

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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 30, 2017

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$46,576,638 for the year ended June 30, 2016, which included \$4,960,771 in tax credits from the state. The County forwarded \$34,378,139 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$12,198,499 of the local tax revenue to finance County operations, a 5.6% increase over the prior year. Other revenues included charges for service of \$3,801,397, operating grants, contributions and restricted interest of \$8,871,585, capital grants, contributions and restricted interest of \$6,308,738, local option sales tax of \$1,739,514, payments in lieu of taxes of \$333,069, unrestricted investment earnings of \$136,099 and other general revenues of \$753,093.

Expenses for County operations for the year ended June 30, 2016 totaled \$25,921,858, a 7.6% increase over the prior year. Expenses included \$8,410,075 for roads and transportation, \$4,942,650 for public safety and legal services and \$4,427,082 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 <https://auditor.iowa.gov/reports/1610-0056-B00F>.

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**LEE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2016**

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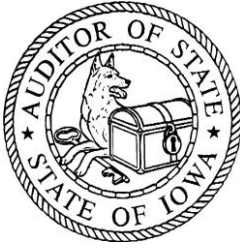
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**Lee County**

**Officials**

Ron Fedler	Board of Supervisors	Jan 2017
Gary Folluo	Board of Supervisors	Jan 2017
Matt Pflug	Board of Supervisors	Jan 2017
Don Hunold	Board of Supervisors	Jan 2019
Rick Larkin	Board of Supervisors	Jan 2019
Denise Fraise	County Auditor	Jan 2017
Chris Spann	County Treasurer	Jan 2019
Nancy Booten	County Recorder	Jan 2019
Jim Sholl	County Sheriff	Jan 2017
Michael P. Short	County Attorney	Jan 2019
Teresa Murray	County Assessor	Jan 2022



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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, 2016, 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, 2016, 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, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of county contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 60 through 69 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, 2015 (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 Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards 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 21, 2017 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

March 21, 2017

**Lee County**

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

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Lee County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the County is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2016 FINANCIAL HIGHLIGHTS**

- Lee county's net position at June 30, 2016 increased 20.0%, or approximately \$8.2 million, over the restated June 30, 2015 balance.
- Governmental activities revenues in fiscal year 2016 increased 23.0%, or approximately \$6,395,000, over fiscal year 2015. Capital grants, contributions and restricted interest increased approximately \$2,680,000 over fiscal year 2015, and operating grants, contributions and restricted interest increased approximately \$2,445,000 over fiscal year 2015. Both of the increases were primarily due to a combination of state grants and private reimbursements for road projects related to the Iowa Fertilizer Plant. The County also experienced increases in state tax credits, property and other county tax and payments in lieu of taxes.
- Governmental activities expenses increased 7.6%, or approximately \$1,832,000, from fiscal year 2015 to fiscal year 2016. This was primarily due to an increase in roads and transportation function expenses relating to the Iowa Fertilizer Plant project.
- The County is in the fifteenth year of implementation of the Lee County Economic Development Plan and the establishment of the Lee County Economic Development Group (LCEDG). 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 provides some funding for economic development but the LCEDG operates separately from the County.

### **USING THIS ANNUAL REPORT**

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

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

The Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Lee County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Lee County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service and Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

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

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the County Assessor's office, E-911 and emergency management services, to name a few.

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2016	2015
Current and other assets	\$ 29,731	28,689
Capital assets	44,398	38,781
Total assets	74,129	67,470
Deferred outflows of resources	1,112	954
Long-term liabilities	12,741	12,148
Other liabilities	1,804	2,267
Total liabilities	14,545	14,415
Deferred inflows of resources	11,316	12,874
Net position:		
Net investment in capital assets	39,324	33,847
Restricted	10,753	8,979
Unrestricted	(697)	(1,666)
Total net position	\$ 49,380	41,160

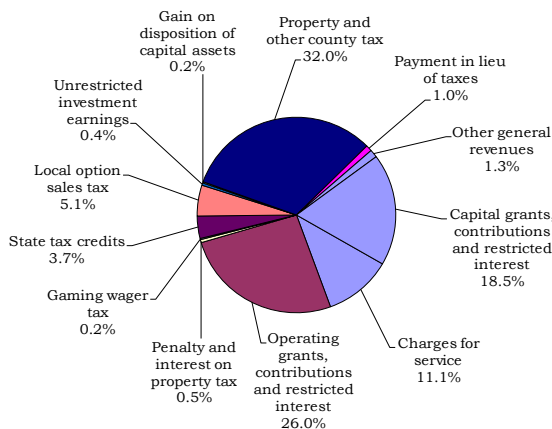
Lee County's total net position increased approximately \$8,220,000, or 20.0%. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, increased from approximately (\$1,666,000) at June 30, 2015 to approximately (\$697,000) at the end of this year, an increase of approximately \$969,000.

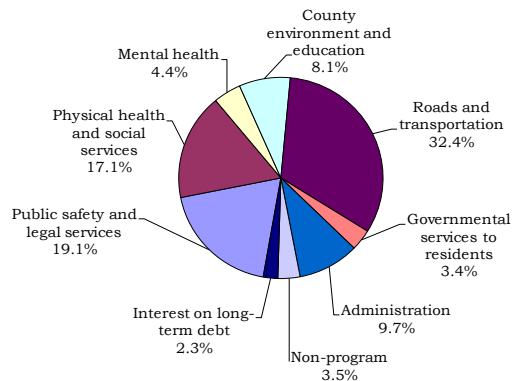
Changes in Net Position of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2016	2015
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 3,801	4,042
Operating grants, contributions and restricted interest	8,872	6,427
Capital grants, contributions and restricted interest	6,309	3,629
<b>General revenues:</b>		
Property and other county tax	10,947	10,655
Penalty and interest on property tax	161	115
Gaming wager tax	74	86
State tax credits	1,252	891
Local option sales tax	1,739	1,693
Payment in lieu of taxes	333	-
Unrestricted investment earnings	136	87
Gain on disposition of capital assets	83	31
Other general revenues	435	91
<b>Total revenues</b>	<b>34,142</b>	<b>27,747</b>
<b>Program expenses:</b>		
Public safety and legal services	4,943	4,630
Physical health and social services	4,427	4,326
Mental health	1,143	1,266
County environment and education	2,091	1,762
Roads and transportation	8,410	7,641
Governmental services to residents	874	1,185
Administration	2,520	2,318
Non-program	907	662
Interest on long-term debt	607	300
<b>Total expenses</b>	<b>25,922</b>	<b>24,090</b>
<b>Change in net position</b>	<b>8,220</b>	<b>3,657</b>
<b>Net position beginning of year, as restated</b>	<b>41,160</b>	<b>37,503</b>
<b>Net position end of year</b>	<b>\$ 49,380</b>	<b>41,160</b>

**Revenue by Source**



**Expenses by Program**



For fiscal year 2016, Lee County's property tax rates increased to \$8.42096 per \$1,000 of taxable valuation for the countywide levy and the rural levy decreased to \$2.476 per \$1,000 of taxable valuation. The overall tax levy rate decreased \$.39999, from \$11.29695 to \$10.89696, per \$1,000 of taxable valuation. The countywide and the rural services taxable property valuations increased approximately \$64.5 million and \$28.9 million, respectively, from fiscal year 2015 to fiscal year 2016. The net effect of the increases in valuations and the decrease in tax rates was a net increase in property and other county tax revenue of approximately \$292,000.

Capital grants, contributions and restricted interest increased approximately \$2,680,000 over fiscal year 2015. The increase is due primarily to private reimbursements for road projects related to the Iowa Fertilizer Plant.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Lee County completed the year, its governmental funds reported a combined fund balance of \$14,969,924, which is more than the \$13,228,524 combined restated fund balance at the end of fiscal year 2015.

The General Fund, the operating fund for Lee County, ended fiscal year 2016 with an ending balance of \$6,165,439 compared to the prior year ending balance of \$5,528,882, an increase of \$636,557. Revenues increased \$1,333,492, primarily due to an increase in property tax, intergovernmental and miscellaneous revenues. Expenditures increased \$812,752, or 6.2%, to \$13,849,341 in fiscal year 2016.

The Special Revenue, Mental Health Fund ended fiscal year 2016 with an ending balance of \$3,580,585 compared to the prior year ending balance of \$3,169,939 an increase of \$443,646. Revenues decreased \$881,797 due primarily to a decrease in federal grant receipts and expenditures increased \$90,624.

The Special Revenue, Rural Services Fund ended fiscal year 2016 with an ending balance of \$1,235,221 compared to the prior year ending balance of \$896,580, an increase of \$338,641. Revenues decreased \$24,676 and expenditures increased \$31,970.

The Special Revenue, Secondary Roads Fund ended fiscal year 2016 with an ending balance of \$2,766,315 compared to the prior year ending balance of \$2,179,207, an increase of \$587,108. Revenues increased \$4,860,579 and expenditures increased \$4,633,059 both primarily due to increased pass-through receipts and disbursements associated with the Iowa Fertilizer Plant project.

The Debt Service Fund ended fiscal year 2016 with an ending balance of \$309,729 compared to the prior year ending balance of \$324,104, a decrease of \$14,375. Revenues increased \$73,311 and expenditures increased \$89,982.

### **BUDGETARY HIGHLIGHTS**

During the year, Lee County amended its budget three times. The first amendment was made on November 24, 2015 to increase budgeted receipts and disbursements for the Attorney's Office, Secondary Roads and Conservation departments, specifically to budget for increased activity related to the Iowa Fertilizer Plant road project and the conservation building project. The second amendment was made on April 19, 2016. This amendment was necessary for additional expenses in the Sheriff's office, additional receipts and expenses in the Conservation and Secondary Roads departments, additional receipts and disbursements for pipeline inspections and to budget for the general obligation refunding bond issuance. The third amendment was made on May 31, 2016. This amendment was necessary for additional expenses in the Auditor's Office, the Recorder's Office, and the Attorney's Office, as well as additional expenses for the upkeep of buildings and for pipeline inspections.

The County's receipts were \$1,331,884 less than budgeted, a variance of 4.0%. Intergovernmental receipts were \$1,033,573 less than budgeted as more RISE grant receipts were anticipated than were received in fiscal year 2016. Also, miscellaneous receipts were \$600,464 less than budgeted as the Iowa Fertilizer Plant project, which Lee County is reimbursed for, was delayed in fiscal year 2016.

Total disbursements were \$4,891,121 less than the amended budget, a variance of 13.7%. Actual disbursements for the mental health function were \$1,355,091 less than budgeted due to timing of the roll out of services and a State payment plan payback that did not occur. Also actual disbursements for the roads and transportation function were \$1,246,396 less than budgeted and the capital projects function were \$1,188,092 less than budgeted due to timing of secondary roads projects.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2016, the County had invested approximately \$44.4 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 \$5.6 million over June 30, 2015.

Lee County had depreciation/amortization expense of approximately \$2.5 million in fiscal year 2016 and total accumulated depreciation/amortization of approximately \$38.4 million at June 30, 2016. Additional information about the County's capital assets is included in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2016, the County had approximately \$7,239,000 of long-term debt outstanding. This represents a decrease of approximately \$641,000 from June 30, 2015.

Outstanding debt decreased as scheduled payments of \$671,000 were made on general obligation bonds and approximately \$100,000 was made on installment purchase agreements. The County issued \$5,885,000 in general obligation refunding bonds, retiring \$5,755,000 of prior general obligation debt. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Lee County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$108 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 2015 to fiscal year 2016, the countywide and the rural taxable property valuations increased approximately \$64.5 million and \$28.9 million, respectively. In fiscal year 2017, the countywide and the rural taxable property valuations increased approximately \$18.0 million and \$15.2 million, respectively.

Amounts budgeted for disbursements in the fiscal year 2017 operating budget are approximately \$24.9 million, a decrease of 23.7% from the fiscal year 2016 actual disbursements of approximately \$30.8 million. The projected decrease in disbursements is primarily due to a decrease in pass-through receipts and disbursements for the Iowa Fertilizer Plant project. The County is expected to end fiscal year 2017 with a budgeted ending cash balance of approximately \$10.4 million compared to the June 30, 2016 actual cash balance of approximately \$13.4 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, PO Box 190, Fort Madison, Iowa, 52627-0190.

**Lee County**

## **Basic Financial Statements**

Lee County  
Statement of Net Position  
June 30, 2016

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 15,808,055
Receivables:	
Property tax:	
Delinquent	47,619
Succeeding year	10,760,000
Interest and penalty on property tax	58,887
Accounts	612,687
Accrued interest	5,490
E-911 loan	215,000
Due from other governments	1,588,201
Inventories	605,539
Prepaid expense	29,925
Capital assets, net of accumulated depreciation/amortization	44,397,822
<b>Total assets</b>	<b>74,129,225</b>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	1,112,288
<b>Liabilities</b>	
Accounts payable	893,139
Accrued interest payable	14,148
Salaries and benefits payable	479,590
Due to other governments	417,421
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	727,000
Installment purchase agreements	99,950
Compensated absences	368,545
Portion due or payable after one year:	
General obligation bonds	6,312,000
Installment purchase agreements	99,949
Compensated absences	69,260
Net pension liability	4,558,324
Net OPEB liability	505,900
<b>Total liabilities</b>	<b>14,545,226</b>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	10,760,000
Pension related deferred inflows	556,569
<b>Total deferred inflows of resources</b>	<b>11,316,569</b>

Lee County  
Statement of Net Position  
June 30, 2016

	Governmental Activities
<b>Net Position</b>	
Net investment in capital assets	39,323,923
Restricted for:	
Nonexpendable:	
Permanent Fund - hospice care	82,500
Expendable:	
Supplemental levy purposes	1,235,229
Mental health purposes	3,564,350
Rural services purposes	1,256,473
Secondary roads purposes	2,728,520
Conservation land acquisition	52,192
Debt service	89,051
Building repair and maintenance	829,260
Hospice care purposes	232,529
Other purposes	682,333
Unrestricted	(696,642)
<b>Total net position</b>	<b>\$ 49,379,718</b>

See notes to financial statements.

**Lee County**

Lee County

Statement of Activities

Year ended June 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 4,942,650	442,763	106,467	-	(4,393,420)
Physical health and social services	4,427,082	1,809,887	1,337,494	-	(1,279,701)
Mental health	1,143,211	166,145	15,439	-	(961,627)
County environment and education	2,091,184	85,542	731,686	-	(1,273,956)
Roads and transportation	8,410,075	79,461	6,293,366	6,308,738	4,271,490
Governmental services to residents	873,872	549,020	35,796	-	(289,056)
Administration	2,520,475	34,380	4,181	-	(2,481,914)
Non-program	906,745	634,199	333,571	-	61,025
Interest on long-term debt	606,564	-	13,585	-	(592,979)
<b>Total</b>	<b>\$ 25,921,858</b>	<b>3,801,397</b>	<b>8,871,585</b>	<b>6,308,738</b>	<b>(6,940,138)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					10,117,657
Debt service					829,116
Penalty and interest on property tax					161,155
Gaming wager tax					73,680
State tax credits					1,251,726
Local option sales tax					1,739,514
Payment in lieu of taxes					333,069
Unrestricted investment earnings					136,099
Gain on disposition of capital assets					83,309
Miscellaneous					434,949
<b>Total general revenues</b>					<b>15,160,274</b>
Change in net position					8,220,136
Net position beginning of year, as restated					41,159,582
Net position end of year					<b>\$ 49,379,718</b>

See notes to financial statements.

Lee County  
Balance Sheet  
Governmental Funds

June 30, 2016

	General	Mental Health	Special Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 6,358,649	3,690,065	1,170,656
Component units	-	-	-
Receivables:			
Property tax:			
Delinquent	38,800	3,131	1,828
Succeeding year	8,104,000	654,000	1,166,000
Interest and penalty on property tax	58,887	-	-
Accounts	207,825	1,095	-
Accrued interest	5,022	-	-
E-911 loan	-	-	-
Due from other governments	549,902	-	194,574
Inventories	-	-	-
Prepaid items	25,600	-	-
<b>Total assets</b>	<b>\$ 15,348,685</b>	<b>4,348,291</b>	<b>2,533,058</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 430,234	42,840	9,350
Salaries and benefits payable	341,714	6,348	16,878
Due to other funds	6,547	119	-
Due to other governments	54,857	61,676	39,585
Total liabilities	833,352	110,983	65,813
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	8,104,000	654,000	1,166,000
Other	245,894	2,723	66,024
Total deferred inflows of resources	8,349,894	656,723	1,232,024
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Hospice care	-	-	-
Prepaid items	25,600	-	-
Restricted for:			
Supplemental levy purposes	1,274,274	-	-
Mental health purposes	-	3,580,585	-
Rural services purposes	-	-	1,235,221
Secondary roads purposes	-	-	-
Conservation land acquisition	52,192	-	-
Debt service	-	-	-
Hospice care	-	-	-
Building repair and maintenance (local option sales tax)	807,822	-	-
Other purposes	22	-	-
Assigned for Sheriff's commissary	36,804	-	-
Unassigned	3,968,725	-	-
Total fund balances	6,165,439	3,580,585	1,235,221
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 15,348,685</b>	<b>4,348,291</b>	<b>2,533,058</b>

See notes to financial statements.



<u>Revenue</u>			
<u>Secondary</u>	<u>Debt</u>		
Roads	Service	Nonmajor	Total
1,723,599	94,204	383,941	13,421,114
-	-	615,669	615,669
-	3,860	-	47,619
-	836,000	-	10,760,000
-	-	-	58,887
109,124	-	291,557	609,601
-	22	68	5,112
-	215,000	-	215,000
843,605	-	-	1,588,081
600,077	-	-	600,077
4,325	-	-	29,925
<u>3,280,730</u>	<u>1,149,086</u>	<u>1,291,235</u>	<u>27,951,085</u>
264,156	-	110,341	856,921
100,642	-	7,478	473,060
187	-	-	6,853
170	-	260,781	417,069
<u>365,155</u>	<u>-</u>	<u>378,600</u>	<u>1,753,903</u>
-	836,000	-	10,760,000
149,260	3,357	-	467,258
<u>149,260</u>	<u>839,357</u>	<u>-</u>	<u>11,227,258</u>
600,077	-	-	600,077
-	-	82,500	82,500
4,325	-	-	29,925
-	-	-	1,274,274
-	-	-	3,580,585
-	-	-	1,235,221
2,161,913	-	-	2,161,913
-	-	-	52,192
-	309,729	-	309,729
-	-	232,529	232,529
-	-	-	807,822
-	-	681,488	681,510
-	-	-	36,804
-	-	(83,882)	3,884,843
<u>2,766,315</u>	<u>309,729</u>	<u>912,635</u>	<u>14,969,924</u>
<u>3,280,730</u>	<u>1,149,086</u>	<u>1,291,235</u>	<u>27,951,085</u>

**Lee County**

Lee County

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

June 30, 2016

**Total governmental fund balances (page 23)** \$ 14,969,924

**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 \$82,350,416 and the accumulated depreciation/ amortization is \$38,077,302. 44,273,114

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. 467,258

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 \$435,706, net of accumulated depreciation/amortization of \$310,998	\$ 124,708	
Compensated absences	(4,803)	
Net OPEB liability	(3,187)	
Net pension liability	(45,583)	
Installment purchase agreement payable	(67,359)	
Pension related deferred outflows	(11,123)	
Pension related deferred inflows	5,566	
Other net position	<u>1,755,185</u>	1,753,404

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

Deferred outflows of resources	1,101,165	
Deferred inflows of resources	<u>(551,003)</u>	550,162

Long-term liabilities, including general obligation bonds payable, installment purchase agreements payable, other postemployment benefits payable, net pension liability, accrued interest payable and compensated absences payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (12,634,144)

**Net position of governmental activities (page 19)** \$ 49,379,718

See notes to financial statements.

Lee County

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

Year ended June 30, 2016

	General	Special	
		Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 7,482,609	1,402,168	1,296,728
Local option sales tax	451,804	-	1,379,910
Interest and penalty on property tax	142,002	-	-
Intergovernmental	4,367,255	161,994	165,758
Licenses and permits	166,212	-	-
Charges for service	1,038,816	19,875	-
Use of money and property	400,142	-	-
Miscellaneous	471,426	1,848	-
Total revenues	14,520,266	1,585,885	2,842,396
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	4,380,817	-	594,456
Physical health and social services	4,470,005	-	-
Mental health	63,110	1,142,239	-
County environment and education	1,299,418	-	195,949
Roads and transportation	-	-	-
Governmental services to residents	1,067,517	-	1,707
Administration	2,161,986	-	-
Non-program	270,847	-	35,029
Debt service	-	-	-
Capital projects	135,641	-	-
Total expenditures	13,849,341	1,142,239	827,141
Excess (deficiency) of revenues over (under) expenditures	670,925	443,646	2,015,255
<b>Other financing sources (uses):</b>			
Transfers in	-	-	-
Transfers out	(34,368)	-	(1,676,614)
General obligation bonds issued	-	-	-
Premium on general obligation refunding bonds issued	-	-	-
Payment to refunding bond agent	-	-	-
Total other financing sources (uses)	(34,368)	-	(1,676,614)
Change in fund balances	636,557	443,646	338,641
Fund balances beginning of year, as restated	5,528,882	3,136,939	896,580
Fund balances end of year	\$ 6,165,439	3,580,585	1,235,221

See notes to financial statements.

Revenue			
Secondary Roads	Debt Service	Nonmajor	Total
-	828,086	-	11,009,591
-	-	-	1,831,714
-	-	-	142,002
6,728,938	106,437	241,951	11,772,333
26,515	-	-	192,727
149	-	5,297	1,064,137
-	1,080	214,074	615,296
4,954,066	-	372,006	5,799,346
11,709,668	935,603	833,328	32,427,146
-	-	4,767	4,980,040
-	-	35,990	4,505,995
-	-	86,928	1,292,277
-	-	557,247	2,052,614
5,285,493	-	-	5,285,493
-	-	15,869	1,085,093
-	-	-	2,161,986
-	-	-	305,876
-	996,738	-	996,738
7,513,681	-	417,072	8,066,394
12,799,174	996,738	1,117,873	30,732,506
(1,089,506)	(61,135)	(284,545)	1,694,640
1,676,614	-	174,168	1,850,782
-	-	(139,800)	(1,850,782)
-	5,885,000	-	5,885,000
-	204,907	-	204,907
-	(6,043,147)	-	(6,043,147)
1,676,614	46,760	34,368	46,760
587,108	(14,375)	(250,177)	1,741,400
2,179,207	324,104	1,162,812	13,228,524
2,766,315	309,729	912,635	14,969,924

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, 2016

**Change in fund balances - Total governmental funds (page 27)** \$ 1,741,400

**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	\$ 7,066,090	
Capital assets contributed by the Iowa Department of Transportation	964,729	
Depreciation/amortization expense	<u>(2,463,335)</u>	5,567,484

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. 83,309

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	10,862	
Other	<u>(186,678)</u>	(175,816)

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. (5,885,000)

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. 6,492,270

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 734,902

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	(10,649)	
Other postemployment benefits	(54,654)	
Pension expense	(442,833)	
Interest on long-term debt	<u>7,321</u>	(500,815)

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. 162,402

**Change in net position of governmental activities (page 21)** \$ 8,220,136

See notes to financial statements.

Lee County  
Statement of Net Position  
Proprietary Funds  
June 30, 2016

	Internal Service
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 1,771,272
Receivables:	
Accounts	3,086
Accrued interest	378
Due from other funds	6,940
Due from other governments	120
Inventories	5,462
Noncurrent assets:	
Capital assets, net of accumulated depreciation/amortization	124,708
<b>Total assets</b>	<b>1,911,966</b>
<b>Deferred Outflows of Resources</b>	
Pension-related deferred outflows	11,123
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	36,218
Salaries and benefits payable	6,530
Due to other funds	87
Due to other governments	352
Installment purchase agreement payable	33,680
Compensated absences	4,803
Non-current liabilities:	
Installment purchase agreement payable	33,679
Net OPEB liability	3,187
Net pension liability	45,583
<b>Total liabilities</b>	<b>164,119</b>
<b>Deferred Inflows of Resources</b>	
Pension-related deferred inflows	5,566
<b>Net Position</b>	
Net investment in capital assets	57,349
Unrestricted	1,696,055
<b>Total net position</b>	<b>\$ 1,753,404</b>

See notes to financial statements.

**Exhibit H**

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## Lee County

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

Year ended June 30, 2016

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds and other governmental units		\$ 2,891,415
Reimbursements from employees and others		284,115
Miscellaneous reimbursements		359
Total operating revenues		<u>3,175,889</u>
Operating expenses:		
Medical and health services	\$2,583,949	
Salaries and benefits	111,902	
Administrative fees, network access fees and stop-loss premium	62,040	
Supplies, utilities and data processing	188,979	
Maintenance agreements	17,729	
Non-capitalized equipment	19,126	
Depreciation/amortization	34,217	
		<u>3,017,942</u>
Operating income		157,947
Non-operating revenues:		
Interest income		4,455
		<u>162,402</u>
Change in net position		162,402
Net position beginning of year		1,591,002
Net position end of year		<u>\$ 1,753,404</u>

See notes to financial statements.



Lee County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2016

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds and other governmental units	\$ 2,890,924
Cash received from employees and others	282,378
Cash paid to suppliers for services	<u>(2,996,877)</u>
Net cash provided by operating activities	176,425
Cash flows from capital and related financing activities:	
Installment purchase agreement payment	(33,680)
Cash flows from investing activities:	
Interest on investments	<u>4,422</u>
Increase in cash and cash equivalents	147,167
Cash and cash equivalents beginning of year	<u>1,624,105</u>
Cash and cash equivalents end of year	<u><u>\$ 1,771,272</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 157,947
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization expense	34,217
Changes in assets and liabilities:	
Increase in accounts receivable	(2,097)
Increase in due from other governments	(2)
Increase in due from other funds	(488)
Increase in inventories	(3,177)
Decrease in accounts payable	(8,688)
Increase in salaries and benefits payable	3,156
Decrease in due to other funds	(67)
Increase in due to other governments	14
Decrease in compensated absences	(267)
Increase in pension liability	11,690
Increase in deferred outflows of resources	(3,086)
Decrease in deferred inflows of resources	(13,073)
Increase in net OPEB liability	<u>346</u>
Net cash provided by operating activities	<u><u>\$ 176,425</u></u>

See notes to financial statements.

**Exhibit J**

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Lee County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2016

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$2,848,593
Other County officials	338,732

Receivables:

Property tax:

Delinquent	177,218
Succeeding year	30,466,000

Accounts	63,462
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Accrued interest	166
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Special assessments	180,174
---------------------	---------

Drainage assessments:

Current	131,798
---------	---------

Future	265,994
--------	---------

Due from other governments	323,172
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Prepaid expenses	4,950
------------------	-------

<b>Total assets</b>	<b>34,800,259</b>
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**Liabilities**

Accounts payable	109,924
------------------	---------

Salaries and benefits payable	65,560
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Due to other governments	33,391,843
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Trusts payable	207,739
----------------	---------

Compensated absences	35,627
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Bank loan	989,566
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<b>Total liabilities</b>	<b>34,800,259</b>
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<b>Net position</b>	<b>\$ -</b>
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See notes to financial statements.

Lee County

Notes to Financial Statements

June 30, 2016

**(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, 2015. 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, 2015 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 E-911 Service Board and Children First - Lee/Van Buren Empowerment Area. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at amortized 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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

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

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2016, 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 acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

#### E. Budgets and Budgetary Accounting

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

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

The County's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

Three Rivers Conservation Foundation's investments at June 30, 2016 consist of stocks and stock mutual funds with a fair value of \$71,151. 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, 2016 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 risk do not apply to this investment.

The County uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the stocks and stock mutual funds of \$71,151 was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

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

The detail of interfund receivables and payables at June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service:		
Supplies	General	\$ 5,047
	Special Revenue:	
	Mental Health	119
	Secondary Roads	187
	Internal Service:	
	Employee Health Plan Trust	9
	Information Technology	78
Internal Service:		
Information Technology	General	<u>1,500</u>
Total		<u>\$ 6,940</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, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	<u>\$ 1,676,614</u>
Capital Projects	General	34,368
	Special Revenue:	
	Three Rivers Conservation Foundation	<u>139,800</u>
		<u>174,168</u>
		<u>\$ 1,850,782</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, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 993,136	-	-	993,136
Land, road network	1,585,584	-	-	1,585,584
Construction in progress	3,285,314	6,860,670	(2,408,512)	7,737,472
Total capital assets not being depreciated/amortized	5,864,034	6,860,670	(2,408,512)	10,316,192
Capital assets being depreciated/amortized:				
Buildings	14,601,079	729,532	-	15,330,611
Improvements other than buildings	945,315	281,784	-	1,227,099
Equipment and vehicles	7,071,106	1,130,490	(368,165)	7,833,431
Equipment, internal service	189,832	-	(15,933)	173,899
Intangibles	125,420	-	-	125,420
Intangibles, internal service	261,807	-	-	261,807
Infrastructure, road network	45,995,342	1,522,321	-	47,517,663
Total capital assets being depreciated/amortized	69,189,901	3,664,127	(384,098)	72,469,930
Less accumulated depreciation/amortization for:				
Buildings	5,875,200	358,975	-	6,234,175
Improvements other than buildings	644,323	36,339	-	680,662
Equipment and vehicles	5,282,075	544,947	(366,008)	5,461,014
Equipment, internal service	165,659	7,267	(15,933)	156,993
Intangibles	125,420	-	-	125,420
Intangibles, internal service	127,055	26,950	-	154,005
Infrastructure, road network	24,052,957	1,523,074	-	25,576,031
Total accumulated depreciation/amortization	36,272,689	2,497,552	(381,941)	38,388,300
Total capital assets being depreciated/amortized, net	32,917,212	1,166,575	(2,157)	34,081,630
Governmental activities capital assets, net	\$38,781,246	8,027,245	(2,410,669)	44,397,822

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 105,311
Physical health and social services	22,545
Mental health	76,679
County environment and education	58,066
Roads and transportation	1,881,539
Government services to residents	13,765
Administration	339,647
Total depreciation/amortization expense - government activities	<u>\$ 2,497,552</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, 2016 is as follows:

Fund	Description	Amount
General	Services	\$ 54,857
Special Revenue:		
Mental Health	Services	61,676
Rural Services	Services	39,585
Secondary Roads	Services	170
Lee County Economic Development Group	Services	256,667
Memorial Trust	Services	4,114
		<u>362,212</u>
Total for governmental funds		<u>\$ 417,069</u>
Agency:		
County Assessor	Collections	\$ 670,846
Schools		17,613,523
Community Colleges		1,373,896
Corporations		11,006,663
Auto License and Use Tax		788,441
All other		<u>1,938,474</u>
Total for agency funds		<u>\$ 33,391,843</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	General Obligation Jail Bonds	General Obligation Solid Waste Disposal Bonds	General Obligation Emergency Services Bonds	General Obligation Conservation Building Bonds	General Obligation Bonds	Installment Purchase Agreements	Compen- sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	\$ 4,555,000	2,250,000	265,000	510,000	-	299,849	427,423	3,389,352	450,900	12,147,524
Increases	-	-	-	-	5,885,000	-	564,263	1,168,972	79,800	7,698,035
Decreases	4,080,000	2,250,000	50,000	46,000	-	99,950	553,881	-	24,800	7,104,631
Balance end of year	\$ 475,000	-	215,000	464,000	5,885,000	199,899	437,805	4,558,324	505,900	12,740,928
Due within one year	\$ 65,000	-	50,000	47,000	565,000	99,950	368,545	-	-	1,195,495

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. These bonds were defeased with the issuance of the general obligation refunding bonds, series 2016.

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
2017	2.00%	\$ 65,000	9,500	74,500
2018	2.00	65,000	8,200	73,200
2019	2.00	65,000	6,900	71,900
2020	2.00	70,000	5,600	75,600
2021	2.00	70,000	4,200	74,200
2022-2023	2.00	140,000	4,200	144,200
Total		\$ 475,000	38,600	513,600

#### General Obligation Solid Waste Disposal Bonds

The County sold \$3,900,000 of general obligation bonds dated November 1, 2007 for the purpose of paying the County's share of the cost of construction of works and facilities necessary to expand the Great River Regional Waste Authority's landfill to provide an additional fifteen years of available permitted and approved landfill for disposal of the County's solid waste. These bonds were defeased with the issuance of the general obligation refunding bonds, series 2016.

#### 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
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		\$ 215,000	25,645	240,645

These bonds were issued under the U.S. Department of the Treasury Recovery Zone Economic Development Bonds program. As such, the County will receive credits for up to 45% of the interest payable to bond holders. During the year ended June 30, 2016, the County received credits totaling \$4,909.

General Obligation Conservation Building Bonds

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2017	2.10%	\$ 47,000	9,744	56,744
2018	2.10	48,000	8,757	56,757
2019	2.10	49,000	7,749	56,749
2020	2.10	50,000	6,720	56,720
2021	2.10	52,000	5,670	57,670
2022-2025	2.10	218,000	11,550	229,550
Total		\$ 464,000	50,190	514,190

General Obligation Refunding Bonds

On April 1, 2016, the County sold \$5,885,000 of general obligation refunding bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued as an advance refunding to retire the outstanding balance of \$1,970,000 of the general obligation solid waste disposal bonds and \$3,785,000 of the general obligation jail bonds, series 2008. The County reduced its total debt service payments by \$384,402 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$353,120.

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2017	3.00%	\$ 565,000	175,146	740,146
2018	3.00	585,000	133,175	718,175
2019	3.00	610,000	115,625	725,625
2020	3.00	640,000	97,325	737,325
2021	3.00	655,000	78,125	733,125
2022	2.00	2,080,000	196,975	2,276,975
2028	2.25	750,000	25,425	775,425
Total		\$ 5,885,000	821,796	6,706,796

Installment Purchase Agreements

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

Year Ending June 30,	Geographic Information System	Election Equipment	Total
2017	\$ 33,680	66,270	99,950
2018	33,679	66,270	99,949
Total	\$ 67,359	132,540	199,899



**(8) E-911 Loan Receivable**

On April 1, 2010, the County entered into a \$500,000 loan agreement with the E-911 Service Board. The E-911 Service Board agreed to pay all amounts due by the County under the general obligation emergency services bonds issued on April 6, 2010. Note 7 reports the summary of the annual bond principal and interest requirements to maturity. The balance of the loan receivable, \$215,000 at June 30, 2016, is reported in the Debt Service Fund.

The bonds were issued under the U.S. Department of the Treasury Recovery Zone Economic Development Bonds program. As such, the County will receive credits for up to 45% of the interest payable to bond holders. The E-911 Service Board is responsible for the remaining portion of the interest payable to bond holders.

**(9) Endowment**

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

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

**(10) Pension Plan**

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 were \$741,908.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the County reported a liability of \$4,558,324 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the County's proportion was 0.092265%, which was an increase of 0.006803% over its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$447,113. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 68,636	41,301
Changes of assumptions	125,075	28,900
Net difference between projected and actual earnings on IPERS' investments	-	486,368
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	176,669	-
County contributions subsequent to the measurement date	741,908	-
Total	<u>\$ 1,112,288</u>	<u>556,569</u>

\$741,908 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2017	\$ (156,772)
2018	(156,772)
2019	(156,772)
2020	273,704
2021	10,423
Total	<u>\$ (186,189)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 8,930,939	4,558,324	870,780

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2016.

**(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 172 active and 4 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, 2016, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 79,700
Interest on net OPEB obligation	18,000
Adjustment to annual required contribution	<u>(17,900)</u>
Annual OPEB cost	79,800
Contributions made	<u>(24,800)</u>
Increase in net OPEB obligation	55,000
Net OPEB obligation beginning of year	<u>450,900</u>
Net OPEB obligation end of year	<u>\$505,900</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, 2016.

For the year ended June 30, 2016, the County contributed \$24,800 to the medical plan. Plan members eligible for benefits contributed \$52,900, or 68.1% 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
2014	\$ 105,700	43.9%	\$ 393,900
2015	79,800	28.6	450,900
2016	79,800	31.1	505,900

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was approximately \$703,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$703,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,564,000 and the ratio of the UAAL to covered payroll was 10.7%. As of June 30, 2016, there were no trust fund assets.

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

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

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

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

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

**(12) Risk Management**

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

**(13) Employee Health Insurance Plan**

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

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

Monthly payments of service fees and plan contributions to the Employee Health Plan Trust Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Advantage Administrators and health insurance premiums are paid to Wellmark from the Employee Health Plan Trust Fund. The County's contribution for the year ended June 30, 2016 was \$2,508,739.

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, 2015.

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Condensed Statement of Net Position  
December 31, 2015

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<b>Assets</b>	
Accounts receivable, net of allowance	\$ 395,715
Capital assets, net of accumulated depreciation	242,030
Other	9,540
<b>Total assets</b>	<u>647,285</u>
<b>Liabilities</b>	
Accounts payable	18,908
Salaries and benefits payable	34,214
Notes payable	14,500
<b>Total liabilities</b>	<u>67,622</u>
<b>Net position</b>	
Net investment in capital assets	242,030
Unrestricted	337,633
<b>Total net position</b>	<u>\$ 579,663</u>

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Condensed Statement of Revenues, Expenses and Changes in Fund Net Position  
Year ended December 31, 2015

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Operating revenues:		
Patient income	\$	1,976,643
County subsidy		421,200
Other		3,375
Total operating revenues		2,401,218
Operating expenses:		
Salaries and benefits	\$	1,262,165
Insurance		359,095
Other		636,772
Operating income		143,186
Non-operating revenue (expense):		
Interest expense		(180)
Net income		143,006
Net position beginning of year		436,657
Net position end of year	\$	579,663

**(15) Ambulance Subsidy Agreement**

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



**(16) Jointly Governed Organization**

The County participates in the Lee County Public Safety Answering Point Association, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2016:

Additions:		
Contributions from governmental units:		
Member contributions		\$ 869,728
Interest on investments		134
Miscellaneous		514
Total additions		<u>870,376</u>
Deductions:		
Salaries	\$ 526,542	
Benefits	276,740	
Office supplies	2,732	
Legal representation and publications	575	
Telephone	5,833	
Equipment	565	
Labor relation services	14,503	
Liability services	2,926	
Maintenance and improvements	1,847	
Data processing services	17,555	
		<u>849,818</u>
Net		20,558
Balance beginning of year		<u>42,414</u>
Balance end of year		<u><u>\$ 62,972</u></u>

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

The County is the fiscal agent for Children First, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2016 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 99,118		99,118
Family support and parent education	-	194,660	194,660
Preschool support for low-income families	-	85,470	85,470
Quality improvement	-	47,063	47,063
Allocation for administration	5,217	10,750	15,967
Other grant programs	-	21,515	21,515
Total state grants	104,335	359,458	463,793
Interest on investments	132	238	370
Total revenues	104,467	359,696	464,163
Expenditures:			
Program services:			
Early childhood	96,441	-	96,441
Family support and parent education	-	194,660	194,660
Preschool support for low income families	-	92,634	92,634
Quality improvement	-	47,063	47,063
Other program services	-	24,710	24,710
Total program services	96,441	359,067	455,508
Administration	5,172	11,952	17,124
Total expenditures	101,613	371,019	472,632
Change in fund balance	2,854	(11,323)	(8,469)
Fund balance beginning of year	17,972	21,526	39,498
Fund balance end of year	\$ 20,826	10,203	31,029

**(18) Deficit Fund Balance**

The Special Revenue, Lincoln Ridge Limited Partnership Fund had a deficit unassigned fund balance of \$83,882 at June 30, 2016. The deficit balance was the result of a lower occupancy rate at the apartment building. The deficit will be eliminated through efforts to increase the occupancy rate.

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

Southeast Iowa Link, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Des Moines County, Henry County, Jefferson County, Keokuk County, Lee County, Louisa County, Van Buren County and Washington County. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Southeast Iowa Link Mental Health Region for the year ended June 30, 2016, as follows:

Revenues:		
Property and other county tax		\$ 1,402,168
Intergovernmental:		
State tax credits		161,994
Charges for service		19,875
Miscellaneous		1,848
Total revenues		<u>1,585,885</u>
Expenditures:		
Services to persons with:		
Mental illness	\$ 862,333	
Intellectual disabilities	12,746	
Other developmental disabilities	<u>47,070</u>	922,149
General administration:		
Direct administration		<u>220,090</u>
Total expenditures		<u>1,142,239</u>
Excess of revenues over expenditures		443,646
Fund balance beginning of year		<u>3,136,939</u>
Fund balance end of year		<u>\$ 3,580,585</u>

**(20) Prior Period Adjustment – Lincoln Ridge Limited Partnership**

Certain errors resulting in an overstatement of previously reported assets and liabilities and an understatement of equity were discovered during the current year. Although the general partner paid accrued asset management fees and audit fees on behalf of the Partnership in prior years, these transactions were not recorded by the Partnership. The cumulative effect on the general partner's equity was an increase of \$24,412 as of December 31, 2014.

**(21) New Accounting Pronouncement**

The County adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

**Lee County**

**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, 2016

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 12,802,920	-	12,802,920
Interest and penalty on property tax	141,406	-	141,406
Intergovernmental	12,520,060	220,249	12,299,811
Licenses and permits	193,837	-	193,837
Charges for service	1,080,980	-	1,080,980
Use of money and property	560,139	156,195	403,944
Miscellaneous	5,774,864	466,628	5,308,236
Total receipts	33,074,206	843,072	32,231,134
<b>Disbursements:</b>			
Public safety and legal services	4,913,235	-	4,913,235
Physical health and social services	4,482,624	-	4,482,624
Mental health	1,237,757	66,526	1,171,231
County environment and education	2,149,175	620,328	1,528,847
Roads and transportation	5,631,533	-	5,631,533
Governmental services to residents	1,085,287	-	1,085,287
Administration	2,167,496	-	2,167,496
Non-program	160,652	-	160,652
Debt service	997,010	-	997,010
Capital projects	8,630,581	-	8,630,581
Total disbursements	31,455,350	686,854	30,768,496
Excess (deficiency) of receipts over (under) disbursements	1,618,856	156,218	1,462,638
Other financing sources (uses), net	(93,040)	(139,800)	46,760
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,525,816	16,418	1,509,398
Balance beginning of year	12,510,967	599,251	11,911,716
Balance end of year	\$ 14,036,783	615,669	13,421,114

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Net
		Variance
12,909,372	12,909,372	(106,452)
115,010	115,010	26,396
10,996,833	13,333,384	(1,033,573)
117,100	117,100	76,737
955,852	955,852	125,128
223,600	223,600	180,344
4,869,670	5,908,700	(600,464)
<u>30,187,437</u>	<u>33,563,018</u>	<u>(1,331,884)</u>
4,850,162	5,064,518	151,283
4,907,202	4,907,202	424,578
2,526,322	2,526,322	1,355,091
1,459,093	1,774,657	245,810
5,088,800	6,877,929	1,246,396
1,117,112	1,147,494	62,207
2,138,715	2,287,615	120,119
56,740	258,180	97,528
954,977	997,027	17
<u>7,734,459</u>	<u>9,818,673</u>	<u>1,188,092</u>
<u>30,833,582</u>	<u>35,659,617</u>	<u>4,891,121</u>
(646,145)	(2,096,599)	3,559,237
100	46,859	(99)
(646,045)	(2,049,740)	3,559,138
<u>8,440,674</u>	<u>11,911,718</u>	<u>(2)</u>
<u>7,794,629</u>	<u>9,861,978</u>	<u>3,559,136</u>

**Lee County**



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Lee County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 33,074,206	(647,060)	32,427,146
Expenditures	31,455,350	(722,844)	30,732,506
Net	1,618,856	75,784	1,694,640
Other financing sources (uses), net	(93,040)	139,800	46,760
Beginning fund balances	12,510,967	717,557	13,228,524
Ending fund balances	<u>\$ 14,036,783</u>	<u>933,141</u>	<u>14,969,924</u>

See accompanying independent auditor's report.

Lee County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

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, three budget amendments increased budgeted disbursements by \$4,826,035. 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 E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted.

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Lee County

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

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

Required Supplementary Information

	2016	2015
County's proportion of the net pension liability	0.092265%	0.085462%
County's proportionate share of the net pension liability	\$ 4,558	3,389
County's covered-employee payroll	\$ 7,867	7,415
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.94%	45.70%
IPERS' net position as a percentage of the total liability pension	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.  
See accompanying independent auditor's report.

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Lee County

Schedule of County Contributions

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

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 742	710	669	630
Contributions in relation to the statutorily required contribution	(742)	(710)	(669)	(630)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 8,228	7,867	7,415	7,135
Contributions as a percentage of covered-employee payroll	9.02%	9.03%	9.02%	8.83%

See accompanying independent auditor's report.

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2012	2011	2010	2009	2008	2007
571	497	445	413	374	349
(571)	(497)	(445)	(413)	(374)	(349)
-	-	-	-	-	-
6,858	6,745	6,398	6,234	6,042	5,818
8.33%	7.37%	6.96%	6.62%	6.19%	6.00%

Lee County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2016

*Changes of benefit terms:*

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

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

*Changes of assumptions:*

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

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

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

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

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

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
2015	Jul 1, 2014	-	703	703	0.0	6,564	10.7
2016	Jul 1, 2014	-	703	703	0.0	6,564	10.7

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

See accompanying independent auditor's report.

**Lee County**



## **Supplementary Information**

Lee County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2016

	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Great River Progressive Housing Corporation	Special Lincoln Ridge Limited Partnership
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer Component units	\$ 19,532	29,191	6,044	-	-
Receivables:					
Accounts	-	-	2,620	-	921
Accrued interest	5	7	-	-	-
<b>Total assets</b>	<b>\$ 19,537</b>	<b>29,198</b>	<b>8,664</b>	<b>465</b>	<b>43,699</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	-	-	-	93,623
Salaries and benefits payable	1,703	-	-	-	-
Due to other governments	-	-	-	-	-
Total liabilities	1,703	-	-	-	93,623
Fund balances:					
Nonspendable:					
Hospice care	-	-	-	-	-
Restricted for:					
Hospice care	-	-	-	-	-
Other purposes	17,834	29,198	8,664	465	33,958
Unassigned	-	-	-	-	(83,882)
Total fund balances	17,834	29,198	8,664	465	(49,924)
<b>Total liabilities and fund balances</b>	<b>\$ 19,537</b>	<b>29,198</b>	<b>8,664</b>	<b>465</b>	<b>43,699</b>

See accompanying independent auditor's report.

Revenue									
Lee County Economic Development Group	Three Rivers Conservation Foundation	Friends of Public Health	Sheriff's Forfeiture	Memorial Trust	Neff Memorial	Capital Projects	Permanent Neff Memorial	Total	
-	-	-	4,538	216,464	25,233	439	82,500	383,941	
300,890	96,515	175,021	-	-	-	-	-	615,669	
288,016	-	-	-	-	-	-	-	291,557	
-	-	-	-	50	6	-	-	68	
<u>588,906</u>	<u>96,515</u>	<u>175,021</u>	<u>4,538</u>	<u>216,514</u>	<u>25,239</u>	<u>439</u>	<u>82,500</u>	<u>1,291,235</u>	
11,169	-	-	-	5,110	-	439	-	110,341	
5,775	-	-	-	-	-	-	-	7,478	
<u>256,667</u>	-	-	-	<u>4,114</u>	-	-	-	<u>260,781</u>	
<u>273,611</u>	-	-	-	<u>9,224</u>	-	<u>439</u>	-	<u>378,600</u>	
-	-	-	-	-	-	-	82,500	82,500	
-	-	-	-	207,290	25,239	-	-	232,529	
315,295	96,515	175,021	4,538	-	-	-	-	681,488	
-	-	-	-	-	-	-	-	(83,882)	
<u>315,295</u>	<u>96,515</u>	<u>175,021</u>	<u>4,538</u>	<u>207,290</u>	<u>25,239</u>	-	<u>82,500</u>	<u>912,635</u>	
<u>588,906</u>	<u>96,515</u>	<u>175,021</u>	<u>4,538</u>	<u>216,514</u>	<u>25,239</u>	<u>439</u>	<u>82,500</u>	<u>1,291,235</u>	

Lee County

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

Year ended June 30, 2016

	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Great River Progressive Housing Corporation	Special Lincoln Ridge Limited Partnership
Revenues:					
Intergovernmental	\$ 20,832	-	-	10,249	-
Charges for service	-	5,297	-	-	-
Use of money and property	55	110	-	-	55,435
Miscellaneous	-	-	3,760	-	6,953
Total revenues	<u>20,887</u>	<u>5,407</u>	<u>3,760</u>	<u>10,249</u>	<u>62,388</u>
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	-	-
Physical health and social services	-	-	-	-	-
Mental health	-	-	-	10,256	76,672
County environment and education	17,199	-	-	-	-
Governmental services to residents	-	15,869	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	<u>17,199</u>	<u>15,869</u>	<u>-</u>	<u>10,256</u>	<u>76,672</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,688</u>	<u>(10,462)</u>	<u>3,760</u>	<u>(7)</u>	<u>(14,284)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	3,688	(10,462)	3,760	(7)	(14,284)
Fund balances beginning of year, as restated	<u>14,146</u>	<u>39,660</u>	<u>4,904</u>	<u>472</u>	<u>(35,640)</u>
Fund balances end of year	<u>\$ 17,834</u>	<u>29,198</u>	<u>8,664</u>	<u>465</u>	<u>(49,924)</u>

See accompanying independent auditor's report.

Revenue								
Lee County Economic Development Group	Three Rivers Conservation Foundation	Friends of Public Health	Sheriff's Forfeiture	Memorial Trust	Neff Memorial	Capital Projects	Permanent Neff Memorial	Total
210,000	-	-	870	-	-	-	-	241,951
-	-	-	-	-	-	-	-	5,297
152,690	4,736	184	-	602	71	191	-	214,074
277,150	35,191	-	-	37,864	-	11,088	-	372,006
639,840	39,927	184	870	38,466	71	11,279	-	833,328
-	-	-	4,767	-	-	-	-	4,767
-	-	-	-	35,990	-	-	-	35,990
-	-	-	-	-	-	-	-	86,928
510,930	29,118	-	-	-	-	-	-	557,247
-	-	-	-	-	-	-	-	15,869
-	-	-	-	-	-	417,072	-	417,072
510,930	29,118	-	4,767	35,990	-	417,072	-	1,117,873
128,910	10,809	184	(3,897)	2,476	71	(405,793)	-	(284,545)
-	-	-	-	-	-	174,168	-	174,168
-	(139,800)	-	-	-	-	-	-	(139,800)
-	(139,800)	-	-	-	-	174,168	-	34,368
128,910	(128,991)	184	(3,897)	2,476	71	(231,625)	-	(250,177)
186,385	225,506	174,837	8,435	204,814	25,168	231,625	82,500	1,162,812
315,295	96,515	175,021	4,538	207,290	25,239	-	82,500	912,635

**Schedule 3**

## Lee County

Combining Schedule of Net Position  
Internal Service Funds

June 30, 2016

	Supplies	Employee Health Plan Trust	Information Technology	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 14,390	1,640,714	116,168	1,771,272
Receivables:				
Accounts	-	3,086	-	3,086
Accrued interest	-	378	-	378
Due from other funds	5,440	-	1,500	6,940
Due from other governments	120	-	-	120
Inventories	5,462	-	-	5,462
Noncurrent assets:				
Capital assets, net of accumulated depreciation/amortization	7,210	-	117,498	124,708
<b>Total assets</b>	<b>32,622</b>	<b>1,644,178</b>	<b>235,166</b>	<b>1,911,966</b>
<b>Deferred Outflows of Resources</b>				
Pension-related deferred outflows	-	-	11,123	11,123
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	17	35,156	1,045	36,218
Salaries and benefits payable	-	-	6,530	6,530
Due to other funds	-	9	78	87
Due to other governments	-	352	-	352
Installment purchase agreement payable	-	-	33,680	33,680
Compensated absences	-	-	4,803	4,803
Non-current liabilities:				
Net OPEB liability	-	-	3,187	3,187
Net pension liability	-	-	45,583	45,583
Installment purchase agreement payable	-	-	33,679	33,679
<b>Total liabilities</b>	<b>17</b>	<b>35,517</b>	<b>128,585</b>	<b>164,119</b>
<b>Deferred Inflows of Resources</b>				
Pension-related deferred inflows	-	-	5,566	5,566
<b>Net Position</b>				
Net investment in capital assets	7,210	-	50,139	57,349
Unrestricted	25,395	1,608,661	61,999	1,696,055
<b>Total net position</b>	<b>\$ 32,605</b>	<b>1,608,661</b>	<b>112,138</b>	<b>1,753,404</b>

See accompanying independent auditor's report.

## Lee County

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

Year ended June 30, 2016

	Employee			Total
	Supplies	Health Plan Trust	Information Technology	
Operating revenues:				
Reimbursements from operating funds and other governmental units	\$ 77,791	2,508,739	304,885	2,891,415
Reimbursements from employees and others	-	284,115	-	284,115
Miscellaneous reimbursements	-	359	-	359
<b>Total operating revenues</b>	<b>77,791</b>	<b>2,793,213</b>	<b>304,885</b>	<b>3,175,889</b>
Operating expenses:				
Medical and health services	-	2,583,949	-	2,583,949
Salaries and benefits	-	-	111,902	111,902
Administrative fees, network access fees and stop-loss premium	-	62,040	-	62,040
Supplies, utilities and data processing	72,429	343	116,207	188,979
Maintenance agreements	-	-	17,729	17,729
Non-capitalized equipment	-	-	19,126	19,126
Depreciation/amortization	3,605	-	30,612	34,217
<b>Total operating expenses</b>	<b>76,034</b>	<b>2,646,332</b>	<b>295,576</b>	<b>3,017,942</b>
Operating income	1,757	146,881	9,309	157,947
Non-operating revenues:				
Interest income	-	4,455	-	4,455
Change in net position	1,757	151,336	9,309	162,402
Net position beginning of year	30,848	1,457,325	102,829	1,591,002
Net position end of year	<b>\$ 32,605</b>	<b>1,608,661</b>	<b>112,138</b>	<b>1,753,404</b>

See accompanying independent auditor's report.

**Lee County**



Lee County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2016

	Supplies	Employee Health Plan Trust	Information Technology	Total
Cash flows from operating activities:				
Cash received from operating funds and other governmental units	\$ 77,300	2,508,739	304,885	2,890,924
Cash received from employees and others	-	281,443	935	282,378
Cash paid to suppliers for services	(76,739)	(2,654,185)	(265,953)	(2,996,877)
Net cash provided by operating activities	561	135,997	39,867	176,425
Cash flows from capital and related financing activities:				
Installment purchase agreement payment	-	-	(33,680)	(33,680)
Cash flows from investing activities:				
Interest on investments	-	4,422	-	4,422
Net increase in cash and cash equivalents	561	140,419	6,187	147,167
Cash and cash equivalents beginning of year	13,829	1,500,295	109,981	1,624,105
Cash and cash equivalents end of year	\$ 14,390	1,640,714	116,168	1,771,272
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	1,757	146,881	9,309	157,947
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization expense	3,605	-	30,612	34,217
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	(3,032)	935	(2,097)
Increase in due from other governments	(2)	-	-	(2)
Increase in due from other funds	(488)	-	-	(488)
Increase in inventories	(3,177)	-	-	(3,177)
Increase (decrease) in accounts payable	(1,134)	(7,870)	316	(8,688)
Increase in salaries and benefits payable	-	-	3,156	3,156
Increase (decrease) in due to other funds	-	4	(71)	(67)
Increase in due to other governments	-	14	-	14
Decrease in compensated absences	-	-	(267)	(267)
Increase in pension liability	-	-	11,690	11,690
Increase in deferred outflows of resources	-	-	(3,086)	(3,086)
Decrease in deferred inflows of resources	-	-	(13,073)	(13,073)
Increase in net OPEB liability	-	-	346	346
Net cash provided by operating activities	\$ 561	135,997	39,867	176,425

See accompanying independent auditor's report.

Lee County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Schools
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	3,702	238,136	418,099	299,231
Other County officials	211,232	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,131	2,207	-	92,292
Succeeding year	-	236,000	461,000	-	17,222,000
Accounts	12,168	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments:					
Current	-	-	-	131,798	-
Future	-	-	-	265,994	-
Due from other governments	-	-	-	221,149	-
Prepaid expenses	-	-	4,950	-	-
<b>Total assets</b>	<b>\$ 223,400</b>	<b>240,833</b>	<b>706,293</b>	<b>1,037,040</b>	<b>17,613,523</b>
<b>Liabilities</b>					
Liabilities:					
Accounts payable	\$ -	-	567	47,474	-
Salaries and benefits payable	-	-	15,258	-	-
Due to other governments	143,161	240,833	670,846	-	17,613,523
Trusts payable	80,239	-	-	-	-
Compensated absences	-	-	19,622	-	-
Bank loan payable	-	-	-	989,566	-
<b>Total liabilities</b>	<b>\$ 223,400</b>	<b>240,833</b>	<b>706,293</b>	<b>1,037,040</b>	<b>17,613,523</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drivers License Trust	Payee Accounts	Other	Total
20,478	145,266	6,779	788,441	802	-	927,659	2,848,593
-	-	-	-	-	127,500	-	338,732
6,418	74,397	748	-	-	-	25	177,218
1,347,000	10,787,000	408,000	-	-	-	5,000	30,466,000
-	-	-	-	-	-	51,294	63,462
-	-	-	-	-	-	166	166
-	-	-	-	-	-	180,174	180,174
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	131,798
-	-	-	-	-	-	-	265,994
-	-	-	-	-	-	102,023	323,172
-	-	-	-	-	-	-	4,950
<u>1,373,896</u>	<u>11,006,663</u>	<u>415,527</u>	<u>788,441</u>	<u>802</u>	<u>127,500</u>	<u>1,266,341</u>	<u>34,800,259</u>
-	-	-	-	-	-	61,883	109,924
-	-	-	-	-	-	50,302	65,560
1,373,896	11,006,663	415,527	788,441	802	-	1,138,151	33,391,843
-	-	-	-	-	127,500	-	207,739
-	-	-	-	-	-	16,005	35,627
-	-	-	-	-	-	-	989,566
<u>1,373,896</u>	<u>11,006,663</u>	<u>415,527</u>	<u>788,441</u>	<u>802</u>	<u>127,500</u>	<u>1,266,341</u>	<u>34,800,259</u>

Lee County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2016

<b>Assets and Liabilities</b>	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Schools
Balances beginning of year	\$ 216,109	237,783	655,739	1,503,853	17,652,999
Additions:					
Property and other county tax	-	235,414	459,526	-	17,345,035
E-911 surcharges	-	-	-	-	-
State tax credits	-	26,813	52,547	-	2,045,847
Drivers license fees	-	-	-	-	-
Office fees and collections	875,571	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	439,160	-
Trusts	1,080,170	-	-	-	-
Miscellaneous	-	-	5,882	617,957	-
Total additions	1,955,741	262,227	517,955	1,057,117	19,390,882
Deductions:					
Agency remittances:					
To other funds	495,551	-	-	-	-
To other governments	384,878	259,177	467,401	1,523,930	19,430,358
Trusts paid out	1,068,021	-	-	-	-
Total deductions	1,948,450	259,177	467,401	1,523,930	19,430,358
Balances end of year	\$ 223,400	240,833	706,293	1,037,040	17,613,523

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drivers License Trust	Payee Accounts	Other	Total
1,323,397	10,645,687	401,427	713,014	802	199,128	1,073,778	34,623,716
1,343,049	10,878,412	398,897	-	-	-	8,761	30,669,094
-	-	-	-	-	-	221,435	221,435
148,910	1,403,379	31,007	-	-	-	542	3,709,045
-	-	-	-	115,957	-	-	115,957
-	-	-	-	-	-	-	875,571
-	-	-	9,580,361	-	-	-	9,580,361
-	-	-	-	-	-	51,142	490,302
-	-	-	-	-	1,344,969	1,028,723	3,453,862
-	-	-	-	-	-	2,648,561	3,272,400
1,491,959	12,281,791	429,904	9,580,361	115,957	1,344,969	3,959,164	52,388,027
-	-	-	363,796	-	-	-	859,347
1,441,460	11,920,815	415,804	9,141,138	115,957	-	3,766,601	48,867,519
-	-	-	-	-	1,416,597	-	2,484,618
1,441,460	11,920,815	415,804	9,504,934	115,957	1,416,597	3,766,601	52,211,484
1,373,896	11,006,663	415,527	788,441	802	127,500	1,266,341	34,800,259

Lee County

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

For the Last Ten Years

	2016	2015	2014	2013
Revenues:				
Property and other county tax	\$11,009,591	10,759,734	10,260,723	10,398,427
Local option sales tax	1,831,714	1,764,285	1,318,713	1,511,657
Tax increment financing	-	-	-	-
Interest and penalty on property tax	142,002	139,728	146,058	148,139
Intergovernmental	11,772,333	9,850,223	8,271,583	7,944,450
Licenses and permits	192,727	111,772	101,664	93,635
Charges for service	1,064,137	1,048,099	1,006,977	1,028,187
Use of money and property	615,296	297,627	309,196	311,682
Miscellaneous	5,799,346	3,019,302	899,461	374,143
Total	<u>\$32,427,146</u>	<u>26,990,770</u>	<u>22,314,375</u>	<u>21,810,320</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 4,980,040	4,694,543	4,428,780	4,255,457
Physical health and social services	4,505,995	4,346,000	4,290,759	4,234,139
Mental health	1,292,277	1,182,005	1,753,244	2,683,788
County environment and education	2,052,614	1,715,148	1,800,562	1,292,962
Roads and transportation	5,285,493	5,394,021	5,130,710	4,703,670
Governmental services to residents	1,085,093	1,190,720	918,840	958,573
Administration	2,161,986	2,129,200	1,989,089	2,026,221
Non-program	305,876	63,574	8,734	17,038
Debt service	996,738	906,756	893,243	815,576
Capital projects	8,066,394	3,406,224	579,977	100,416
Total	<u>\$30,732,506</u>	<u>25,028,191</u>	<u>21,793,938</u>	<u>21,087,840</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
10,226,662	10,193,550	9,599,284	9,329,877	9,040,272	9,320,366
1,409,188	1,508,640	1,614,653	1,444,024	1,448,841	1,425,915
-	-	-	-	-	393,163
145,270	141,028	143,078	135,727	132,804	270,733
10,657,595	9,899,246	9,143,676	9,684,756	9,758,681	8,719,573
105,568	98,426	86,269	82,522	72,023	55,974
916,932	943,735	867,688	899,956	934,639	873,083
292,716	309,502	326,842	482,356	494,545	471,460
408,049	371,510	303,476	314,528	240,354	494,190
<u>24,161,980</u>	<u>23,465,637</u>	<u>22,084,966</u>	<u>22,373,746</u>	<u>22,122,159</u>	<u>22,024,457</u>
4,422,016	4,185,481	3,888,632	3,689,993	3,618,670	3,512,938
3,982,400	3,882,964	3,817,068	3,913,476	3,535,142	3,275,224
6,615,100	4,824,623	4,327,187	4,584,834	4,732,019	4,662,962
1,115,886	1,189,364	1,493,459	1,405,654	1,537,120	1,617,237
4,552,964	4,476,579	3,790,575	3,763,046	4,000,157	3,862,651
958,038	903,704	893,551	961,591	916,840	878,334
2,022,340	2,305,653	2,216,598	2,036,986	2,203,781	1,912,371
-	63,199	103,361	261,564	4,465,490	16,000
813,334	818,097	747,089	736,339	90,769	416,396
648,571	271,567	2,199,820	3,865,711	774,443	603,521
<u>25,130,649</u>	<u>22,921,231</u>	<u>23,477,340</u>	<u>25,219,194</u>	<u>25,874,431</u>	<u>20,757,634</u>

**Schedule 9**

Lee County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

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		\$ <u>12,298</u>
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	16-OT-001	\$ <u>35,029</u>
U.S. Department of Justice:			
Governor's Office of Drug Control Policy:			
Public Safety Partnership and Community Policing Grants	16.710	14-CAMP-11	<u>7,061</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-JAG-112334	44,460
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-JAG-110571	<u>17,411</u>
			61,871
City of Keokuk:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>1,170</u>
			<u>63,041</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C056(85)--8J-56	<u>505,398</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 15-402-M0PT, Task 15	6,205
State and Community Highway Safety	20.600	PAP 16-402-M0PT, Task 15	<u>5,493</u>
			<u>11,698</u>
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	15-TR-06	<u>880</u>
Governor's Office of Drug Control Policy:			
National Priority Safety Programs	20.616	PAP 16-405b-M1HVE, Task 04-00-00	<u>1,790</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5886BT35	<u>60,745</u>
Maternal and Child Health Federal Consolidated Programs	93.110	5886MH15	<u>1,161</u>
Immunization Cooperative Agreements	93.268	5885I447	5,708
Immunization Cooperative Agreements	93.268	5886I447	<u>3,239</u>
			<u>8,947</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5885DH02	200
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5886DH02	<u>2,000</u>
			<u>2,200</u>
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	5885MH15	10,785
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	5886CH06	<u>212,994</u>
			<u>223,779</u>



Lee County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2016

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:			
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	5885I447	1,580
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	5885PHM42	23,521
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	5886PHM42	38,933
			<u>62,454</u>
Maternal, Infant and Early Childhood Home Visiting Program	93.870	5887CH06	48,667
Maternal and Child Health Services Block Grant to the States	93.994	5885MH15	25,637
Maternal and Child Health Services Block Grant to the States	93.994	5886MH15	41,081
Maternal and Child Health Services Block Grant to the States	93.994	5885DH02	500
Maternal and Child Health Services Block Grant to the States	93.994	5886DH02	4,667
			<u>71,885</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs	93.566		35
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,255
Foster Care_Title IV-E	93.658		4,594
Adoption Assistance	93.659		1,610
Social Services Block Grant	93.667		3,863
Children's Health Insurance Program	93.767		87
Medical Assistance Program	93.778		23,490
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Emergency Management Performance Grants	97.042	EMPG-15-PT-56	6,145
Emergency Management Performance Grants	97.042	EMPG-16-PT-56	18,406
			<u>24,551</u>
Total			<u>\$ 1,180,098</u>

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Lee County under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lee County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Lee County.

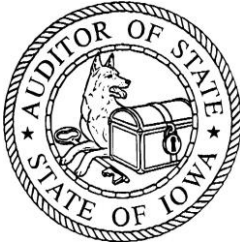
Lee County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Lee County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE**  
**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, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 21, 2017. 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 a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-16 through II-D-16 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 deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-E-16 to be a significant deficiency.

### 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, 2016 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.

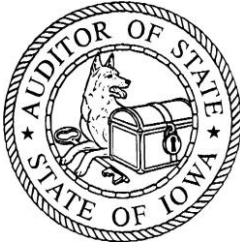
### Purpose of this Report

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

March 21, 2017



**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 the Uniform Guidance

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) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. 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 Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.


## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 non-compliance 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

March 21, 2017

Lee County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2016

**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 the Uniform Guidance, Section 200.515.
- (g) The major programs were as follows:
  - CFDA Number 20.205 – Highway Planning and Construction
  - CFDA Number 93.505 – Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Lee County did not qualify as a low-risk auditee.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-16 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

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

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

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the County's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – Each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

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

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

Conclusions – Responses accepted.



Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

II-B-16 Ambulance Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the financial statements.

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

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

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

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

Journal entries – preparing and journalizing with no independent review.

Cause – Lee County EMS Ambulance, Inc. has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

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

Conclusion – Response accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

II-C-16 Ambulance Financial Reporting

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

Condition – Material amounts of receivables and payables were not properly recorded in the Lee County EMS Ambulance, Inc.'s annual financial report. Adjustments were subsequently made by Lee County EMS Ambulance to properly include these amounts in the financial statements.

Cause – Policies do not require and procedures have not been established to require independent review of year end cut-off transactions to ensure the Lee County EMS Ambulance, Inc.'s financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the financial statements were necessary.

Recommendation – Lee County EMS Ambulance, Inc. should establish procedures to ensure all receivables and payables are identified and properly reported 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-D-16 Ambulance Billings, Collections, Delinquent Accounts and Write-offs

Criteria – An effective internal control system provides for internal controls related to reconciling billings, collections and receivables to ensure the accuracy of collections and receivables.

Condition - Lee County EMS Ambulance, Inc. does not reconcile ambulance billings, collections and delinquent accounts. Adjustments made to accounts receivable are not approved. Also, receipts recorded in the ambulance billing system are not reconciled to bank deposits.

Cause – Policies have not been established and procedures have not been implemented to reconcile ambulance billings, collections and receivables or to compare receipts and deposits. There are no established policies for approval of adjustments or write-offs of patient accounts in the ambulance billing system.

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

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Recommendation – Lee County EMS Ambulance, Inc. should establish policies and implement 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-E-16 County Sheriff

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

Condition - The Sheriff's Office (Civil) does not prepare a year-to-date spreadsheet of receipts and disbursements reconciled to the beginning and ending book balances. Although bank reconciliations are prepared, the book balance is not reconciled with the fees owed to the County, State and trusts on hand.

The Sheriff's Office (Jail) does not generate a listing of inmate trust balances at the end of each month and compare the balance to the bank reconciliation to determine the amount of commissary profits held in the account.

Cause – Procedures have not been designed and implemented to ensure appropriate accounting records are maintained or to ensure all accounts are adequately reconciled and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting for all funds.

Effect – Inadequate accounting records and a lack of complete bank to book reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The Sheriff's Office should prepare a year-to-date spreadsheet of receipts and disbursements which should reconcile to the beginning and ending book balances. 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.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Responses -

Civil - A year-to-date spreadsheet will be done for fiscal year 2017 and the book balance will be reconciled to the amounts owed to the County, State and trusts on hand each month.

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

Conclusion - Responses accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

**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, 2016

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

- IV-A-16 Certified Budget - Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted.
- IV-B-16 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-16 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-16 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ernie Steffensmeier, County Engineer, sister-in-law owns Steffensmeier Welding	Welding	\$ 5,172
Tammy Wilson, Financial Director of Public Health, husband is a shareholder in Agrineed Inc.	Supplies and maintenance - other County departments	9,955
Rick Larkin, Board of Supervisors, wife is a manager of The Kensington	Building rental- Public Health	48,117

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

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

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

Conclusion - Response accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

- IV-E-16 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-16 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-16 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-16 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-16 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, 2016 for the County Extension Office did not exceed the amount budgeted.

- IV-J-16 Deficit Fund Balance – The Special Revenue, Lincoln Ridge Limited Partnership Fund had a deficit unassigned fund balance of \$83,882 at June 30, 2016.

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 (GRPH) 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 Management 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-16 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the County Recorder’s Office.

Recommendation – The County Recorder’s Office should obtain and retain an image of both the front and back of each cancelled check as required.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Response – The bank was contacted to request images of the front and back of each cancelled check, and we have been receiving them since July.

Conclusion – Response accepted.

IV-L-16 Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

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

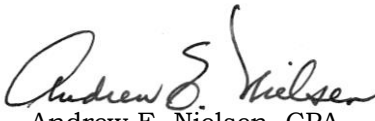


Lee County

Staff

This audit was performed by:

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