



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 25, 2015

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

The County had local tax revenue of \$42,137,213 for the year ended June 30, 2014, which included \$2,017,782 in tax credits from the state. The County forwarded \$31,374,152 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$10,763,061 of the local tax revenue to finance County operations, a less than 1% decrease from the prior year. Other revenues included charges for service of \$3,703,630, operating grants, contributions and restricted interest of \$6,306,611, capital grants, contributions and restricted interest of \$1,599,253, local option sales tax of \$1,567,772, unrestricted investment earnings of \$85,450 and other general revenues of \$568,177.

Expenses for County operations for the year ended June 30, 2014 totaled \$22,520,275, a less than 1% decrease from the prior year. Expenses included \$6,299,648 for roads and transportation, \$4,408,204 for public safety and legal services and \$4,288,899 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1410-0056-B00F.pdf>.

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LEE COUNTY

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

JUNE 30, 2014

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Lee County

Officials

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

Lee County



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Independent Auditor's Report

To the Officials of Lee County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Lee County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Lincoln Ridge Limited Partnership, a blended component unit, which represent less than 1% of the assets, net position and revenues of the aggregate remaining funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lincoln Ridge Limited Partnership blended component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Lee County as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 54 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lee County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2015 on our consideration of Lee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lee County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 9, 2015

Lee County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lee County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the County is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- The County's governmental activities assets exceeded liabilities (net position) at June 30, 2014 by approximately \$42.2 million.
- Lee County's net position increased approximately \$2,073,000 from June 30, 2013 to June 30, 2014.
- Governmental activities revenues in fiscal year 2014 increased 5%, or approximately \$1,166,000, over fiscal year 2013. Operating grants, contributions and restricted interest increased approximately \$357,000 over fiscal year 2013, primarily due to increased federal grants related to mental health and social services offset by a decrease in state funding for mental health. Capital grants, contributions and restricted interest increased approximately \$431,000 over fiscal year 2013, primarily due to a combination of state and private grants for road projects related to the Iowa Fertilizer Plant. The County also experienced an increase in local option sales tax revenue as well as an increase in the gain on disposition of capital assets.
- Governmental activities expenses decreased less than 1%, or approximately \$182,000, from fiscal year 2013 to fiscal year 2014.
- The County is in the thirteenth year of implementation of the Lee County Economic Development Plan. The goal of this plan is to bring much needed jobs to the County, thus employing our citizens and increasing the County's tax base. The Lee County Board of Supervisors, other than budgetary, allows this department to function with considerable autonomy.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows.

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lee County as a whole and present an overall view of the County's finances.
- Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Lee County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Lee County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

- Required Supplementary Information further explains and supports the financial statements with a comparison of the County’s budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service and Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County’s finances is, “Is the County as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County’s assets, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County’s net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County’s governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County’s basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include the 1) General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County’s general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Proprietary funds account for the County's Internal Service Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

The County is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The County excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Lee County's combined net position was relatively unchanged from a year ago, increasing approximately \$2,073,000 to approximately \$42.2 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2014	2013
Current and other assets	\$ 25,254	23,200
Capital assets	37,780	37,307
Total assets	<u>63,034</u>	<u>60,507</u>
Long-term liabilities	8,626	8,542
Other liabilities	1,421	1,501
Total liabilities	<u>10,047</u>	<u>10,043</u>
Deferred inflows of resources	10,758	10,308
Net position:		
Net investment in capital assets	32,968	32,693
Restricted	7,041	6,104
Unrestricted	2,220	1,359
Total net position	<u>\$ 42,229</u>	<u>40,156</u>

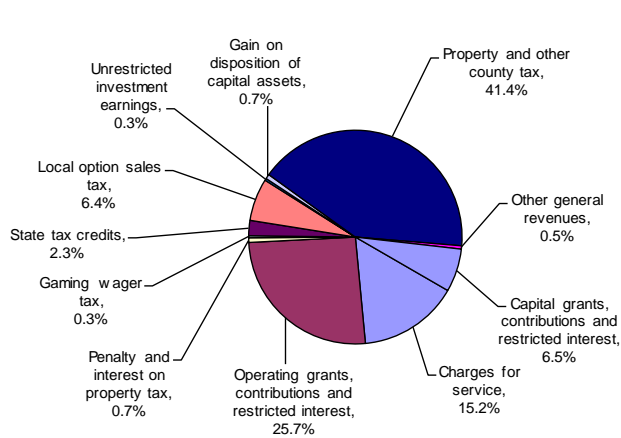
Lee County's total net position increased approximately \$2,073,000, or 5.2%. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. Debt related to capital assets is liquidated with resources other than capital assets. Comparatively, fiscal year 2013 total net position increased approximately \$725,000, or 1.8%, from fiscal year 2012.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, increased from approximately \$1,359,000 at June 30, 2013 to approximately \$2,220,000 at the end of this year, an increase of 63.4%, primarily due to payments on bonds which were not used to purchase assets capitalized by the County.

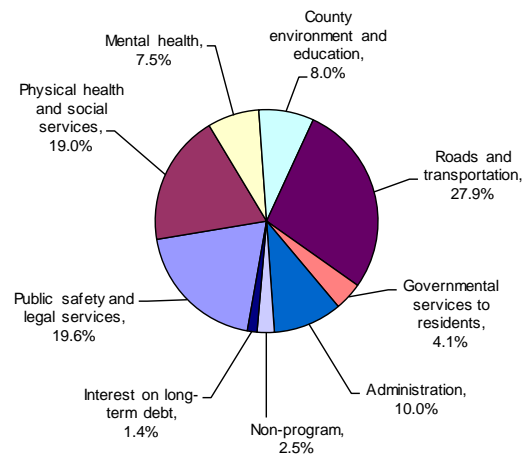
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 3,703	3,574
Operating grants, contributions and restricted interest	6,306	5,949
Capital grants, contributions and restricted interest	1,599	1,168
General revenues:		
Property and other county tax	10,188	10,308
Penalty and interest on property tax	169	130
Gaming wager tax	84	84
State tax credits	575	495
Local option sales tax	1,568	1,442
Unrestricted investment earnings	85	104
Gain on disposition of capital assets	184	36
Other general revenues	132	137
Total revenues	24,593	23,427
Program expenses:		
Public safety and legal services	4,408	4,329
Physical health and social services	4,289	4,223
Mental health	1,680	2,740
County environment and education	1,809	1,296
Roads and transportation	6,300	6,056
Governmental services to residents	917	970
Administration	2,245	2,267
Non-program	560	503
Interest on long-term debt	312	318
Total expenses	22,520	22,702
Change in net position	2,073	725
Net position beginning of year	40,156	39,431
Net position end of year	\$ 42,229	40,156

Revenue by Source



Expenses by Program



For fiscal year 2014, Lee County's property tax rates decreased to \$8.17942 per \$1,000 of taxable valuation for the countywide levy and the rural levy remained static at \$2.276 per \$1,000 of taxable valuation. The overall tax levy rate decreased \$.44102, from \$10.89644 to \$10.45542, per \$1,000 of taxable valuation. The countywide and the rural services taxable property valuations increased approximately \$41.2 million and \$23.8 million, respectively, from fiscal year 2013 to fiscal year 2014. The net effect of the increases in valuations and the decrease in tax rates was a net decrease in property and other county tax revenue of approximately \$120,000.

Operating grants, contributions and restricted interest increased approximately \$357,000 over fiscal year 2013. The increase is due primarily to an increase in federal grants related to mental health and social services offset by a decrease in state funding for mental health. Capital grants, contributions and restricted interest increased approximately \$431,000 over fiscal year 2013. The increase is due primarily to state and private grants for road projects related to the Iowa Fertilizer Plant.

INDIVIDUAL MAJOR FUND ANALYSIS

As Lee County completed the year, its governmental funds reported a combined fund balance of \$10,532,723, which is more than the \$9,362,286 combined fund balance at the end of fiscal year 2013.

The General Fund, the operating fund for Lee County, ended fiscal year 2014 with an ending balance of \$5,179,887 compared to the prior year ending balance of \$4,906,478, an increase of \$273,409. Revenues increased \$238,162, primarily due to an increase in property and other county tax. Expenditures increased \$239,892, or 2%, to \$12,015,676 in fiscal year 2014.

The Special Revenue, Mental Health Fund ended fiscal year 2014 with an ending balance of \$1,720,872 compared to the prior year ending balance of \$734,681, an increase of \$986,191. Revenues decreased \$419,792 and expenditures decreased \$1,057,974. The State of Iowa reduced mental health funding and also paid for costs associated with Medicaid patients paid by the County in previous years.

The Special Revenue, Rural Services Fund ended fiscal year 2014 with an ending balance of \$414,454 compared to the prior year ending balance of \$598,772, a decrease of \$184,318. Revenues decreased \$85,930, due primarily to a decrease in local option sales tax revenue. Expenditures increased \$21,026.

The Special Revenue, Secondary Roads Fund ended fiscal year 2014 with an ending balance of \$1,906,458 compared to the prior year ending balance of \$1,791,393, an increase of \$115,065. Revenues increased \$542,573 and expenditures increased \$592,751, both primarily due to increased pass-through receipts and disbursements associated with the Iowa Fertilizer Plant project.

The Debt Service Fund ended fiscal year 2014 with an ending balance of \$368,568 compared to the prior year ending balance of \$410,810, a decrease of \$42,242. Revenues increased \$78,805 and expenditures increased \$77,667, primarily due to the issuance of \$650,000 of general obligation jail bonds.

BUDGETARY HIGHLIGHTS

During the year, Lee County amended its budget two times. The first amendment was made on October 22, 2013 to increase budgeted disbursements and related debt for the jail remodel project, as well as to increase budgeted receipts and disbursements for hazard mitigation and conservation grants. The amendment also moved budgeted engineering disbursements for the Iowa Fertilizer Plant project from the capital projects function to the roads and transportation function. The second amendment was made on May 13, 2014. This amendment was necessary for various grant receipts and disbursements. This amendment increased budgeted disbursements in four functions by a total of \$180,925.

The County's receipts were \$9,382,216 less than budgeted, a variance of 30%. Intergovernmental receipts were \$4,933,542 less than budgeted as more of a RISE grant was anticipated than was received in fiscal year 2014. Also, miscellaneous receipts were \$4,232,494 less than budgeted as the Iowa Fertilizer Plant project, which Lee County is reimbursed for, was delayed in fiscal year 2014.

Total disbursements were \$11,514,631 less than the amended budget, a variance of 35%. Actual disbursements for the capital projects function were \$10,242,583 less than budgeted, primarily due to a delay in the Iowa Fertilizer Plant project.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the County had invested approximately \$37.8 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment, transportation equipment and administrative offices. This amount is a net increase of approximately \$473,000 from June 30, 2013.

Lee County had depreciation/amortization expense of approximately \$2.4 million in fiscal year 2014 and total accumulated depreciation/amortization of approximately \$34.3 million at June 30, 2014. Additional information about the County's capital assets is included in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2014, the County had approximately \$7,804,000 of long-term debt outstanding. This represents an increase of approximately \$44,000 over June 30, 2013.

Outstanding debt increased primarily due to the issuance of \$650,000 of general obligation law enforcement center improvement bonds, series 2013, as well as an installment purchase agreement for aerial photography services, of which the County's portion was approximately \$186,000. Offsetting this were scheduled payments of \$580,000 made on general obligation bonds and the retirement of the Great River Progressive Housing Corporation Bank Loan, which had an outstanding principal balance of \$154,536 at June 30, 2013. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Lee County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$98 million. Additional information about the County's long-term debt is included in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

From fiscal year 2013 to fiscal year 2014, the countywide and the rural taxable property valuations increased approximately \$41.2 million and \$23.8 million, respectively. In fiscal year 2015, the countywide and the rural taxable property valuations increased approximately \$6.1 million and \$7.2 million, respectively.

Amounts budgeted for disbursements in the fiscal year 2015 operating budget are approximately \$37.8 million, an increase of 76.6% over the fiscal year 2014 actual disbursements of approximately \$21.4 million. The significant projected increase in disbursements is primarily due to the pass-through receipts and disbursements for the Iowa Fertilizer Plant project. The County is expected to end fiscal year 2015 with a budgeted ending cash balance of approximately \$6.3 million compared to the June 30, 2014 actual cash balance of approximately \$8.5 million.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Lee County

Basic Financial Statements

Exhibit A

Lee County
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 10,813,508
Receivables:	
Property tax:	
Delinquent	51,043
Succeeding year	10,758,000
Interest and penalty on property tax	65,142
Accounts	489,994
Accrued interest	5,923
E911 loan	315,000
Due from other governments	1,613,079
Inventories	1,142,585
Capital assets, net of accumulated depreciation/amortization	<u>37,779,766</u>
Total assets	<u>63,034,040</u>
Liabilities	
Accounts payable	908,293
Accrued interest payable	23,182
Salaries and benefits payable	339,669
Due to other governments	149,925
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	605,000
Installment purchase agreement	28,326
Compensated absences	352,667
Portion due or payable after one year:	
General obligation bonds	7,070,000
Installment purchase agreement	101,039
Compensated absences	74,636
Net OPEB liability	<u>393,900</u>
Total liabilities	<u>10,046,637</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>10,758,000</u>

Lee County
Statement of Net Position
June 30, 2014

	Governmental Activities
Net Position	
Net investment in capital assets	32,968,592
Restricted for:	
Nonexpendable:	
Permanent Fund - hospice care	82,500
Expendable:	
Supplemental levy purposes	1,035,226
Mental health purposes	1,722,038
Rural services purposes	575,340
Secondary roads purposes	1,898,618
Conservation land acquisition	82,756
Debt service	357,720
Building repair and maintenance	504,476
Hospice purposes	246,356
Other purposes	535,772
Unrestricted	2,220,009
Total net position	\$ 42,229,403

See notes to financial statements.

Lee County

Lee County

Statement of Activities

Year ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Contributions and Restricted Interest	Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,408,204	423,624	110,331	-	(3,874,249)
Physical health and social services	4,288,899	1,770,734	1,645,836	-	(872,329)
Mental health	1,680,174	136,498	952,713	-	(590,963)
County environment and education	1,808,437	58,908	402,199	-	(1,347,330)
Roads and transportation	6,299,648	185,383	3,120,012	1,599,253	(1,395,000)
Governmental services to residents	917,139	538,653	40,494	-	(337,992)
Administration	2,245,174	38,575	716	-	(2,205,883)
Non-program	560,300	551,255	16,667	-	7,622
Interest on long-term debt	312,300	-	17,643	-	(294,657)
	<u>\$ 22,520,275</u>	<u>3,703,630</u>	<u>6,306,611</u>	<u>1,599,253</u>	<u>(10,910,781)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					9,396,421
Debt services					791,919
Penalty and interest on property tax					168,529
Gaming wager tax					84,081
State tax credits					574,721
Local option sales tax					1,567,772
Unrestricted investment earnings					85,450
Gain on disposition of capital assets					183,645
Miscellaneous					131,922
Total general revenues					<u>12,984,460</u>
Change in net position					2,073,679
Net position beginning of year					<u>40,155,724</u>
Net position end of year					<u>\$ 42,229,403</u>
See notes to financial statements.					

Lee County
Balance Sheet
Governmental Funds

June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ 5,025,169	1,885,094	266,476	727,183
Component units	-	-	-	-
Receivables:				
Property tax:				
Delinquent	34,840	7,983	4,460	-
Succeeding year	6,910,000	1,583,000	1,477,000	-
Interest and penalty on property tax	65,142	-	-	-
Accounts	70,170	-	-	57,957
Accrued interest	5,397	-	-	-
E911 loan	-	-	-	-
Due from other governments	927,887	-	358,406	326,654
Inventories	-	-	-	1,141,737
Total assets	\$ 13,038,605	3,476,077	2,106,342	2,253,531
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 199,979	80,338	4,556	127,143
Salaries and benefits payable	241,607	5,735	16,412	68,121
Due to other funds	5,032	130	-	119
Due to other governments	63,035	78,399	2,965	114
Total liabilities	509,653	164,602	23,933	195,497
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	6,910,000	1,583,000	1,477,000	-
Other	439,065	7,603	190,955	151,576
Total deferred inflows of resources	7,349,065	1,590,603	1,667,955	151,576
Fund balances:				
Nonspendable:				
Inventories	-	-	-	1,141,737
Hospice care	-	-	-	-
Restricted for:				
Supplemental levy purposes	1,069,956	-	-	-
Mental health purposes	-	1,720,872	-	-
Rural services purposes	-	-	414,454	-
Secondary roads purposes	-	-	-	764,721
Conservation land acquisition	82,756	-	-	-
Debt service	-	-	-	-
Hospice care	-	-	-	-
Building repair and maintenance (local option sales tax)	504,476	-	-	-
Other purposes	-	-	-	-
Assigned for Sheriff's commissary	24,272	-	-	-
Unassigned	3,498,427	-	-	-
Total fund balances	5,179,887	1,720,872	414,454	1,906,458
Total liabilities, deferred inflows of resources and fund balances	\$ 13,038,605	3,476,077	2,106,342	2,253,531

See notes to financial statements.

Debt Service	Nonmajor	Total
53,377	564,849	8,522,148
-	469,532	469,532
3,760	-	51,043
788,000	-	10,758,000
-	-	65,142
-	361,627	489,754
12	123	5,532
315,000	-	315,000
-	-	1,612,947
-	-	1,141,737
<u>1,160,149</u>	<u>1,396,131</u>	<u>23,430,835</u>
-	443,443	855,459
-	4,792	336,667
-	-	5,281
-	5,412	149,925
-	453,647	1,347,332
788,000	-	10,758,000
3,581	-	792,780
<u>791,581</u>	-	<u>11,550,780</u>
-	-	1,141,737
-	82,500	82,500
-	-	1,069,956
-	-	1,720,872
-	-	414,454
-	-	764,721
-	-	82,756
368,568	-	368,568
-	246,356	246,356
-	-	504,476
-	693,963	693,963
-	-	24,272
-	(80,335)	3,418,092
<u>368,568</u>	<u>942,484</u>	<u>10,532,723</u>
<u>1,160,149</u>	<u>1,396,131</u>	<u>23,430,835</u>

Lee County

Lee County

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

June 30, 2014

Total governmental fund balances (page 23) \$ 10,532,723

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$71,612,056 and the accumulated depreciation/amortization is \$34,020,460. 37,591,596

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 792,780

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

Capital assets of \$439,779, net of accumulated depreciation/amortization of \$251,609	\$ 188,170	
Compensated absences	(3,558)	
Net OPEB liability	(2,324)	
Installment purchase agreement payable	(129,365)	
Other net position	<u>1,772,884</u>	1,825,807

Long-term liabilities, including general obligation bonds payable, bank loans payable, other postemployment benefits payable, accrued interest payable and compensated absences payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (8,513,503)

Net position of governmental activities (page 19) \$ 42,229,403

See notes to financial statements.

Lee County

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

Year ended June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 6,748,474	1,596,784	1,124,335	-
Local option sales tax	329,678	-	989,035	-
Interest and penalty on property tax	146,058	-	-	-
Intergovernmental	3,600,381	894,687	68,731	3,250,840
Licenses and permits	83,562	-	-	18,102
Charges for service	1,000,905	-	-	116
Use of money and property	160,934	80,541	-	-
Miscellaneous	219,093	836	3,134	516,230
Total revenues	12,289,085	2,572,848	2,185,235	3,785,288
Expenditures:				
Operating:				
Public safety and legal services	3,797,142	-	626,921	-
Physical health and social services	4,155,092	-	-	-
Mental health	78	1,586,657	-	-
County environment and education	1,138,468	-	189,472	-
Roads and transportation	-	-	-	5,130,710
Governmental services to residents	915,073	-	3,160	-
Administration	1,989,089	-	-	-
Non-program	8,734	-	-	-
Debt service	-	-	-	-
Capital projects	12,000	-	-	89,513
Total expenditures	12,015,676	1,586,657	819,553	5,220,223
Excess (deficiency) of revenues over (under) expenditures	273,409	986,191	1,365,682	(1,434,935)
Other financing sources (uses):				
Transfers in	-	-	-	1,550,000
Transfers out	-	-	(1,550,000)	-
Bond proceeds	-	-	-	-
Total other financing sources (uses)	-	-	(1,550,000)	1,550,000
Change in fund balances	273,409	986,191	(184,318)	115,065
Fund balances beginning of year	4,906,478	734,681	598,772	1,791,393
Fund balances end of year	\$ 5,179,887	1,720,872	414,454	1,906,458

See notes to financial statements.

Debt Service	Nonmajor	Total
791,130	-	10,260,723
-	-	1,318,713
-	-	146,058
58,808	398,136	8,271,583
-	-	101,664
-	5,956	1,006,977
1,063	66,658	309,196
-	160,168	899,461
851,001	630,918	22,314,375
-	4,717	4,428,780
-	135,667	4,290,759
-	166,509	1,753,244
-	472,622	1,800,562
-	-	5,130,710
-	607	918,840
-	-	1,989,089
-	-	8,734
893,243	-	893,243
-	478,464	579,977
893,243	1,258,586	21,793,938
(42,242)	(627,668)	520,437
-	-	1,550,000
-	-	(1,550,000)
-	650,000	650,000
-	650,000	650,000
(42,242)	22,332	1,170,437
410,810	920,152	9,362,286
368,568	942,484	10,532,723

Lee County

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

Year ended June 30, 2014

Change in fund balances - Total governmental funds (page 27) \$ 1,170,437

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 1,448,622	
Capital assets contributed by the Iowa Department of	1,076,056	
Depreciation/amortization expense	<u>(2,395,344)</u>	129,334

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase financial resources. 183,645

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax	11,698	
Other	<u>459,037</u>	470,735

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. (650,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 734,536

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	21,118	
Other postemployment benefits	(58,950)	
Interest on long-term debt	<u>943</u>	(36,889)

The Internal Service Funds are used by management to charge the costs of various services to individual departments and funds. The change in net position of the Internal Service Funds is reported with governmental activities. 71,881

Change in net position of governmental activities (page 21) \$ 2,073,679

See notes to financial statements.

Lee County
Statement of Net Position
Proprietary Funds
June 30, 2014

	Internal Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,821,828
Receivables:	
Accounts	240
Accrued interest	391
Due from other funds	5,414
Due from other governments	132
Inventories	848
Noncurrent assets:	
Capital assets, net of accumulated depreciation/amortization	188,170
Total assets	2,017,023
Liabilities	
Current liabilities:	
Accounts payable	52,834
Salaries and benefits payable	3,002
Due to other funds	133
Installment purchase agreement payable	28,326
Compensated absences	3,558
Non-current liabilities:	
Installment purchase agreement payable	101,039
Net OPEB liability	2,324
Total liabilities	191,216
Net Position	
Net investment in capital assets	58,805
Unrestricted	1,767,002
Total net position	\$ 1,825,807

See notes to financial statements.

Lee County

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

Year ended June 30, 2014

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds and other governmental units		\$ 2,421,847
Reimbursements from employees and others		256,714
Miscellaneous reimbursements		13,471
Total operating revenues		<u>2,692,032</u>
Operating expenses:		
Medical and health services	\$ 2,246,770	
Salaries and benefits	87,713	
Administrative fees, network access fees and stop-loss premium	77,598	
Supplies, utilities and data processing	109,040	
Maintenance agreements	16,126	
Non-capitalized equipment	34,242	
Depreciation/amortization	<u>53,364</u>	<u>2,624,853</u>
Operating income		67,179
Non-operating revenues:		
Interest income		<u>4,702</u>
Change in net position		71,881
Net position beginning of year		<u>1,753,926</u>
Net position end of year		<u>\$ 1,825,807</u>
See notes to financial statements.		

Lee County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2014

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds and other governmental units	\$ 2,440,624
Cash received from employees and others	269,955
Cash paid to suppliers for services	(2,538,983)
Net cash provided by operating activities	171,596
Cash flows from capital and related financing activities:	
Purchase of equipment	(27,111)
Installment purchase agreement payment	(56,652)
Net cash used by capital and related financing activities	(83,763)
Cash flows from investing activities:	
Interest on investments	4,685
Increase in cash and cash equivalents	92,518
Cash and cash equivalents beginning of year	1,729,310
Cash and cash equivalents end of year	\$ 1,821,828
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 67,179
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization expense	53,364
Changes in assets and liabilities:	
Decrease in accounts receivable	247
Decrease in due from other governments	18,328
Increase in due from other funds	(28)
Increase in inventories	(121)
Increase in accounts payable	31,852
Increase in salaries and benefits payable	348
Decrease in due to other funds	(112)
Decrease in due to other governments	(505)
Increase in compensated absences	694
Increase in net OPEB liability	350
Net cash provided by operating activities	\$ 171,596

See notes to financial statements.

Lee County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 2,062,908
Other County officials	387,182

Receivables:

Property tax:

Delinquent	168,378
Succeeding year	29,672,000

Accounts	18,729
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Accrued interest	111
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Special assessments	232,612
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Drainage assessments:

Current	174,644
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Future	1,130,050
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Due from other governments	733,845
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Total assets	<u>34,580,459</u>
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Liabilities

Accounts payable	174,659
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Salaries and benefits payable	40,205
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Due to other governments	31,992,923
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Trusts payable	351,459
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Compensated absences	32,548
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Bank loan	1,988,665
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Total liabilities	<u>34,580,459</u>
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Net position	<u><u>\$ -</u></u>
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See notes to financial statements.

Lee County

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Lee County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lee County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

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

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

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

Lincoln Ridge Limited Partnership is an agreement between the Great River Progressive Housing Corporation (General Partner) and Lee County Development Corporation (Limited Partner) pursuant to the provisions of the Iowa Uniform Limited Partnership Act. The Partnership is established for the sole purpose of engaging in the business of constructing, acquiring, developing,

owning, renting, leasing and disposing of a residential multi-dwelling housing project of up to 16 units for hard to house persons of low income. In accordance with criteria set forth by the Governmental Accounting Standards Board, Lincoln Ridge Limited Partnership meets the definition of a component unit which should be blended. The partnership's financial activity included in this report is from the partnership's financial report for the year ended December 31, 2013. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

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

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

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

Discretely Presented Component Unit

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

In accordance with criteria set forth by the Governmental Accounting Standards Board, EMS meets the definition of a component unit which should be discretely presented. Condensed financial statements prepared on the accrual basis of accounting for the year ended December 31, 2013 are presented in Note 14.

Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lee County Assessor's Conference Board, Lee County Emergency Management Commission, Lee County Joint E911 Service Board and Children First - Lee/Van Buren

Empowerment Area. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not 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. Special assessments receivable represent assessments which have been made but have not been collected.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2014 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.

Three Rivers Conservation Foundation's investments at June 30, 2014 consist of stocks and stock mutual funds with a fair value of \$185,385. Disclosure of concentration of credit risk and interest rate risk do not apply to these investments.

Friends of Public Health's investments at June 30, 2014 consist of Series A preferred interest in IO-MEGA, LLC with a cost of \$75,000. Fair value is not determinable for this investment. Disclosures of concentration of credit risk and interest rate do not apply to this investment.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service:		
Supplies	General	\$ 5,032
	Special Revenue:	
	Mental Health	130
	Secondary Roads	119
	Internal Service:	
	Employee Health Plan Trust	22
	Information Technology	111
Total		<u>\$ 5,414</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	<u>\$ 1,550,000</u>

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

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 993,136	-	-	993,136
Land, road network	976,085	-	-	976,085
Construction in progress	125,914	805,751	(103,759)	827,906
Total capital assets not being depreciated/amortized	<u>2,095,135</u>	<u>805,751</u>	<u>(103,759)</u>	<u>2,797,127</u>
Capital assets being depreciated/amortized:				
Buildings	14,487,075	-	-	14,487,075
Improvements other than buildings	877,645	67,670	-	945,315
Equipment and vehicles	7,000,443	762,245	(500,911)	7,261,777
Equipment, internal service	160,338	24,475	(6,841)	177,972
Intangibles	125,420	-	-	125,420
Intangibles, internal service	73,154	188,653	-	261,807
Infrastructure, road network	44,815,527	1,179,815	-	45,995,342
Total capital assets being depreciated/amortized	<u>67,539,602</u>	<u>2,222,858</u>	<u>(507,752)</u>	<u>69,254,708</u>
Less accumulated depreciation/amortization for:				
Buildings	5,183,403	343,048	-	5,526,451
Improvements other than buildings	594,047	25,138	-	619,185
Equipment and vehicles	5,256,571	488,760	(497,512)	5,247,819
Equipment, internal service	146,562	11,783	(6,841)	151,504
Intangibles	125,420	-	-	125,420
Intangibles, internal service	58,524	41,581	-	100,105
Infrastructure, road network	20,963,187	1,538,398	-	22,501,585
Total accumulated depreciation/amortization	<u>32,327,714</u>	<u>2,448,708</u>	<u>(504,353)</u>	<u>34,272,069</u>
Total capital assets being depreciated/amortized, net	<u>35,211,888</u>	<u>(225,850)</u>	<u>(3,399)</u>	<u>34,982,639</u>
Governmental activities capital assets, net	<u>\$37,307,023</u>	<u>579,901</u>	<u>(107,158)</u>	<u>37,779,766</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 78,512
Physical health and social services	29,593
Mental health	80,573
County environment and education	47,640
Roads and transportation	1,885,885
Administration	326,505
Total depreciation/amortization expense - governmental activities	<u>\$2,448,708</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 63,035
Special Revenue:		
Mental Health	Services	78,399
Rural Services	Services	2,965
Secondary Roads	Services	114
Memorial Trust	Services	5,412
		<u>86,890</u>
Total for governmental funds		<u>\$ 149,925</u>
Agency:		
County Assessor	Collections	\$ 601,326
Schools		16,302,283
Community Colleges		1,177,817
Corporations		11,796,198
Auto License and Use Tax		653,143
All other		1,462,156
Total for agency funds		<u>\$ 31,992,923</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	<u>General Obligation Jail Bonds</u>	<u>General Solid Waste Disposal Bonds</u>	<u>General Emergency Services Bonds</u>	<u>Great River Progressive Housing Corporation Bank Loan</u>	<u>Installment Purchase Agreement</u>	<u>Compen- sated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$4,460,000	2,780,000	365,000	154,536	-	447,727	334,600	8,541,863
Increases	650,000	-	-	-	186,017	528,170	105,700	1,469,887
Decreases	270,000	260,000	50,000	154,536	56,652	548,594	46,400	1,386,182
Balance end of year	<u>\$4,840,000</u>	<u>2,520,000</u>	<u>315,000</u>	<u>-</u>	<u>129,365</u>	<u>427,303</u>	<u>393,900</u>	<u>8,625,568</u>
Due within one year	<u>\$ 285,000</u>	<u>270,000</u>	<u>50,000</u>	<u>-</u>	<u>28,326</u>	<u>352,667</u>	<u>-</u>	<u>985,993</u>

General Obligation Jail Bonds

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

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	3.50%	\$ 225,000	170,195	395,195
2016	4.00	235,000	162,320	397,320
2017	5.00	245,000	152,920	397,920
2018	5.00	255,000	140,570	395,570
2019	3.70	265,000	127,920	392,920
2020-2024	3.70-3.90	1,530,000	480,415	2,010,415
2025-2028	4.00	1,490,000	152,000	1,642,000
Total		\$ 4,245,000	1,386,340	5,631,340

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

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.00%	\$ 60,000	11,900	71,900
2016	2.00	60,000	10,700	70,700
2017	2.00	65,000	9,500	74,500
2018	2.00	65,000	8,200	73,200
2019	2.00	65,000	6,900	71,900
2020-2023	2.00	280,000	14,000	294,000
Total		\$ 595,000	61,200	656,200

General Obligation Solid Waste Disposal Bonds

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

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	4.00%	\$ 270,000	97,042	367,042
2016	4.00	280,000	86,242	366,242
2017	3.73	295,000	75,042	370,042
2018	3.75	305,000	64,038	369,038
2019	3.80	320,000	52,600	372,600
2020-2022	3.80-3.90	1,050,000	82,386	1,132,386
Total		\$ 2,520,000	457,350	2,977,350

General Obligation Emergency Services Bonds

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

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	3.45%	\$ 50,000	13,430	63,430
2016	3.80	50,000	11,705	61,705
2017	4.10	50,000	9,805	59,805
2018	4.40	55,000	7,755	62,755
2019	4.70	55,000	5,335	60,335
2020	5.00	55,000	2,750	57,750
Total		\$ 315,000	50,780	365,780

These bonds were issued under the U.S. Department of the Treasury Recovery Zone Economic Development Bonds program. As such, the County will receive a credit for 45% of the interest payable to bond holders.

Installment Purchase Agreement

The County has entered into an interest free installment purchase agreement to purchase aerial photography for its Geographic Information System. A summary of the installment purchase agreement is as follows:

Year Ending June 30,	Amount
2015	\$ 28,326
2016	33,680
2017	33,680
2018	33,679
Total	\$ 129,365

(8) E911 Loan Receivable

On April 1, 2010, the County entered into a \$500,000 loan agreement with the E911 Service Board. The E911 Service Board agreed to pay all amounts due by the County under the general obligation emergency services bonds issued on April 6, 2010. Note 7 to the financial statements reports the summary of the annual bond principal and interest requirements to maturity. The balance of the loan receivable, \$315,000 at June 30, 2014, is reported in the Debt Service fund.

The bonds were issued under the U.S. Department of the Treasury Recovery Zone Economic Development Bonds program. As such, the County will receive a credit for 45% of the interest payable to bond holders. The E911 Service Board is responsible for 55% of the interest payable to bond holders.

(9) 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.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$668,385, \$633,841 and \$570,676, respectively, equal to the required contributions for each year.

(10) Endowment

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

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

(11) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 166 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 101,700
Interest on net OPEB obligation	13,400
Adjustment to annual required contribution	<u>(9,400)</u>
Annual OPEB cost	105,700
Contributions made	<u>(46,400)</u>
Increase in net OPEB obligation	59,300
Net OPEB obligation beginning of year	<u>334,600</u>
Net OPEB obligation end of year	<u>\$ 393,900</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$46,400 to the medical plan. Plan members eligible for benefits contributed \$55,900, or 54.6% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 101,734	22.3%	\$ 267,016
2013	101,784	33.6	334,600
2014	105,700	43.9	393,900

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$889,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$889,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,468,000 and the ratio of the UAAL to covered payroll was 13.7%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$1,208 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(12) Risk Management

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

(13) Employee Health Insurance Plan

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

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

Monthly payments of service fees and plan contributions to the Employee Health Plan Trust Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Advantage Administrators and health insurance premiums are paid to Wellmark from the Employee Health Plan Trust Fund. The County's contribution for the year ended June 30, 2014 was \$2,120,737.

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

(14) Lee County EMS Ambulance, Inc.

Lee County EMS Ambulance, Inc. (EMS) provides ambulance service for Lee County. EMS reports its financial activity using a calendar year end. As permitted by GASB Statement No. 34, the County has opted to present condensed financial information for its discretely presented component unit. Following is the condensed financial information for EMS for the year ended December 31, 2013.

Condensed Statement of Net Position	
December 31, 2013	
Assets	
Accounts receivable, net of allowance	\$ 309,028
Capital assets, net of accumulated depreciation	201,413
Other	12,487
Total assets	<u>522,928</u>
Liabilities	
Accounts payable	15,748
Salaries and benefits payable	75,555
Line of credit	31,207
Total liabilities	<u>122,510</u>
Net position	
Net investment in capital assets	201,413
Unrestricted	199,005
Total net position	<u>\$ 400,418</u>

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position	
Year ended December 31, 2013	
Operating revenues:	
Patient income	\$ 1,426,362
County subsidy	390,000
Other	678
Total operating revenues	<u>1,817,040</u>
Operating expenses:	
Salaries and benefits	\$ 1,085,683
Insurance	322,118
Other	442,118
Operating loss	<u>(32,879)</u>
Non-operating expenses:	
Interest expense	<u>(2,804)</u>
Net loss	<u>(35,683)</u>
Net position beginning of year, as restated	<u>436,101</u>
Net position end of year	<u>\$ 400,418</u>

Net position beginning of year has been restated to report the change in accounting to the accrual basis of accounting from the income tax basis of accounting. The effect of this change is as follows:

Net position December 31, 2012, as previously reported	\$ 183,479
Accounts receivable, net of allowance	283,273
Prepaid insurance	14,234
Accounts payable	(20,180)
Salaires and benefits payable	<u>(24,705)</u>
Net position December 31, 2012, as restated	<u>\$ 436,101</u>

(15) Jointly Governed Organization

The County participates in the Lee County Public Safety Answering Point Association, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2014:

Additions:

Contributions from governmental units:	
Member contributions	\$ 755,148
Interest on investments	168
Total additions	<u>755,316</u>

Deductions:

Salaries	\$ 487,535	
Benefits	243,101	
Administration	106	
Office supplies	3,974	
Legal representation and publications	886	
Telephone	4,882	
Equipment	5,392	
Labor relation services	19,184	
Liability services	3,122	
Contractual services	311	
Maintenance and improvements	2,352	
Data processing services	<u>23,252</u>	<u>794,097</u>
Net		(38,781)
Balance beginning of year		<u>74,891</u>
Balance end of year		<u>\$ 36,110</u>

(16) Ambulance Subsidy Agreement

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

(17) Early Childhood Iowa Area Board

The County is the fiscal agent for Children First, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2014 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 101,014	-	101,014
Family support and parent education	-	202,542	202,542
Preschool support for low-income families	-	88,930	88,930
Quality improvement	-	46,466	46,466
Allocation for administration	-	11,110	11,110
Other grant programs	5,316	21,620	26,936
Total state grants	106,330	370,668	476,998
Interest on investments	66	299	365
Total revenues	106,396	370,967	477,363
Expenditures:			
Program services:			
Early childhood	96,196	-	96,196
Family support and parent education	-	202,781	202,781
Preschool support for low income families	-	107,034	107,034
Quality improvement	-	47,560	47,560
Other program services	-	22,005	22,005
Total program services	96,196	379,380	475,576
Administration	4,841	12,460	17,301
Total expenditures	101,037	391,840	492,877
Change in fund balance	5,359	(20,873)	(15,514)
Fund balance beginning of year	863	40,932	41,795
Fund balance end of year	\$ 6,222	20,059	26,281

(18) Pending Litigation and Contingent Liability

The County was the defendant in nine separate appeals of the Lee County Board of Review regarding the fair market value or the tax value of properties. A downward adjustment should be anticipated with adjustments in revenue ranging from \$300,000 to \$500,000.

(19) Deficit Fund Balance

The Special Revenue, Lincoln Ridge Limited Partnership Fund had a deficit unassigned fund balance of \$80,335 at June 30, 2014. The deficit balance was the result of a lower occupancy rate at the apartment building. The deficit will be eliminated through efforts to increase the occupancy rate.

(20) Subsequent Event

On October 1, 2014, the County issued a \$510,000 general obligation conservation building bond to provide funds to pay the cost, of acquiring, building, equipping and furnishing a conservation building for the County.

(21) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.

Required Supplementary Information

Lee County

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

Required Supplementary Information

Year ended June 30, 2014

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 11,607,287	-	11,607,287
Interest and penalty on property tax	151,509	-	151,509
Intergovernmental	8,138,818	376,918	7,761,900
Licenses and permits	102,640	-	102,640
Charges for service	1,010,979	-	1,010,979
Use of money and property	309,400	64,205	245,195
Miscellaneous	1,072,405	125,637	946,768
Total receipts	22,393,038	566,760	21,826,278
Disbursements:			
Public safety and legal services	4,425,286	-	4,425,286
Physical health and social services	4,222,471	-	4,222,471
Mental health	1,779,613	65,012	1,714,601
County environment and education	1,967,733	625,632	1,342,101
Roads and transportation	5,323,296	-	5,323,296
Governmental services to residents	915,811	-	915,811
Administration	1,979,813	-	1,979,813
Non-program	11,667	-	11,667
Debt service	893,244	-	893,244
Capital projects	592,823	-	592,823
Total disbursements	22,111,757	690,644	21,421,113
Excess (deficiency) of receipts over (under) disbursements	281,281	(123,884)	405,165
Other financing sources, net	650,000	-	650,000
Balance beginning of year	8,060,399	593,416	7,466,983
Balance end of year	\$ 8,991,680	469,532	8,522,148

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
11,812,642	11,812,642	(205,355)
111,606	111,606	39,903
12,557,530	12,695,442	(4,933,542)
117,850	117,850	(15,210)
1,016,542	1,016,542	(5,563)
260,150	275,150	(29,955)
5,171,037	5,179,262	(4,232,494)
<u>31,047,357</u>	<u>31,208,494</u>	<u>(9,382,216)</u>
4,570,724	4,653,324	228,038
4,624,678	4,642,778	420,307
1,923,725	1,923,725	209,124
1,349,068	1,431,623	89,522
4,928,803	5,396,685	73,389
986,538	996,083	80,272
2,114,498	2,114,498	134,685
20,000	45,000	33,333
896,622	896,622	3,378
<u>10,903,288</u>	<u>10,835,406</u>	<u>10,242,583</u>
<u>32,317,944</u>	<u>32,935,744</u>	<u>11,514,631</u>
(1,270,587)	(1,727,250)	2,132,415
1,000	651,000	(1,000)
<u>7,397,597</u>	<u>7,397,597</u>	<u>69,386</u>
<u>6,128,010</u>	<u>6,321,347</u>	<u>2,200,801</u>

Lee County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 22,393,038	(78,663)	22,314,375
Expenditures	22,111,757	(317,819)	21,793,938
Net	281,281	239,156	520,437
Other financing sources, net	650,000	-	650,000
Beginning fund balances	8,060,399	1,301,887	9,362,286
Ending fund balances	\$ 8,991,680	1,541,043	10,532,723

See accompanying independent auditor's report.

Lee County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Permanent Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$617,800. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted by function.

Lee County

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

Required Supplementary Information

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

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

See accompanying independent auditor's report.

Supplementary Information

Lee County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Great River Progressive Housing Corporation	Special Lincoln Ridge Limited Partnership
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ 13,351	46,116	5,265	-	-
Component units	-	-	-	421	36,396
Receivables:					
Accounts	-	-	-	-	11,627
Accrued interest	3	11	-	-	-
Total assets	\$ 13,354	46,127	5,265	421	48,023
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	-	-	-	93,443
Salaries and benefits payable	147	-	-	-	-
Due to other governments	-	-	-	-	-
Total liabilities	147	-	-	-	93,443
Fund balances:					
Nonspendable:					
Hospice care	-	-	-	-	-
Restricted for:					
Hospice care	-	-	-	-	-
Other purposes	13,207	46,127	5,265	421	34,915
Unassigned	-	-	-	-	(80,335)
Total fund balances	13,207	46,127	5,265	421	(45,420)
Total liabilities and fund balances	\$ 13,354	46,127	5,265	421	48,023

See accompanying independent auditor's report.

Revenue									
Lee County	Three Rivers	Friends						Permanent	
Economic	Conservation	of	Sheriff's	Memorial	Neff	Capital		Neff	
Development	Foundation	Public	Forfeiture	Trust	Memorial	Projects		Memorial	Total
Group		Health							
-	-	-	7,581	226,687	25,009	158,340		82,500	564,849
55,925	202,130	174,660	-	-	-	-		-	469,532
350,000	-	-	-	-	-	-		-	361,627
-	-	-	-	53	19	37		-	123
405,925	202,130	174,660	7,581	226,740	25,028	158,377		82,500	1,396,131
350,000	-	-	-	-	-	-		-	443,443
4,645	-	-	-	-	-	-		-	4,792
-	-	-	-	5,412	-	-		-	5,412
354,645	-	-	-	5,412	-	-		-	453,647
-	-	-	-	-	-	-		82,500	82,500
-	-	-	-	221,328	25,028	-		-	246,356
51,280	202,130	174,660	7,581	-	-	158,377		-	693,963
-	-	-	-	-	-	-		-	(80,335)
51,280	202,130	174,660	7,581	221,328	25,028	158,377		82,500	942,484
405,925	202,130	174,660	7,581	226,740	25,028	158,377		82,500	1,396,131

Lee County

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

Year ended June 30, 2014

	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Great River Progressive Housing Corporation	Special Lincoln Ridge Limited Partnership
Revenues:					
Intergovernmental	\$ 21,218	-	-	166,918	-
Charges for service	-	5,956	-	-	-
Use of money and property	29	123	-	-	55,957
Miscellaneous	-	-	1,067	-	2,888
Total revenues	<u>21,247</u>	<u>6,079</u>	<u>1,067</u>	<u>166,918</u>	<u>58,845</u>
Expenditures:					
Operating:					
Public safety and legal services	-	-	3,695	-	-
Physical health and social services	-	-	-	-	83,753
Mental health	-	-	-	166,509	-
County environment and education	11,491	-	-	-	-
Governmental services to residents	-	607	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	<u>11,491</u>	<u>607</u>	<u>3,695</u>	<u>166,509</u>	<u>83,753</u>
Excess (deficiency) of revenues over (under) expenditures	9,756	5,472	(2,628)	409	(24,908)
Other financing sources:					
Bond proceeds	-	-	-	-	-
Change in fund balances	9,756	5,472	(2,628)	409	(24,908)
Fund balances beginning of year	3,451	40,655	7,893	12	(20,512)
Fund balances end of year	<u>\$ 13,207</u>	<u>46,127</u>	<u>5,265</u>	<u>421</u>	<u>(45,420)</u>

See accompanying independent auditor's report.

Revenue									
Lee County		Friends						Permanent	
Economic	Three Rivers	of	Sheriff's	Memorial	Neff	Capital		Neff	
Development	Conservation	Public	Forfeiture	Trust	Memorial	Projects		Memorial	Total
Group	Foundation	Health							
210,000	-	-	-	-	-	-	-	-	398,136
-	-	-	-	-	-	-	-	-	5,956
300	8,049	198	-	664	234	1,104	-	-	66,658
62,339	60,251	250	1,127	32,246	-	-	-	-	160,168
272,639	68,300	448	1,127	32,910	234	1,104	-	-	630,918
-	-	-	1,022	-	-	-	-	-	4,717
-	-	-	-	51,914	-	-	-	-	135,667
-	-	-	-	-	-	-	-	-	166,509
429,686	31,445	-	-	-	-	-	-	-	472,622
-	-	-	-	-	-	-	-	-	607
-	-	-	-	-	-	478,464	-	-	478,464
429,686	31,445	-	1,022	51,914	-	478,464	-	-	1,258,586
(157,047)	36,855	448	105	(19,004)	234	(477,360)	-	-	(627,668)
-	-	-	-	-	-	650,000	-	-	650,000
(157,047)	36,855	448	105	(19,004)	234	172,640	-	-	22,332
208,327	165,275	174,212	7,476	240,332	24,794	(14,263)	82,500	-	920,152
51,280	202,130	174,660	7,581	221,328	25,028	158,377	82,500	-	942,484

Schedule 3

Lee County
Combining Schedule of Net Position
Internal Service Funds

June 30, 2014

	Employee Health Plan Information			
	Supplies	Trust	Technology	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 11,866	1,700,782	109,180	1,821,828
Receivables:				
Accounts	-	240	-	240
Accrued interest	-	391	-	391
Due from other funds	5,414	-	-	5,414
Due from other governments	132	-	-	132
Inventories	848	-	-	848
Noncurrent assets:				
Capital assets, net of accumulated depreciation/amortization	14,420	-	173,750	188,170
Total assets	32,680	1,701,413	282,930	2,017,023
Liabilities				
Current liabilities:				
Accounts payable	2,119	39,236	11,479	52,834
Salaries and benefits payable	-	-	3,002	3,002
Due to other funds	-	22	111	133
Compensated absences	-	-	3,558	3,558
Installment purchase agreement payable	-	-	28,326	28,326
Non-current liabilities:				
Net OPEB liability	-	-	2,324	2,324
Installment purchase agreement payable	-	-	101,039	101,039
Total liabilities	2,119	39,258	149,839	191,216
Net Position				
Net investment in capital assets	14,420	-	44,385	58,805
Unrestricted	16,141	1,662,155	88,706	1,767,002
Total net position	\$ 30,561	1,662,155	133,091	1,825,807

See accompanying independent auditor's report.

Lee County

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

Year ended June 30, 2014

	Supplies	Employee Health Plan Trust	Information Technology	Total
Operating revenues:				
Reimbursements from operating funds and other governmental units	\$ 80,210	2,120,737	220,900	2,421,847
Reimbursements from employees and others	-	250,758	5,956	256,714
Miscellaneous reimbursements	2,877	3,714	6,880	13,471
Total operating revenues	<u>83,087</u>	<u>2,375,209</u>	<u>233,736</u>	<u>2,692,032</u>
Operating expenses:				
Medical and health services	-	2,246,770	-	2,246,770
Salaries and benefits	-	-	87,713	87,713
Administrative fees, network access fees and stop-loss premium	-	77,598	-	77,598
Supplies, utilities and data processing	83,114	419	25,507	109,040
Maintenance agreements	-	-	16,126	16,126
Non-capitalized equipment	-	-	34,242	34,242
Depreciation/amortization	3,605	-	49,759	53,364
Total operating expenses	<u>86,719</u>	<u>2,324,787</u>	<u>213,347</u>	<u>2,624,853</u>
Operating income (loss)	(3,632)	50,422	20,389	67,179
Non-operating revenues:				
Interest income	-	4,702	-	4,702
Change in net position	(3,632)	55,124	20,389	71,881
Net position beginning of year	34,193	1,607,031	112,702	1,753,926
Net position end of year	<u>\$ 30,561</u>	<u>1,662,155</u>	<u>133,091</u>	<u>1,825,807</u>

See accompanying independent auditor's report.

Lee County

Lee County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2014

	Supplies	Employee Health Plan Trust	Information Technology	Total
Cash flows from operating activities:				
Cash received from operating funds and other governmental units	\$ 80,527	2,120,737	239,360	2,440,624
Cash received from employees and others	2,877	254,242	12,836	269,955
Cash paid to suppliers for services	(82,170)	(2,302,768)	(154,045)	(2,538,983)
Net cash provided by operating activities	1,234	72,211	98,151	171,596
Cash flows from capital and related financing activities:				
Purchase of equipment	(18,025)	-	(9,086)	(27,111)
Installment purchase agreement payment	-	-	(56,652)	(56,652)
Net cash used by capital and related financing activities	(18,025)	-	(65,738)	(83,763)
Cash flows from investing activities:				
Interest on investments	-	4,685	-	4,685
Net increase (decrease) in cash and cash equivalents	(16,791)	76,896	32,413	92,518
Cash and cash equivalents beginning of year	28,657	1,623,886	76,767	1,729,310
Cash and cash equivalents end of year	\$ 11,866	1,700,782	109,180	1,821,828
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	(3,632)	50,422	20,389	67,179
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation/amortization expense	3,605	-	49,759	53,364
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	477	(230)	-	247
(Increase) decrease in due from other governments	(132)	-	18,460	18,328
Increase in due from other funds	(28)	-	-	(28)
Increase in inventories	(121)	-	-	(121)
Increase in accounts payable	1,065	22,592	8,195	31,852
Increase in salaries and benefits payable	-	-	348	348
Decrease in due to other funds	-	(68)	(44)	(112)
Decrease in due to other governments	-	(505)	-	(505)
Increase in compensated absences	-	-	694	694
Increase in net OPEB liability	-	-	350	350
Net cash provided by operating activities	\$ 1,234	72,211	98,151	171,596

See accompanying independent auditor's report.

Lee County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Schools
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	4,213	182,629	123,100	315,173
Other County officials	201,212	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,172	2,246	-	91,110
Succeeding year	-	233,000	445,000	-	15,896,000
Accounts	4,837	-	-	13,127	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments:					
Current	-	-	-	174,644	-
Future	-	-	-	1,009,620	-
Due from other governments	-	-	-	795,415	-
Total assets	\$ 206,049	238,385	629,875	2,115,906	16,302,283
Liabilities					
Accounts payable	\$ -	-	62	127,241	-
Salaries and benefits payable	-	-	10,994	-	-
Due to other governments	40,922	238,385	601,326	-	16,302,283
Trusts payable	165,127	-	-	-	-
Compensated absences	-	-	17,493	-	-
Bank loan	-	-	-	1,988,665	-
Total liabilities	\$ 206,049	238,385	629,875	2,115,906	16,302,283

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drivers License Trust	Payee Accounts	Other	Total
21,071	158,308	7,646	653,143	161	-	597,464	2,062,908
-	-	-	-	-	185,970	-	387,182
5,746	66,890	1,185	-	-	-	29	168,378
1,151,000	11,571,000	371,000	-	-	-	5,000	29,672,000
-	-	-	-	-	-	765	18,729
-	-	-	-	-	-	111	111
-	-	-	-	-	-	232,612	232,612
-	-	-	-	-	-	-	174,644
-	-	-	-	-	-	-	1,009,620
-	-	-	-	-	-	58,860	854,275
1,177,817	11,796,198	379,831	653,143	161	185,970	894,841	34,580,459
-	-	-	-	-	-	47,356	174,659
-	-	-	-	-	-	29,211	40,205
1,177,817	11,796,198	379,831	653,143	161	-	802,857	31,992,923
-	-	-	-	-	185,970	362	351,459
-	-	-	-	-	-	15,055	32,548
-	-	-	-	-	-	-	1,988,665
1,177,817	11,796,198	379,831	653,143	161	185,970	894,841	34,580,459

Lee County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

Assets and Liabilities				
	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts
Balances beginning of year	\$ 269,520	228,660	816,903	2,056,920
Additions:				
Property and other county tax	-	231,452	441,084	-
E911 surcharges	-	-	-	-
State tax credits	-	12,482	25,038	-
Drivers license fees	-	-	-	-
Office fees and collections	735,678	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	216,918
Trusts	1,128,866	-	-	-
Miscellaneous	-	-	113	802,377
Total additions	1,864,544	243,934	466,235	1,019,295
Deductions:				
Agency remittances:				
To other funds	515,099	-	-	-
To other governments	205,056	234,209	653,263	960,309
Trusts paid out	1,207,860	-	-	-
Total deductions	1,928,015	234,209	653,263	960,309
Balances end of year	\$ 206,049	238,385	629,875	2,115,906

See accompanying independent auditor's report.

Schools	Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	Drivers License Trust	Payee Accounts	Other	Total
16,040,773	1,159,284	11,212,060	374,732	640,119	161	175,501	775,875	33,750,508
15,939,159	1,141,336	11,817,825	355,849	-	-	-	4,386	29,931,091
-	-	-	-	-	-	-	180,738	180,738
857,744	62,480	463,449	21,574	-	-	-	294	1,443,061
-	-	-	-	-	189,279	-	-	189,279
-	-	-	-	-	-	-	-	735,678
-	-	-	-	8,777,839	-	-	-	8,777,839
-	-	-	-	-	-	-	159,672	376,590
-	-	-	-	-	-	1,176,506	687,051	2,992,423
-	-	-	-	-	-	-	2,175,416	2,977,906
16,796,903	1,203,816	12,281,274	377,423	8,777,839	189,279	1,176,506	3,207,557	47,604,605
-	-	-	-	362,338	-	-	-	877,437
16,535,393	1,185,283	11,697,136	372,324	8,402,477	189,279	-	2,434,532	42,869,261
-	-	-	-	-	-	1,166,037	654,059	3,027,956
16,535,393	1,185,283	11,697,136	372,324	8,764,815	189,279	1,166,037	3,088,591	46,774,654
16,302,283	1,177,817	11,796,198	379,831	653,143	161	185,970	894,841	34,580,459

Lee County

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

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Property and other county tax	\$ 10,260,723	10,398,427	10,226,662	10,193,550
Local option sales tax	1,318,713	1,511,657	1,409,188	1,508,640
Tax increment financing	-	-	-	-
Interest and penalty on property tax	146,058	148,139	145,270	141,028
Intergovernmental	8,271,583	7,944,450	10,657,595	9,899,246
Licenses and permits	101,664	93,635	105,568	98,426
Charges for service	1,006,977	1,028,187	916,932	943,735
Use of money and property	309,196	311,682	292,716	309,502
Miscellaneous	899,461	374,143	408,049	371,510
Total	\$ 22,314,375	21,810,320	24,161,980	23,465,637
Expenditures:				
Operating:				
Public safety and legal services	\$ 4,428,780	4,255,457	4,422,016	4,185,481
Physical health and social services	4,290,759	4,234,139	3,982,400	3,882,964
Mental health	1,753,244	2,683,788	6,615,100	4,824,623
County environment and education	1,800,562	1,292,962	1,115,886	1,189,364
Roads and transportation	5,130,710	4,703,670	4,552,964	4,476,579
Governmental services to residents	918,840	958,573	958,038	903,704
Administration	1,989,089	2,026,221	2,022,340	2,305,653
Non-program	8,734	17,038	-	63,199
Debt service	893,243	815,576	813,334	818,097
Capital projects	579,977	100,416	648,571	271,567
Total	\$ 21,793,938	21,087,840	25,130,649	22,921,231

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
9,599,284	9,329,877	9,040,272	9,320,366	9,344,253	6,717,193
1,614,653	1,444,024	1,448,841	1,425,915	1,422,521	1,335,189
-	-	-	393,163	750,066	693,545
143,078	135,727	132,804	270,733	136,627	119,478
9,143,676	9,684,756	9,758,681	8,719,573	8,732,583	7,459,664
86,269	82,522	72,023	55,974	62,265	53,283
867,688	899,956	934,639	873,083	892,849	822,513
326,842	482,356	494,545	471,460	364,782	298,128
303,476	314,528	240,354	494,190	1,123,788	1,962,381
<u>22,084,966</u>	<u>22,373,746</u>	<u>22,122,159</u>	<u>22,024,457</u>	<u>22,829,734</u>	<u>19,461,374</u>
3,888,632	3,689,993	3,618,670	3,512,938	3,332,940	3,105,607
3,817,068	3,913,476	3,535,142	3,275,224	3,134,004	3,385,130
4,327,187	4,584,834	4,732,019	4,662,962	4,396,349	4,741,619
1,493,459	1,405,654	1,537,120	1,617,237	1,675,269	1,625,156
3,790,575	3,763,046	4,000,157	3,862,651	3,928,318	3,897,439
893,551	961,591	916,840	878,334	1,144,205	902,033
2,216,598	2,036,986	2,203,781	1,912,371	1,842,355	1,816,882
103,361	261,564	4,465,490	16,000	-	-
747,089	736,339	90,769	416,396	1,373,528	2,461,854
2,199,820	3,865,711	774,443	603,521	361,224	591,036
<u>23,477,340</u>	<u>25,219,194</u>	<u>25,874,431</u>	<u>20,757,634</u>	<u>21,188,192</u>	<u>22,526,756</u>

Schedule 9

Lee County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 15,364
U.S. Department of Justice:			
Governor's Office of Drug Control Policy:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-JAG-42801	4,396
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-JAG-43293	15,000
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11-JAG-58780	53,400
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11-JAG-59238	15,615
			88,411
City of Keokuk:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0219	5,722
			94,133
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 13-04 Task 12	5,708
State and Community Highway Safety	20.600	PAP 14-402-MOPT, Task 14	4,275
			9,983
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0340-13-01-00	3,543
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5884BT35	57,152
Immunization Cooperative Agreements	93.268	5883I447	6,371
Immunization Cooperative Agreements	93.268	5884I447	5,876
			12,247
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	5883CH06	92,936
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	5884CH06	230,793
			323,729
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	5883HP12	19,214
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	5884HP12	58,626
			77,840
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	5884I4128	2,468

Lee County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Maternal and Child Health Services Block Grant to the States	93.994	5883MH15	40,683
Maternal and Child Health Services Block Grant to the States	93.994	5884MH15	37,902
Maternal and Child Health Services Block Grant to the States	93.994	5884DH02	12,000
			<u>90,585</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs	93.566		33
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		4,470
Foster Care_Title IV-E	93.658		5,892
Adoption Assistance	93.659		1,984
Children's Health Insurance Program	93.767		64
Medical Assistance Program	93.778		25,590
Social Services Block Grant	93.667		4,837
Social Services Block Grant	93.667		733,102
			<u>737,939</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4119-DR-IA	49,265
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4126-DR-IA	12,590
			<u>61,855</u>
Hazard Mitigation Grant	97.039	DR-1977-0004-01	10,384
Emergency Management Performance Grants	97.042	EMPG-13-PT-56	7,145
Emergency Management Performance Grants	97.042	EMPG-14-PT-56	19,416
			<u>26,561</u>
Total			<u>\$ 1,561,816</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 in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Lee County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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

To the Officials of Lee County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Lee County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 9, 2015. Our report includes a reference to other auditors who audited the financial statements of Lincoln Ridge Limited Partnership, a blended component unit, as described in our report on Lee County's financial statements. The financial statements of Lincoln Ridge Limited Partnership were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 through II-E-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-F-14 through II-H-14 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


Lee County's Responses to the Findings


Lee County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lee County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lee County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

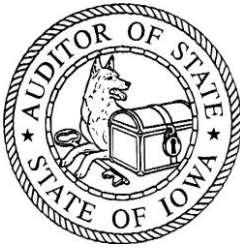

MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 9, 2015

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

Lee County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Lee County:

Report on Compliance for Each Major Federal Program

We have audited Lee County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Lee County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lee County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Lee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance


The management of Lee County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lee County's internal control over compliance with the types of requirements that could have a direct and material effect on each of the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lee County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 9, 2015

Lee County
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

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

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

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. The following weaknesses in the offices identified were noted for which no compensating controls exist:

County Conservation – The duties of collecting, listing, and depositing receipts from camping fees are not segregated. In addition, an initial listing of collections is not maintained and reconciled to amounts recorded by the County Treasurer's office.

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

County Sheriff – Jail – Generally, one individual in the Sheriff's office may have control over the receipts/deposits for the Commissary account. An independent person does not compare the amounts deposited to the receipt records.

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

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

Responses –

County Conservation – The Conservation Office will further segregate the listing and depositing of the camping receipts and collections. The Conservation office will work to ensure the amounts deposited with the Treasurer's office are reconciled within the department.

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

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

County Sheriff - Jail – We have an electronic commissary. No person has control over an inmate’s ledger, as the money is posted electronically after deposit in an “ATM”. The Jail Administrator prepares the deposit from the computer generated records. We can select an independent individual to compare deposits with the system report.

County Sheriff - Civil – We will attempt to review bank reconciliations.

Conclusions – Responses accepted.

II-B-14 Ambulance Segregation of Duties – During our review of the Lee County EMS Ambulance, Inc.’s internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the EMS’ financial statements. The following weaknesses were noted for which no compensating controls exist:

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

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

Payroll – preparation, posting and distribution. Also, there is no evidence of review of timesheets.

Journal entries – preparing and journalizing with no independent review.

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

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

Conclusion – Response accepted.

II-C-14 Financial Reporting – During the audit, we identified material amounts of receivables and capital asset additions which were not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

Conclusion – Response accepted.

- II-D-14 Ambulance Financial Reporting – Although Lee County EMS Ambulance, Inc. prepares an annual financial report, the financial report did not include patient billing receivables or accounts payable at December 31, 2013. A listing of accounts payable at December 31, 2013 was not prepared. Adjustments were subsequently made to properly record these amounts in the financial statements.

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

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

Conclusion – Response accepted.

- II-E-14 Ambulance Billings, Collections, Delinquent Accounts and Write-offs – The Lee County EMS Ambulance, Inc. does not reconcile ambulance billings, collections and delinquent accounts. There are no established procedures to document the approval of adjustments or write-offs of patient accounts in the ambulance billing system. Also, receipts recorded in the ambulance billing system are not reconciled to bank deposits.

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

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

Conclusion – Response accepted.

- II-F-14 Capital Assets – The County Auditor’s office maintains a capital asset listing accounting for all assets, including those items below capitalization thresholds. This listing is maintained for internal control and insurance purposes. During the year ended June 30, 2014, the accuracy of the listing was not verified by each department. Additionally, there is no periodic testing of capital assets by an individual having no responsibility for the assets.

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

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

Conclusion – Response accepted.

II-G-14 County Sheriff – We noted the following related to financial reporting and reconciling in the Sheriff’s Office:

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

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

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

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

Responses –

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

Jail – We will generate a listing of the amounts held for inmates at month end.

Conclusion – Responses accepted.

II-H-14 Conservation Foundation – Three Rivers Conservation Foundation, a component unit of the County, receives donations to fund various conservation projects within the County. The Foundation did not prepare annual financial statements. Only monthly financial statements were provided. The activity from the monthly financial statements did not reconcile to the ending balance on the year-end balance sheet. These matters were resolved for audit purposes.

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

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted by function.
- IV-B-14 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-14 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-14 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ernie Steffensmeier, County Engineer, brother owns Steffensmeier Welding	Welding	\$ 1,291
Ernest Schiller, Board of Supervisors, daughter is Weed Commissioner	Weed eradication	6,952
Tammy Wilson, Financial Director of Public Health, husband is a shareholder in Agrineed Inc.	Supplies and maintenance - other County Departments	10,529
Rick Larkin, Board of Supervisors, wife is a manager of The Kensington	Building rental- Public Health	45,606

The transactions with the Weed Commissioner do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(c) of the Code of Iowa because the transactions were competitively bid.

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

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

The transactions with Steffensmeier Welding do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions were less than \$1,500 during the fiscal year.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- IV-E-14 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be periodically reviewed to ensure the coverage is adequate for current operations.
- IV-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-14 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-14 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, 2014 for the County Extension Office did not exceed the amount budgeted.

- IV-J-14 Deficit Fund Balance – The Special Revenue, Lincoln Ridge Limited Partnership Fund had a deficit unassigned fund balance of \$(80,335) at June 30, 2014.

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

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

Conclusion – Response accepted.

- IV-K-14 Noncurrent Installment Purchase – The Board approved the purchase of Pictometry aerial imaging through an installment purchase agreement in a shared project between the County, the Cities of Fort Madison and Keokuk and the County Assessor’s office. However, the County did not publish notice of or hold a public hearing prior to authorizing the installment purchase agreement as noncurrent debt as required by Chapters 331.478 and 331.479 of the Code of Iowa.

Recommendation – The County should comply with Chapters 331.478 and 331.479 of the Code of Iowa when entering into future noncurrent debt obligations.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Response – We will ask all department heads to contact the County Auditor’s office prior to entering into an installment purchase agreement so a public hearing can be held according to Code section 331.478 and 331.479.

Conclusion – Response accepted.

IV-L-14 Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

Expenditures of \$183 for food and refreshments for meetings may not meet the purpose for which the grants were provided.

Recommendation – The Area Board should determine and document how these expenditures meet the intended purpose of the grants before authorizing any further payments.

Response – I will try to get Area Board approval for future similar expenses with explanation as to how the expenditures meet the purpose of the grants.

Conclusion – Response accepted.

Lee County

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Donna F. Kruger, CPA, Manager
Brandon J. Vogel, Senior Auditor
Amanda L. Burt, Staff Auditor
Joshua W. Ostrander, Staff Auditor
Eric L. Rath, Staff Auditor
Janell R. Wieland, CPA, Staff Auditor
Kelsie K. Boyer, Assistant Auditor
James P. Moriarty, CPA, Assistant Auditor
Doug A. Fiester, Auditor Intern

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State