-	3,576	692,364	-	-	-	-	1,491,875
24,005	3,576	692,364	135,610	-	837	1,446,391	36,330,770
37,283	10,026	44,386	49,090	28,049	1,018	-	23,510,740

Schedule 13

Lee County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2002	2001	2000	1999
Taxes:				
Property and other County tax:				
Property tax	\$ 6,351,274	6,040,544	6,080,406	6,937,203
Gambling tax	85,682	96,974	96,487	67,551
Local option sales tax	1,225,989	1,101,734	1,257,764	956,469
Utility tax replacement excise tax	738,815	713,846	-	-
Other	31,508	30,504	29,795	-
	<u>8,433,268</u>	<u>7,983,602</u>	<u>7,464,452</u>	<u>7,961,223</u>
Tax increment financing revenue	-	573,982	579,791	223,250
Intergovernmental:				
State shared revenues:				
Franchise tax	65,518	50,579	72,240	40,095
Road use tax	2,492,365	2,390,062	2,424,818	2,112,363
Other	5,377	5,265	6,565	2,288
State grants and reimbursements including indirect federal funding:				
Homemaker health grant	99,154	97,776	100,164	91,212
Public health nursing grants	50,860	53,463	38,888	39,362
Human services administrative reimbursement	87,115	91,558	107,545	112,158
Child support enforcement	-	-	-	159,852
Social services block grant	206,316	205,045	207,294	205,960
MH-DD community services fund allocation	296,603	289,537	289,536	255,865
Revitalize Iowa's Sound Economy grant	93,391	-	-	-
Highway planning and construction	-	-	50,663	210,581
Byrne formula grant program	43,960	47,738	32,880	48,248
Community economic betterment account	-	100,000	-	-
Decategorization reimbursements	187,172	172,483	134,519	119,000
Other	333,652	423,592	403,449	381,538
State tax replacements:				
State tax credits	569,635	654,599	519,964	589,095
State allocation	258,257	261,130	261,883	261,572
Mental health property tax replacement	1,186,042	1,186,042	1,186,042	1,186,042
MH-DD allowed growth factor adjustment	135,757	187,303	193,796	193,679
Direct federal grants and entitlements:				
Medicare and medicaid	1,546,790	1,064,862	862,067	936,411
Other	560	5,137	523	-
Contributions and reimbursements from other governmental units	601,660	239,253	234,938	220,653
Payments in lieu of taxes	1,422	-	-	-
	<u>8,261,606</u>	<u>7,525,424</u>	<u>7,127,774</u>	<u>7,165,974</u>
Total	\$ 16,694,874	16,083,008	15,172,017	15,350,447

See accompanying independent auditor's report

Lee County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
Indirect:			
U.S. Department of Agriculture: Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		\$ 14,323
U.S. Department of Justice: Governor's Office on Drug Control Policy: City of Keokuk: Byrne Formula Grant Program	16.579		38,028
U.S. Department of Transportation: Iowa Department of Public Safety: State and Community Highway Safety	20.600	PAP 02-04 Task 22	7,383
State and Community Highway Safety	20.600	PAP 01-02 Task 18	2,287
			<u>9,670</u>
Environmental Protection Agency Office of Air and Radiation: Linn County: State Indoor Radon Grants	66.032		3,097
Federal Emergency Management Agency: Iowa Department Public Defense: Emergency Management Division: Emergency Management Performance Grant	83.552		12,499
Public Assistance Grant	83.544	DR1367	4,432
U.S. Department of Education Iowa Department of Education: Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	00-CPSE-22	11,100
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	01-CPSE-22	22,922
			<u>34,022</u>

Schedule 14

Lee County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Family Support Payments to States -			
Assistance Payments	93.560	5882V056	<u>1,150</u>
Childhood Lead Poisoning Prevention Projects -			
State and Local Childhood			
Lead Poisoning Prevention and Surveillance			
of Blood Lead Levels in Children	93.197	5882LP08	<u>11,789</u>
Maternal and Child Health Services Block Grant			
to the States	93.994	5881MC05	8,161
		5882MC05	<u>27,137</u>
			<u>35,298</u>
Davis County:			
Immunization Grants	93.268	5889I424	<u>9,777</u>
Iowa Department of Human Services:			
Family Preservation and Support Services	93.556	PSSFP-01-013	<u>2,417</u>
Human Services Administrative			
Reimbursements:			
Temporary Assistance to Needy Families	93.558		<u>22,319</u>
Refugee and Entrant Assistance - State			
Administered Programs	93.566		<u>100</u>
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596		<u>2,934</u>
Foster Care - Title IV-E	93.658		<u>7,516</u>
Adoption Assistance	93.659		<u>2,553</u>
Medical Assistance Program	93.778		<u>22,702</u>
Social Services Block Grant	93.667		<u>14,667</u>
Social Services Block Grant	93.667		<u>206,316</u>
			<u>220,983</u>
Total			<u>\$ 455,609</u>

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 on 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 general purpose financial statements.

See accompanying independent auditor's report.



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

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Auditor of State

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**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Officials of Lee County:

We have audited the general purpose financial statements of Lee County, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 22, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lee County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 test disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that 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, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lee County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. Prior year reportable conditions have been resolved except for items II-B-02 and II-C-02.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lee County and other parties to whom Lee County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 22, 2002

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance**

Lee County



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

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**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance**

To the Officials of Lee County:

Compliance

We have audited the compliance of Lee County, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2002. Lee County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Lee County's management. Our responsibility is to express an opinion on Lee County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, 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 provisions 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lee County's compliance with those requirements.

In our opinion, Lee County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Lee County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lee County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lee County and other parties to whom Lee County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 22, 2002

Lee County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements. No material weaknesses in internal control over financial reporting were identified.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no instances of non-compliance which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was as follows:
 - 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 qualified as a low-risk auditee.

Lee County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-02 County Treasurer - A listing of cash and checks received in the mail is not prepared.

Recommendation - The employee opening the mail should prepare a list of checks and cash received, at least on a test basis. Later, the listing should be compared to the cash receipts records.

Response - As of December 1, 2002, we will start a random listing of mail receipts.

Conclusion - Response accepted.

II-B-02 Disaster Recovery Plan - The County does not have a written disaster recovery plan.

Recommendation - A written disaster recovery plan should be developed.

Response - The Board of Supervisors will form a Committee for the purpose of having a written disaster recovery plan in place by December 31, 2003.

Conclusion - Response accepted.

II-C-02 County Engineer - Receipts are not always deposited timely.

Recommendation - Receipts should be deposited timely to ensure proper safeguarding of cash assets.

Response - We will deposit receipts weekly.

Conclusion - Response accepted

Lee County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over major programs were identified.

Lee County
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2002

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-02 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002, except as follows:

<u>Office</u>	<u>Depository</u>	<u>Maximum Authorized Deposit</u>
County Treasurer	State Central Bank	\$7,000,000

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board.

Response – On January 1, 2003, we will increase the depository maximum to \$8,000,000.

Conclusion – Response accepted.

IV-B-02 Certified Budget – Disbursements during the year ended June 30, 2002 did not exceed the amounts budgeted.

Disbursements in one department exceeded the amount appropriated. The County amended the appropriation but the amendment was not effective since the required public hearing was not held. Chapter 331.434(6) of the Code of Iowa requires that decreases in appropriations in excess of \$5,000 or ten percent, whichever is greater, are not effective unless a public hearing on the decrease is held.

Recommendation – The County should amend appropriations as required before disbursements are allowed to exceed the appropriations.

Response – The County will follow Chapter 331.434(6) and amend appropriations as required before disbursements are allowed to exceed the appropriations.

Conclusion – Response accepted.

IV-C-02 Questionable Expendables – No expenditures that we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 were noted.

IV-D-02 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, we noted the following during our review of travel expenses:

- a) Meal expenses of \$638 for a Board meeting held in Des Moines. The documentation was not sufficient to determine whose meals were included in the cost paid by the County. The County indicated that the meals of non-County employees who attended the meeting were included in the expense.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

- b) Lodging expenses of \$96 for non-County employees attending a Board meeting held in Des Moines.
- c) Airfare of \$256 for a non-County employee who accompanied a County official to a meeting with State officials in Council Bluffs.

Recommendation - The County should require proper documentation for travel expenses, including sufficient documentation of the names of the individuals present at meals. The County should evaluate and document whether travel expenses for non-County employees meet public purpose criteria prior to authorizing further payments.

Response - The County will require proper documentation for travel, including documentation of persons present at meals. The County will require documentation of public purpose for expenses paid for non-County employees.

Conclusion - Response accepted.

IV-E-02 Business Transactions - No business transactions between the County and County officials or employees were noted.

IV-F-02 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all coverage should be periodically reviewed to ensure that the coverage is adequate for current operations.

IV-G-02 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not, except as follows:

The Board held a meeting on August 21, 2001 and August 22, 2001 at the Savery Hotel in Des Moines for an economic development summit. The nature of the good cause justifying the departure from the normal meeting place was not documented in the minutes record as required by Chapter 21.4(2) of the Code of Iowa.

Recommendation - The County should comply with the opening meeting requirements of Chapter 21.4(2) of the Code of Iowa.

Response - The County will comply with the requirements of Chapter 21.4(2) and state the nature of good cause justifying the departure from normal meeting places.

Conclusion - Response accepted.

IV-H-02 Deposits and Investments - Except as noted in IV-A-02 above, 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.

IV-I-02 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).

Lee County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

IV-J-02 Board of Health Minutes - Certain minutes of the meetings of the Board of Health were not signed.

Recommendation - The Board should ensure that minutes are signed as required.

Response - Board of Health minutes are routinely signed by the Chair at each meeting after approval. The Lee County Health Department Administrator will be responsible for ensuring signature of all minutes in the future.

Conclusion - Response accepted.

IV-K-02 Financial Condition - At June 30, 2002, the County had a deficit fund balance of \$220,069 in the Special Revenue, Mental Health Fund.

Recommendation - The County should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response - The County raised the MH/DD levy to maximum in Fiscal Year 2003 to increase this balance and will monitor.

Conclusion - Response accepted.

IV-L-02 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, 2002 for the County Extension Office did not exceed the amount budgeted.

Lee County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Donna F. Kruger, CPA, Senior Auditor II
Ted M. Wiegand, CPA, Senior Auditor
Kelly V. Rea, CPA, Staff Auditor
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