OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

Contact: Marlys Gaston
515/281-5834

FOR RELEASE May 22, 2019

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

The County had local tax revenue of $49,792,205 for the year ended June 30, 2018, which included $4,984,542 in tax credits from the state. The County forwarded $37,740,973 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $12,051,232 of the local tax revenue to finance County operations, a 1.4% increase over the prior year. Other revenues included charges for service of $3,756,159, operating grants, contributions and restricted interest of $6,112,441, capital grants, contributions and restricted interest of $188,560, local option sales tax of $1,519,977, payments in lieu of taxes of $370,000, unrestricted investment earnings of $113,771 and other general revenues of $393,382.

Expenses for County operations for the year ended June 30, 2018 totaled $26,195,038, a 2.2% increase over the prior year. Expenses included $6,944,109 for roads and transportation, $6,413,822 for public safety and legal services and $4,706,964 for physical health and social services.

A copy of the audit report is available for review in on the Auditor of State's web site at https://auditor.iowa.gov/reports/audit-reports/.

# # #

LEE COUNTY

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

JUNE 30, 2018

Lee County

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

May 13, 2019

Officials of Lee County
Fort Madison, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Lee County for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Lee County throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

Rob Sand

Rob Sand
Auditor of State

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(continued)

Lee County

Officials

Name	Title	Term Expires
Don Hunold	Board of Supervisors	Jan 2019
Rick Larkin	Board of Supervisors	Jan 2019
Ron Fedler	Board of Supervisors	Jan 2021
Gary Folluo	Board of Supervisors	Jan 2021
Matt Pflug	Board of Supervisors	Jan 2021
Denise Fraise	County Auditor	Jan 2021
Chris Spann	County Treasurer	Jan 2019
Nancy Booten	County Recorder	Jan 2019
Stacy Weber	County Sheriff	Jan 2021
Clinton Boddicker	County Attorney	(Resigned Jan 2018)
Ross Braden (Appointed)	County Attorney	Nov 2018
Teresa Murray	County Assessor	Jan 2022

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
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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, 2018, 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 represents 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, 2018, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 22 to the financial statements, Lee County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 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, 2017 (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 May 13, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lee County's internal control over financial reporting and compliance.

Marlys Gaston

MARLYS K. GASTON, CPA
Deputy Auditor of State

May 13, 2019

Lee County

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, 2018. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by $242,276 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

- Governmental activities revenues in fiscal year 2018 decreased 7.7%, or approximately $2,056,000, from fiscal year 2017. Capital grants, contributions and restricted interest decreased approximately $1,431,000 from fiscal year 2017, and operating grants, contributions and restricted interest decreased approximately $862,000 from fiscal year 2017. Both of the decreases were primarily due to state grants and private reimbursements for road projects received in the prior year.

- Governmental activities expenses increased 2.2%, or approximately $553,000, from fiscal year 2017 to fiscal year 2018.

- The County is in the seventeenth 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 Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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 and 4) 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.

   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 before restatement.

Net Position of Governmental Activities
(Expressed in Thousands)

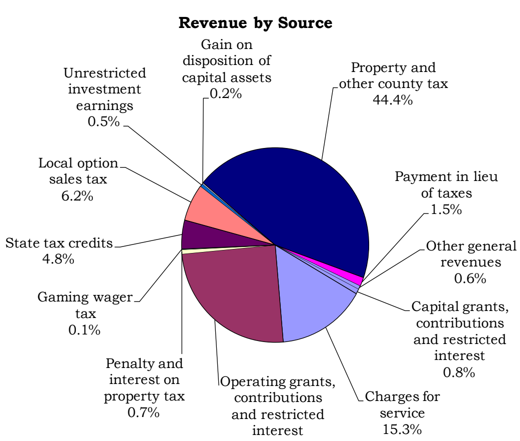
	June 30, 2018	June 30, 2017 (Not Restated)
Current and other assets	$ 30,045	29,709
Capital assets	43,293	44,511
Total assets	73,338	74,220
Deferred outflows of resources	2,602	2,202
Long-term liabilities	13,548	13,560
Other liabilities	2,057	1,519
Total liabilities	15,605	15,079
Deferred inflows of resources	11,968	11,044
Net position:		
Net investment in capital assets	39,150	39,872
Restricted	11,227	11,612
Unrestricted	(2,010)	(1,185)
Total net position	$ 48,367	50,299

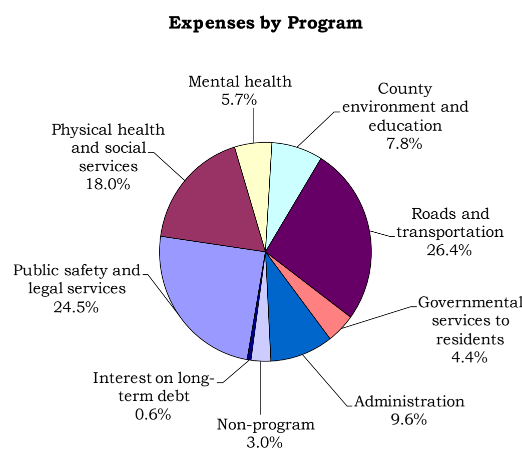
Prior to restatement, Lee County's total net position decreased approximately $1,932,000, or 3.8%. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, decreased from approximately ($1,185,000) at June 30, 2017 to approximately ($2,010,000) at the end of this year, a decrease of approximately $825,000. This decrease is primarily due to the implementation of GASB Statement No. 75.

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

	Year ended June 30, 2018	2017 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	$ 3,756	3,577
Operating grants, contributions and restricted interest	6,112	6,974
Capital grants, contributions and restricted interest	189	1,620
General revenues:		
Property and other county tax	10,877	10,683
Penalty and interest on property tax	172	118
Gaming wager tax	25	29
State tax credits	1,174	1,206
Local option sales tax	1,520	1,637
Payment in lieu of taxes	370	370
Unrestricted investment earnings	114	82
Gain on disposition of capital assets	37	80
Other general revenues	159	185
Total revenues	24,505	26,561
Program expenses:		
Public safety and legal services	6,414	5,659
Physical health and social services	4,707	4,380
Mental health	1,487	1,292
County environment and education	2,036	2,131
Roads and transportation	6,944	6,883
Governmental services to residents	1,148	1,219
Administration	2,511	2,316
Non-program	795	1,555
Interest on long-term debt	153	207
Total expenses	26,195	25,642
Change in net position	(1,690)	919
Net position beginning of year, as restated	50,057	49,380
Net position end of year	$ 48,367	50,299





For fiscal year 2018, Lee County's property tax rates decreased slightly to $8.26129 per $1,000 of taxable valuation for the countywide levy and the rural levy remained constant at $2.12719 per $1,000 of taxable valuation. The overall tax levy rate decreased $.00001, from $10.38849 to $10.38848, per $1,000 of taxable valuation. The countywide and the rural services taxable property valuations increased approximately $9.1 million and $18.9 million, respectively, from fiscal year 2017 to fiscal year 2018. The net effect of the increases in valuations and tax rates was a net increase in property and other county tax revenue of approximately $194,000.

INDIVIDUAL MAJOR FUND ANALYSIS

As Lee County completed the year, its governmental funds reported a combined fund balance of $14,086,803, which is less than the $15,106,539 combined fund balance at the end of fiscal year 2017. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

The General Fund, the operating fund for Lee County, ended fiscal year 2018 with an ending balance of $4,495,131, compared to the prior year ending balance of $5,510,266, a decrease of $1,015,135. Revenues decreased $51,075, primarily due to a decrease in miscellaneous revenues for pass through funds received for the Bakken pipeline inspection, offset by increased intergovernmental revenues for care of prisoners and public health grants. Expenditures increased $247,702, or 1.6%, to $15,876,038 in fiscal year 2018. Administration function expenditures increased $786,742 due primarily to the South Lee Courthouse tuckpointing and roof replacement projects. Non-program expenditures decreased $724,626 due primarily to decreased inspection fees for the Bakken pipeline.

The Special Revenue, Mental Health Fund ended fiscal year 2018 with an ending balance of $3,007,880 compared to the prior year ending balance of $3,372,251 a decrease of $364,371. Revenues increased $170,594, due primarily to an increase in property tax revenue, and expenditures increased $326,631, due primarily to an increase in distributions to the Mental Health Region.

The Special Revenue, Rural Services Fund ended fiscal year 2018 with an ending balance of $1,581,839 compared to the prior year ending balance of $1,598,886, a decrease of $17,047. Revenues decreased $113,915, due primarily to decreases in local option sales tax. Expenditures increased $210,132, due primarily to increased public safety and legal services expenditures.

The Special Revenue, Secondary Roads Fund ended fiscal year 2018 with an ending balance of $4,023,443 compared to the prior year ending balance of $3,363,444, an increase of $659,999. Revenues decreased $240,740 and expenditures decreased $246,945.

The Debt Service Fund ended fiscal year 2018 with an ending balance of $65,154 compared to the prior year ending balance of $312,822, a decrease of $247,668. Revenues decreased $168,582 due to a decrease in property tax revenues and expenditures increased $82,179. The County paid off the general obligation emergency services bonds during the year utilizing fund balance reserves.

BUDGETARY HIGHLIGHTS

During the year, Lee County amended its budget three times. The first amendment was made on August 1, 2017 to increase budgeted receipts and disbursements for pipeline inspections and to increase budgeted disbursements for additional employee expenses for the County Attorney's Office. The second amendment was made on December 19, 2017. This amendment was made for additional disbursements to repair the South Lee County Courthouse. The third amendment was made on May 22, 2018. This amendment was necessary for additional expenses in the Sheriff's Office, the Auditor's Office, the Conservation Department and the Community Services department, as well as additional expenses for the South Lee Courthouse Repair project and interest on long-term debt.

The County's receipts were $821,467 less than budgeted, a variance of 3.4%. Intergovernmental receipts were $752,393 less than budgeted as more roads and bridges grant receipts were anticipated than were received in fiscal year 2018.

Total disbursements were $2,108,341 less than the amended budget, a variance of 7.9%. Actual disbursements for the capital projects function were $674,123 less than budgeted and the roads and transportation function were $426,419 less than budgeted due to the timing of secondary road projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the County had invested approximately $43.3 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 decrease of approximately $1,218,000 from June 30, 2017.

Lee County had depreciation/amortization expense of approximately $3.0 million in fiscal year 2018 and total accumulated depreciation/amortization of approximately $43.3 million at June 30, 2018. Additional information about the County's capital assets is included in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2018, the County had approximately $5,486,000 of long-term debt outstanding. This represents a decrease of approximately $974,000 from June 30, 2017.

Outstanding debt decreased as scheduled payments of $863,000 were made on general obligation bonds and approximately $100,000 was made on installment purchase agreements. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Lee County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately $112.9 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 2017 to fiscal year 2018, the countywide and the rural taxable property valuations increased approximately $9.1 million and $18.9 million, respectively. In fiscal year 2019, the countywide and the rural taxable property valuations increased approximately $67.5 million and $33.6 million, respectively.

Amounts budgeted for disbursements in the fiscal year 2019 operating budget are approximately $26.0 million, an increase of 5.34% over the fiscal year 2018 actual disbursements of approximately $24.6 million. The County is expected to end fiscal year 2019 with a budgeted ending cash balance of approximately $8.7 million compared to the June 30, 2018 actual cash balance of approximately $12.1 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, 2018

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	$ 14,637,581
Receivables:	
Property tax:	
Delinquent	37,412
Succeeding year	11,742,000
Interest and penalty on property tax	52,867
Accounts	596,608
Accrued interest	8,311
Loans receivable	200,000
Due from other governments	1,056,986
Inventories	1,661,015
Prepaid expense	51,440
Capital assets, net of accumulated depreciation/amortization	43,293,415
Total assets	73,337,635
Deferred Outflows of Resources	
Pension related deferred outflows	2,553,098
OPEB related deferred outflows	49,267
Total deferred outflows of resources	2,602,365
Liabilities	
Accounts payable	1,282,160
Accrued interest payable	10,323
Salaries and benefits payable	192,315
Due to other governments	572,598
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	724,000
Capital lease purchase agreement	11,523
Compensated absences	412,764
Portion due or payable after one year:	
General obligation bonds	4,725,000
Capital lease purchase agreement	25,109
Compensated absences	57,762
Net pension liability	6,698,843
Total OPEB liability	892,680
Total liabilities	15,605,077
Deferred Inflows of Resources	
Unavailable property tax revenue	11,742,000
Pension related deferred inflows	197,176
OPEB related deferred inflows	28,667
Total deferred inflows of resources	11,967,843

Lee County

Statement of Net Position

June 30, 2018

	Governmental Activities
Net Position	
Net investment in capital assets	39,150,388
Restricted for:	
Nonexpendable:	
Permanent Fund - hospice care	82,500
Expendable:	
Supplemental levy purposes	1,170,964
Mental health purposes	2,998,562
Rural services purposes	1,560,369
Secondary roads purposes	4,045,990
Conservation land acquisition	110,871
Debt service	67,354
Building repair and maintenance	284,237
Hospice care purposes	228,963
Other purposes	676,584
Unrestricted	(2,009,702)
Total net position	$ 48,367,080

See notes to financial statements.

Lee County

Lee County

Statement of Activities

Year ended June 30, 2018

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:					
Governmental activities:					
Public safety and legal services	$ 6,413,822	603,731	69,986	-	(5,740,105)
Physical health and social services	4,706,964	1,604,740	1,460,795	-	(1,641,429)
Mental health	1,487,228	74,927	67,026	-	(1,345,275)
County environment and education	2,036,444	71,649	495,169	14,000	(1,455,626)
Roads and transportation	6,944,109	73,009	3,885,070	172,809	(2,813,221)
Governmental services to residents	1,147,618	548,147	43,699	-	(555,772)
Administration	2,511,192	43,155	15,219	1,751	(2,451,067)
Non-program	794,824	736,801	72,933	-	14,910
Interest on long-term debt	152,837	-	2,544	-	(150,293)
Total	$ 26,195,038	3,756,159	6,112,441	188,560	(16,137,878)
General Revenues:					
Property and other county tax levied for:					
General purposes					10,184,383
Debt service					692,388
Penalty and interest on property tax					171,596
Gaming wager tax					24,784
State tax credits					1,174,461
Rents					112,846
Local option sales tax					1,519,977
Payment in lieu of taxes					370,000
Unrestricted investment earnings					113,771
Gain on disposition of capital assets					36,959
Miscellaneous					47,197
Total general revenues					14,448,362
Change in net position					(1,689,516)
Net position beginning of year, as restated					50,056,596
Net position end of year					$ 48,367,080

See notes to financial statements.

Lee County

Balance Sheet
Governmental Funds

June 30, 2018

			Special
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	$ 4,357,625	3,010,514	1,517,598
Component units	-	-	-
Receivables:			
Property tax:			
Delinquent	32,551	-	2,146
Succeeding year	9,547,000	-	1,375,000
Interest and penalty on property tax	52,867	-	-
Accounts	77,793	741	1,013
Economic development loan	200,000	-	-
Accrued interest	7,635	-	-
Due from other governments	452,306	-	82,264
Inventories	-	-	-
Prepaid items	37,393	-	-
Total assets	$ 14,765,170	3,011,255	2,978,021
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 379,964	371	4,385
Salaries and benefits payable	136,934	2,821	8,339
Due to other funds	6,855	183	-
Due to other governments	66,403	-	6,675
Total liabilities	590,156	3,375	19,399
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	9,547,000	-	1,375,000
Other	132,883	-	1,783
Total deferred inflows of resources	9,679,883	-	1,376,783
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Hospice care	-	-	-
Prepaid items	37,393	-	-
Restricted for:			
Supplemental levy purposes	1,208,986	-	-
Mental health purposes	-	3,007,880	-
Rural services purposes	-	-	1,581,839
Secondary roads purposes	-	-	-
Conservation land acquisition	110,871	-	-
Debt service	-	-	-
Hospice care	-	-	-
Building repair and maintenance (local option sales tax)	284,237	-	-
Other purposes	300	-	-
Unassigned	2,853,344	-	-
Total fund balances	4,495,131	3,007,880	1,581,839
Total liabilities, deferred inflows of resources and fund balances	$ 14,765,170	3,011,255	2,978,021

See notes to financial statements.

Revenue Secondary Roads	Debt Service	Nonmajor	Total
2,742,725	65,619	379,963	12,074,044
-	-	613,533	613,533
-	2,715	-	37,412
-	820,000	-	11,742,000
-	-	-	52,867
1,929	-	515,062	596,538
-	-	-	200,000
-	20	89	7,744
522,138	-	-	1,056,708
1,657,779	-	-	1,657,779
4,350	-	-	41,743
4,928,921	888,354	1,508,647	28,080,368
744,239	1,000	94,151	1,224,110
37,014	-	4,624	189,732
89	-	-	7,127
3,004	-	496,516	572,598
784,346	1,000	595,291	1,993,567
-	820,000	-	11,742,000
121,132	2,200	-	257,998
121,132	822,200	-	11,999,998
1,100,279	-	-	1,100,279
-	-	82,500	82,500
4,350	-	-	41,743
-	-	-	1,208,986
-	-	-	3,007,880
-	-	-	1,581,839
2,918,814	-	-	2,918,814
-	-	-	110,871
-	65,154	-	65,154
-	-	228,963	228,963
-	-	-	284,237
-	-	676,284	676,584
-	-	(74,391)	2,778,953
4,023,443	65,154	913,356	14,086,803
4,928,921	888,354	1,508,647	28,080,368

Lee County

Lee County

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

June 30, 2018

Total governmental fund balances (page 23)		$ 14,086,803
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 $86,131,127 and the accumulated depreciation/ amortization is $42,913,606.		43,217,521
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.		257,998
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 $454,698, net of accumulated depreciation/amortization of $378,804	$ 75,894	
Compensated absences	(5,105)	
Total OPEB liability	(3,852)	
Net pension liability	(66,988)	
Pension and OPEB related deferred outflows	25,744	
Pension and OPEB related deferred inflows	(2,095)	
Other net position	1,910,346	1,933,944
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	2,576,621	
Deferred inflows of resources	(223,748)	2,352,873
Long-term liabilities, including general obligation bonds payable, capital lease purchase agreement payable, net pension liability, total OPEB 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.		(13,482,059)
Net position of governmental activities (page 19)		$ 48,367,080

See notes to financial statements.

Lee County

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

Year ended June 30, 2018

	General	Special: Mental Health	Special: Rural Services
Revenues:			
Property and other county tax	$ 8,213,529	814,452	1,183,569
Local option sales tax	389,295	-	1,167,884
Interest and penalty on property tax	160,481	-	-
Intergovernmental	4,388,842	91,264	128,096
Licenses and permits	215,392	-	-
Charges for service	999,568	4,380	-
Use of money and property	230,907	-	-
Miscellaneous	262,889	741	11,467
Total revenues	14,860,903	910,837	2,491,016
Expenditures:			
Operating:			
Public safety and legal services	5,733,355	-	544,717
Physical health and social services	4,575,632	-	-
Mental health	64,296	1,275,208	-
County environment and education	1,256,271	-	179,845
Roads and transportation	-	-	-
Governmental services to residents	1,176,913	-	4,554
Administration	2,922,850	-	-
Non-program	68,273	-	-
Debt service	-	-	-
Capital projects	78,448	-	-
Total expenditures	15,876,038	1,275,208	729,116
Excess (deficiency) of revenues over (under) expenditures	(1,015,135)	(364,371)	1,761,900
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	(1,778,947)
Total other financing sources (uses)	-	-	(1,778,947)
Change in fund balances	(1,015,135)	(364,371)	(17,047)
Fund balances beginning of year	5,510,266	3,372,251	1,598,886
Fund balances end of year	$ 4,495,131	3,007,880	1,581,839

See notes to financial statements.

Revenue Secondary Roads	Debt Service	Nonmajor	Total
-	692,332	-	10,903,882
-	-	-	1,557,179
-	-	-	160,481
4,014,161	76,626	242,741	8,941,730
28,200	-	-	243,592
637	-	5,065	1,009,650
-	1,398	93,696	326,001
60,099	-	325,204	660,400
4,103,097	770,356	666,706	23,802,915
-	-	2,601	6,280,673
-	-	54,482	4,630,114
-	-	151,874	1,491,378
-	-	493,263	1,929,379
5,046,294	-	-	5,046,294
-	-	-	1,181,467
-	-	-	2,922,850
-	-	-	68,273
-	1,018,024	-	1,018,024
175,751	-	-	254,199
5,222,045	1,018,024	702,220	24,822,651
(1,118,948)	(247,668)	(35,514)	(1,019,736)
1,778,947	-	-	1,778,947
-	-	-	(1,778,947)
1,778,947	-	-	-
659,999	(247,668)	(35,514)	(1,019,736)
3,363,444	312,822	948,870	15,106,539
4,023,443	65,154	913,356	14,086,803

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, 2018

Change in fund balances - Total governmental funds (page 27)		$ (1,019,736)
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. Depreciation/amortization expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:		
Expenditures for capital assets	$ 1,686,762	
Capital assets contributed to the County Conservation Department	14,000	
Depreciation/amortization expense	(2,914,770)	(1,214,008)
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.		36,959
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	(2,327)	
Other	(87,359)	(89,686)
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.		940,156
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.		809,402
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	(35,845)	
OPEB expense	(69,901)	
Pension expense	(1,098,614)	
Interest on long-term debt	2,187	(1,202,173)
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.		49,570
Change in net position of governmental activities (page 21)		$ (1,689,516)

See notes to financial statements.

Lee County

Statement of Net Position
Proprietary Funds

June 30, 2018

	Internal Service
Assets	
Current assets:	
Cash and cash equivalents	$ 1,950,004
Receivables:	
Accounts	70
Accrued interest	567
Due from other funds	7,176
Due from other governments	278
Inventories	3,236
Prepaid expenses	9,697
Noncurrent assets:	
Capital assets, net of accumulated depreciation/amortization	75,894
Total assets	2,046,922
Deferred Outflows of Resources	
OPEB related deferred outflows	213
Pension related deferred outflows	25,531
Total Deferred Outflows of Resources	25,744
Liabilities	
Current liabilities:	
Accounts payable	58,050
Salaries and benefits payable	2,583
Due to other funds	49
Compensated absences	5,105
Non-current liabilities:	
Total OPEB liability	3,852
Net pension liability	66,988
Total liabilities	136,627
Deferred Inflows of Resources	
OPEB related deferred inflows	124
Pension related deferred inflows	1,971
Total Deferred Inflows of Resources	2,095
Net Position	
Net investment in capital assets	75,894
Unrestricted	1,858,050
Total net position	$ 1,933,944

See notes to financial statements.

Lee County

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

Year ended June 30, 2018

		Internal Service
Operating revenues:		
Reimbursements from operating funds and other governmental units		$ 3,191,561
Reimbursements from employees and others		311,553
Miscellaneous reimbursements		3,156
Total operating revenues		3,506,270
Operating expenses:		
Medical and health services	$ 2,984,866	
Salaries and benefits	171,770	
Administrative fees, network access fees and stop-loss premium	61,799	
Supplies, utilities and data processing	159,631	
Maintenance agreements	9,263	
Non-capitalized equipment	33,148	
Depreciation/amortization	40,757	3,461,234
Operating income		45,036
Non-operating revenues:		
Interest income		4,534
Change in net position		49,570
Net position beginning of year, as restated		1,884,374
Net position end of year		$ 1,933,944

See notes to financial statements.

Lee County

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2018

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds and other governmental units	$ 3,190,843
Cash received from employees and others	314,060
Cash paid to suppliers for services	(3,183,732)
Net cash provided by operating activities	321,171
Cash flows from capital and related financing activities:	
Installment purchase agreement payment	(33,680)
Cash flows from investing activities:	
Interest on investments	4,366
Increase in cash and cash equivalents	291,857
Cash and cash equivalents beginning of year	1,658,147
Cash and cash equivalents end of year	$ 1,950,004
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 45,036
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization expense	40,757
Changes in assets and liabilities:	
Increase in accounts receivable	(70)
Increase in due from other governments	(162)
Increase in due from other funds	(1,135)
Decrease in inventories	1,750
Increase in accounts payable	34,827
Increase in salaries and benefits payable	128
Decrease in due to other funds	(20)
Decrease in due to other governments	(369)
Decrease in prepaid expenses	197,966
Decrease in compensated absences	(760)
Increase in pension liability	5,933
Increase in deferred outflows of resources	(3,728)
Increase in deferred inflows of resources	626
Increase in total OPEB liability	392
Net cash provided by operating activities	$ 321,171

See notes to financial statements.

Lee County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

Assets	
Cash, cash equivalents and pooled investments:	
County Treasurer	$ 3,474,068
Other County officials	343,372
Receivables:	
Property tax:	
Delinquent	134,937
Succeeding year	33,708,000
Accounts	28,728
Accrued interest	315
Special assessments	214,459
Drainage assessments:	
Current	51,681
Due from other governments	115,293
Prepaid expenses	4,950
Total assets	38,075,803
Liabilities	
Accounts payable	50,461
Salaries and benefits payable	26,634
Due to other governments	36,932,881
Trusts payable	318,146
Compensated absences	42,529
Drainage bond payable	705,152
Total liabilities	38,075,803
Net position	$ -

See notes to financial statements.

(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, 2017. 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 Broad, 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, 2017 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 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, 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. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position</u>

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

<u>Cash, Cash Equivalents and Pooled Investments</u> – 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 reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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. Drainage assessments receivable represent assessments which are due and payable but have not been collected and remaining assessments which are payable but not yet due.

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, 2018, 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, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are 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 and OPEB 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, 2018. 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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on Lee County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

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

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

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

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, 2018 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, 2018 consist of stocks, mutual funds, exchange-traded funds and closed-ended funds with a fair value of $111,911. 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, 2018 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 $84,773 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, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
Internal Service:		
Supplies	General	$ 6,855
	Special Revenue:	
	Mental Health	183
	Secondary Roads	89
	Internal Service:	
	Employee Health Plan Trust	6
	Information Technology	43
Total		$ 7,176

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures/expenses 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, 2018 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Rural Services	Secondary Roads	$ 1,778,947

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, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	$ 993,136	-	-	993,136
Land, road network	1,585,584	-	-	1,585,584
Construction in progress	20,055	917,054	(767,024)	170,085
Total capital assets not being depreciated/amortized	2,598,775	917,054	(767,024)	2,748,805
Capital assets being depreciated/amortized:				
Buildings	15,868,853	854,934	(38,480)	16,685,307
Improvements other than buildings	1,292,970	67,830	-	1,360,800
Equipment and vehicles	8,397,695	685,719	(330,710)	8,752,704
Equipment, internal service	199,236	-	(6,345)	192,891
Intangibles	125,420	-	-	125,420
Intangibles, internal service	261,807	-	-	261,807
Infrastructure, road network	56,447,703	10,388	-	56,458,091
Total capital assets being depreciated/amortized	82,593,684	1,618,871	(375,535)	83,837,020
Less accumulated depreciation/amortization for:				
Buildings	6,599,135	382,355	(12,698)	6,968,792
Improvements other than buildings	720,294	43,024	-	763,318
Equipment and vehicles	5,610,503	609,977	(325,312)	5,895,168
Equipment, internal service	163,437	13,807	(6,345)	170,899
Intangibles	125,420	-	-	125,420
Intangibles, internal service	180,955	26,950	-	207,905
Infrastructure, road network	27,281,494	1,879,414	-	29,160,908
Total accumulated depreciation/amortization	40,681,238	2,955,527	(344,355)	43,292,410
Total capital assets being depreciated/amortized, net	41,912,446	(1,336,656)	(31,180)	40,544,610
Governmental activities capital assets, net	$ 44,511,221	(419,602)	(798,204)	43,293,415

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 104,177
Physical health and social services	7,889
Mental health	78,315
County environment and education	91,847
Roads and transportation	2,314,512
Government services to residents	13,765
Administration	345,022
Total depreciation/amortization expense - government activities	$ 2,955,527

(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, 2018 is as follows:

Fund	Description	Amount
General	Services	$ 66,403
Special Revenue:		
Rural Services	Services	6,675
Secondary Roads	Services	3,004
Lee County Economic Development Group	Services	494,167
Memorial Trust	Services	2,349
		506,195
Total for governmental funds		$ 572,598
Agency:		
County Assessor	Collections	$ 777,244
Schools		19,778,544
Community Colleges		1,499,328
Corporations		11,874,793
Auto License and Use Tax		805,742
All other		2,197,230
Total for agency funds		$ 36,932,881

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	General Obligation Jail Bonds	General Obligation Emergency Services Bonds	General Obligation Conservation Building Bonds	General Obligation Refunding Bonds	Installment Purchase Agreements	Capital Lease Purchase Agreement	Compen-sated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, as restated	$ 410,000	165,000	417,000	5,320,000	99,950	47,518	435,441	6,105,549	801,876	13,802,334
Increases	-	-	-	-	-	-	659,351	593,294	90,804	1,343,449
Decreases	65,000	165,000	48,000	585,000	99,950	10,886	624,266	-	-	1,598,102
Balance end of year	$ 345,000	-	369,000	4,735,000	-	36,632	470,526	6,698,843	892,680	13,547,681
Due within one year	$ 65,000	-	49,000	610,000	-	11,523	412,764	-	-	1,148,287

General Obligation Jail Bonds

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
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	2.00	70,000	2,800	72,800
2023	2.00	70,000	1,400	71,400
Total		$ 345,000	20,900	365,900

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
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	2.10		53,000	4,578	57,578
2023	2.10		54,000	3,465	57,465
2024-2025	2.10		111,000	3,507	114,507
Total		$	369,000	31,689	400,689

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.

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

Year Ending June 30,	Interest Rates		Principal	Interest	Total
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		680,000	58,475	738,475
2023	2.00		335,000	44,875	379,875
2024-2028	2.00-2.25		1,815,000	119,050	1,934,050
Total		$	4,735,000	513,475	5,248,475

Capital Lease Purchase Agreement

During the year ended June 30, 2017, the County entered into a capital lease purchase agreement for a 2015 Case-IH Farmall 12OC Tractor for the Conservation department. The following is a schedule of the future minimum lease payments, including interest at 5.85% per annum, and the present value of the net minimum lease payments under the agreement in effect at June 30, 2018:

Year Ending June 30,	Interest Rates		Principal	Interest	Total
2018	5.85%	$	11,523	2,143	13,666
2019	5.85		12,197	1,469	13,666
2020	5.85		12,912	755	13,667
Total		$	36,632	4,367	40,999

Payments under the capital lease purchase agreement totaled $13,665 for the year ended June 30, 2018.

(8) Loans Receivable

Economic Development Loan

In September 2016, Lee County agreed to loan Lee County Economic Development Group, Inc. $200,000 for the purpose of loaning the amount to Keokuk Mills, LLC to assist in its efforts to acquire and establish a production facility and begin manufacturing. Lee County may forgive the loan in whole or part. Lee County will require repayment of the loan only if Keokuk Mills, Inc. has repaid the loan to Lee County Economic Development Group, Inc. The loan will be reviewed within three years of the loan origination to determine if Lee County will require full or partial repayment of the loan.

(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 PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for 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.

<u>Disability and Death Benefits</u> – 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.

<u>Contributions</u> – 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 2018, 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 9.38% of covered payroll for a total rate of 18.76%. 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, 2018 totaled $819,680.

<u>Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u> – At June 30, 2018, the County reported a liability of $6,698,843 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the County's proportion was 0.100564%, which was an increase of 0.003548% over its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of $1,112,787. At June 30, 2018, 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	$ 83,055	88,393
Changes of assumptions	1,389,483	11,323
Net difference between projected and actual earnings on IPERS' investments	-	88,254
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	260,880	9,206
County contributions subsequent to the measurement date	819,680	-
Total	$ 2,553,098	197,176

$819,680 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, 2019. 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
2019	$ 243,278
2020	695,215
2021	420,343
2022	70,991
2023	106,415
Total	$ 1,536,242

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 2017)	7.00% compunded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	$ 12,002,261	6,698,843	2,246,602

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2018.

(11) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Lee County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	162
Total	164

Total OPEB Liability – The County's total OPEB liability of $892,680 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	2.60% per annum.
Rates of salary increase (effective June 30, 2018)	3.25% per annum, including inflation, plus merit and productivity increases.
Discount rate (effective June 30, 2018)	3.87% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	9.00% initial rate decreasing by .5% annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, as restated	$ 801,876
Changes for the year:	
Service cost	63,552
Interest	30,518
Differences between expected and actual experiences	(31,852)
Changes in assumptions	54,741
Benefit payments	(26,155)
Net changes	90,804
Total OPEB liability end of year	$ 892,680

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	$ 967,869	892,680	822,949

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (8.00%) or 1% higher (10.00%) than the current healthcare cost trend rates.

	1% Decrease (8.00%)	Healthcare Cost Trend Rate (9.00%)	1% Increase (10.00%)
Total OPEB liability	$ 784,752	892,680	1,021,035

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of $96,359. At June 30, 2018, the County reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	28,667
Changes in assumptions	49,267	-
Total	$ 49,267	$ 28,667

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2019	$ 2,289
2020	2,289
2021	2,289
2022	2,289
2023	2,289
Thereafter	9,155
	$ 20,600

(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 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 Midwest Group Benefits. 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 Midwest Group Benefits 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, 2018 was $2,780,710.

Amounts payable from the Employee Health Plan Fund at June 30, 2018 total $55,072, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was $1,756,855 at June 30, 2018 and is reported as a designation of the Internal Service, Employee Health Plan Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years.

(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, 2017.

Condensed Statement of Net Position December 31, 2017	
Assets	
Accounts receivable, net of allowance	$ 306,917
Capital assets, net of accumulated depreciation	350,103
Other	10,174
Total assets	667,194
Liabilities	
Accounts payable	39,136
Salaries and benefits payable	40,977
Notes payable	48,500
Total liabilities	128,613
Net position	
Net investment in capital assets	301,603
Unrestricted	236,978
Total net position	$ 538,581

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position Year ended December 31, 2017		
Operating revenues:		
Patient income		$ 1,792,410
County subsidy		425,412
Other		3,215
Total operating revenues		2,221,037
Operating expenses:		
Salaries and benefits	$ 1,309,665	
Insurance	357,807	
Other	592,805	2,260,277
Net loss		(39,240)
Net position beginning of year		577,821
Net position end of year		$ 538,581

(15) Ambulance Subsidy Agreement

On June 6, 2017, 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, 2017 and terminates on June 30, 2020. Pursuant to the agreement, the County is to pay $429,624 per year for three years at $35,802 per month.

(16) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

County Tax Abatements

In 2012, the County entered into a development agreement with Iowa Fertilizer Company (Company) to construct a facility located in the County. Under the agreement, the County grants property tax exemptions to the Company and the Company agrees to make payments in lieu of property taxes to the County.

For the year ended June 30, 2018, the County abated $363,766 of property tax under the agreement. The County received $370,000 of payment in lieu of tax from the Company, of which $222,277 was provided to other affected governments and $147,723 was retained by the County.

In addition, the County provides tax abatements to certain property owners who make qualified improvements to eligible property through the Lee County Revitalization Plan, as provided for in Chapter 404.1 of the Code of Iowa. Under this Plan, the Board of Supervisors shall approve applications from property owners, subject to review by the local Assessor, if the improvement project is in conformance with the plan for revitalization developed by the County, is located within a designated Revitalization Area, and if the improvements were made during the time the area was so designated. All qualified real estate is eligible to receive a two-year one hundred percent exemption from the taxation on the actual value added by the improvements. For the year ended June 30, 2018, $89,681 of property tax was diverted from the County under these agreements.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Fort Madison	Urban renewal and economic development projects	$ 231,528
City of Keokuk	Urban renewal and economic development projects	246,929
	Total	$ 478,457

(17) 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, 2018:

Additions:		
Contributions from governmental units:		
Member contributions		$ 972,092
Interest on investments		441
Total additions		972,533
Deductions:		
Salaries	$ 579,277	
Benefits	303,629	
Office supplies	1,749	
Legal representation and publications	1,156	
Telephone	5,431	
Equipment	43	
Labor relation services	11,388	
Liability services	3,548	
Maintenance and improvements	2,231	
Contracts	1,027	
Data processing services	7,573	917,052
Net		55,481
Balance beginning of year		18,019
Balance end of year		$ 73,500

(18) 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, 2018 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	$ 100,788	-	100,788
Quality improvement	-	47,159	47,159
Allocation for administration	5,305	10,996	16,301
School ready general use	-	308,394	308,394
Total state grants	106,093	366,549	472,642
Interest on investments	125	260	385
Total revenues	106,218	366,809	473,027
Expenditures:			
Program services:			
Early childhood	94,751	-	94,751
Quality improvement	-	46,820	46,820
School ready general use	-	300,958	300,958
Total program services	94,751	347,778	442,529
Administration	5,925	13,849	19,774
Total expenditures	100,676	361,627	462,303
Change in fund balance	5,542	5,182	10,724
Fund balance beginning of year	13,570	15,544	29,114
Fund balance end of year	$ 19,112	20,726	39,838

(19) Deficit Fund Balance

The Special Revenue, Lincoln Ridge Limited Partnership Fund had a deficit fund balance of $63,746 at June 30, 2018. The deficit balance was the result of a lower occupancy rate at the apartment building. The deficit will be eliminated through efforts to increase the occupancy rate.

(20) Drainage Bond Payable

In December 2012, the Green Bay Levee and Drainage District No. 2 issued a drainage bond for $1,450,000. The bond requires semi-annual payments on June 1 and December 1 of $84,323 including interest at 2.99% per annum. The balance of the bond at June 30, 2018 is $705,152.

(21) 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, 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, 2018, as follows:

Revenues:		
Property and other county tax		$ 814,452
Intergovernmental:		
State tax credits		91,264
Charges for service		4,380
Miscellaneous		741
Total revenues		910,837
Expenditures:		
Services to persons with:		
Mental illness	$ 345,551	
Intellectual disabilities	4,982	
Other developmental disabilities	306	350,839
General administration:		
Direct administration	189,642	
Distribution to regional fiscal agent	734,727	924,369
Total expenditures		1,275,208
Excess of expenditures over revenues		(364,371)
Fund balance beginning of year		3,372,251
Fund balance end of year		$ 3,007,880

(22) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	Governmental Activities	Internal Service - Information Technology
Net position June 30, 2017, as previously reported	$ 50,298,872	142,873
Net OPEB obligation measured under previous standards	559,600	6,960
Total OPEB liability at June 30, 2017	(801,876)	(3,460)
Net position July 1, 2017, as restated	$ 50,056,596	146,373

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, 2018

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	$ 12,472,649	-	12,472,649
Interest and penalty on property tax	157,405	-	157,405
Intergovernmental	8,999,014	214,400	8,784,614
Licenses and permits	254,339	-	254,339
Charges for service	1,011,248	-	1,011,248
Use of money and property	312,003	80,541	231,462
Miscellaneous	786,765	333,186	453,579
Total receipts	23,993,423	628,127	23,365,296
Disbursements:			
Public safety and legal services	6,367,958	-	6,367,958
Physical health and social services	4,599,310	14,740	4,584,570
Mental health	1,544,076	152,723	1,391,353
County environment and education	1,941,823	464,024	1,477,799
Roads and transportation	5,418,408	-	5,418,408
Governmental services to residents	1,254,890	-	1,254,890
Administration	2,784,881	-	2,784,881
Non-program	78,592	-	78,592
Debt service	1,017,024	-	1,017,024
Capital projects	273,524	-	273,524
Total disbursements	25,280,486	631,487	24,648,999
Excess (deficiency) of receipts over (under) disbursements	(1,287,063)	(3,360)	(1,283,703)
Other financing sources (uses), net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,287,063)	(3,360)	(1,283,703)
Balance beginning of year	13,974,640	616,893	13,357,747
Balance end of year	$ 12,687,577	613,533	12,074,044

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net
Original	Final	Variance
12,566,417	12,566,417	(93,768)
142,000	142,000	15,405
9,426,421	9,537,007	(752,393)
244,400	244,400	9,939
1,039,267	1,039,267	(28,019)
229,347	229,347	2,115
264,770	428,325	25,254
23,912,622	24,186,763	(821,467)
6,064,883	6,582,851	214,893
4,784,584	4,784,584	200,014
1,483,446	1,533,446	142,093
1,501,252	1,510,502	32,703
5,844,827	5,844,827	426,419
1,368,190	1,375,190	120,300
2,446,538	2,971,538	186,657
39,680	189,680	111,088
1,016,328	1,017,075	51
947,647	947,647	674,123
25,497,375	26,757,340	2,108,341
(1,584,753)	(2,570,577)	1,286,874
100	100	(100)
(1,584,653)	(2,570,477)	1,286,774
12,187,789	13,357,748	(1)
10,603,136	10,787,271	1,286,773

Lee County

Lee County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2018

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 23,993,423	(190,508)	23,802,915
Expenditures	25,280,486	(457,835)	24,822,651
Net	(1,287,063)	267,327	(1,019,736)
Beginning fund balances	13,974,640	1,131,899	15,106,539
Ending fund balances	$ 12,687,577	1,399,226	14,086,803

See accompanying independent auditor's report.

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 and discretely presented 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 $1,259,965. 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 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2018, disbursements did not exceed the amounts budgeted.

Lee County

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

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

Required Supplementary Information

	2018	2017	2016	2015
County's proportion of the net pension liability	0.100564%	0.097016%	0.092265%	0.085462%
County's proportionate share of the net pension liability	$ 6,699	6,106	4,558	3,389
County's covered payroll	$ 8,809	8,228	7,867	7,415
County's proportionate share of the net pension liability as a percentage of its covered payroll	76.05%	74.21%	57.94%	45.70%
IPERS' net position as a percentage of the total liability pension	82.21%	81.82%	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.

Lee County

Schedule of County Contributions

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

Required Supplementary Information

		2018	2017	2016	2015
Statutorily required contribution	$	820	799	742	710
Contributions in relation to the statutorily required contribution		(820)	(799)	(742)	(710)
Contribution deficiency (excess)	$	-	-	-	-
County's covered payroll	$	9,043	8,809	8,228	7,867
Contributions as a percentage of covered payroll		9.07%	9.07%	9.02%	9.03%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
669	630	571	497	445	413
(669)	(630)	(571)	(497)	(445)	(413)
-	-	-	-	-	-
7,415	7,135	6,858	6,745	6,398	6,234
9.02%	8.83%	8.33%	7.37%	6.96%	6.62%

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.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

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

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.

Lee County

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

For the Current Year
Required Supplementary Information

		2018
Service cost	$	63,552
Interest cost		30,518
Difference between expected and actual experiences		(31,852)
Changes in assumptions		54,741
Benefit payments		(26,155)
Net change in total OPEB liability		90,804
Total OPEB liability beginning of year, as restated		801,876
Total OPEB liability end of year	$	892,680
Covered-employee payroll	$	7,711,045
Total OPEB liability as a percentage of covered-employee payroll		11.6%

<u>Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios</u>

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

Lee County

Supplementary Information

Lee County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

					Special
	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Great River Progressive Housing Corporation	Lincoln Ridge Limited Partnership
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	$ 14,561	39,572	4,108	-	-
Component units	-	-	-	6,948	25,705
Receivables:					
Accounts	-	-	-	-	410
Accrued interest	3	12	-	-	-
Total assets	$ 14,564	39,584	4,108	6,948	26,115
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ -	-	681	-	89,861
Salaries and benefits payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Total liabilities	-	-	681	-	89,861
Fund balances:					
Nonspendable:					
Hospice care	-	-	-	-	-
Restricted for:					
Hospice care	-	-	-	-	-
Other purposes	14,564	39,584	3,427	6,948	10,645
Unassigned	-	-	-	-	(74,391)
Total fund balances	14,564	39,584	3,427	6,948	(63,746)
Total liabilities and fund balances	$ 14,564	39,584	4,108	6,948	26,115

See accompanying independent auditor’s report.

Revenue: Lee County Economic Development Group	Revenue: Three Rivers Conservation Foundation	Revenue: Friends of Public Health	Revenue: Sheriff's Forfeiture	Revenue: Memorial Trust	Revenue: Neff Memorial	Permanent: Neff Memorial	Total
-	-	-	4,538	209,307	25,377	82,500	379,963
286,226	131,368	163,286	-	-	-	-	613,533
514,489	-	-	-	163	-	-	515,062
-	-	-	-	66	8	-	89
800,715	131,368	163,286	4,538	209,536	25,385	82,500	1,508,647
-	-	-	-	3,609	-	-	94,151
4,624	-	-	-	-	-	-	4,624
494,167	-	-	-	2,349	-	-	496,516
498,791	-	-	-	5,958	-	-	595,291
-	-	-	-	-	-	82,500	82,500
-	-	-	-	203,578	25,385	-	228,963
301,924	131,368	163,286	4,538	-	-	-	676,284
-	-	-	-	-	-	-	(74,391)
301,924	131,368	163,286	4,538	203,578	25,385	82,500	913,356
800,715	131,368	163,286	4,538	209,536	25,385	82,500	1,508,647

Lee County

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

Year ended June 30, 2018

					Special
	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Great River Progressive Housing Corporation	Lincoln Ridge Limited Partnership
Revenues:					
Intergovernmental	$ 15,898	-	-	4,400	-
Charges for service	-	5,065	-	-	-
Use of money and property	38	106	-	-	70,547
Miscellaneous	-	-	1,430	7,966	53,919
Total revenues	15,936	5,171	1,430	12,366	124,466
Expenditures:					
Operating:					
Public safety and legal services	-	-	2,601	-	-
Physical health and social services	-	-	-	-	-
Mental health	-	-	-	14,291	137,583
County environment and education	17,746	-	-	-	-
Total expenditures	17,746	-	2,601	14,291	137,583
Change in fund balances	(1,810)	5,171	(1,171)	(1,925)	(13,117)
Fund balances beginning of year	16,374	34,413	4,598	8,873	(50,629)
Fund balances end of year	$ 14,564	39,584	3,427	6,948	(63,746)

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	Permanent: Neff Memorial	Total
210,000	12,443	-	-	-	-	-	242,741
-	-	-	-	-	-	-	5,065
17,594	4,535	182	-	621	73	-	93,696
203,050	20,889	3,070	-	34,880	-	-	325,204
430,644	37,867	3,252	-	35,501	73	-	666,706
-	-	-	-	-	-	-	2,601
-	-	14,740	-	39,742	-	-	54,482
-	-	-	-	-	-	-	151,874
450,963	24,554	-	-	-	-	-	493,263
450,963	24,554	14,740	-	39,742	-	-	702,220
(20,319)	13,313	(11,488)	-	(4,241)	73	-	(35,514)
322,243	118,055	174,774	4,538	207,819	25,312	82,500	948,870
301,924	131,368	163,286	4,538	203,578	25,385	82,500	913,356

Lee County

Combining Schedule of Net Position
Internal Service Funds

June 30, 2018

	Supplies	Employee Health Plan Trust	Information Technology	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 21,924	1,811,296	116,784	1,950,004
Receivables:				
Accounts	-	70	-	70
Accrued interest	-	567	-	567
Due from other funds	7,176	-	-	7,176
Due from other governments	278	-	-	278
Inventories	3,236	-	-	3,236
Prepaid expenses	-	-	9,697	9,697
Noncurrent assets:				
Capital assets, net of accumulated depreciation/amortization	-	-	75,894	75,894
Total assets	32,614	1,811,933	202,375	2,046,922
Deferred Outflows of Resources				
OPEB-related deferred outflows	-	-	213	213
Pension-related deferred outflows	-	-	25,531	25,531
Total deferred outflows of resources	-	-	25,744	25,744
Liabilities				
Current liabilities:				
Accounts payable	2,761	55,072	217	58,050
Salaries and benefits payable	-	-	2,583	2,583
Due to other funds	-	6	43	49
Compensated absences	-	-	5,105	5,105
Non-current liabilities:				
Total OPEB liability	-	-	3,852	3,852
Net pension liability	-	-	66,988	66,988
Total liabilities	2,761	55,078	78,788	136,627
Deferred Inflows of Resources				
OPEB-related deferred inflows	-	-	124	124
Pension-related deferred inflows	-	-	1,971	1,971
Total deferred inflows of resources	-	-	2,095	2,095
Net Position				
Net investment in capital assets	-	-	75,894	75,894
Unrestricted	29,853	1,756,855	71,342	1,858,050
Total net position	$ 29,853	1,756,855	147,236	1,933,944

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, 2018

	Supplies	Employee Health Plan Trust	Information Technology	Total
Operating revenues:				
Reimbursements from operating funds and other governmental units	$ 69,649	2,780,710	341,202	3,191,561
Reimbursements from employees and others	-	311,553	-	311,553
Miscellaneous reimbursements	579	77	2,500	3,156
Total operating revenues	70,228	3,092,340	343,702	3,506,270
Operating expenses:				
Medical and health services	-	2,984,866	-	2,984,866
Salaries and benefits	-	-	171,770	171,770
Administrative fees, network access fees and stop-loss premium	-	61,799	-	61,799
Supplies, utilities and data processing	67,975	150	91,506	159,631
Maintenance agreements	-	-	9,263	9,263
Non-capitalized equipment	-	-	33,148	33,148
Depreciation/amortization	3,605	-	37,152	40,757
Total operating expenses	71,580	3,046,815	342,839	3,461,234
Operating income (loss)	(1,352)	45,525	863	45,036
Non-operating revenues:				
Interest income	-	4,534	-	4,534
Change in net position	(1,352)	50,059	863	49,570
Net position beginning of year, as restated	31,205	1,706,796	146,373	1,884,374
Net position end of year	$ 29,853	1,756,855	147,236	1,933,944

See accompanying independent auditor's report.

Lee County

Lee County

Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2018

	Supplies	Employee Health Plan Trust	Information Technology	Total
Cash flows from operating activities:				
Cash received from operating funds and other governmental units	$ 68,931	2,780,710	341,202	3,190,843
Cash received from employees and others	-	311,560	2,500	314,060
Cash paid to suppliers for services	(65,420)	(2,807,167)	(311,145)	(3,183,732)
Net cash provided by operating activities	3,511	285,103	32,557	321,171
Cash flows from capital and related financing activities:				
Installment purchase agreement payment	-	-	(33,680)	(33,680)
Cash flows from investing activities:				
Interest on investments	-	4,366	-	4,366
Net increase (decrease) in cash and cash equivalents	3,511	289,469	(1,123)	291,857
Cash and cash equivalents beginning of year	18,413	1,521,827	117,907	1,658,147
Cash and cash equivalents end of year	$ 21,924	1,811,296	116,784	1,950,004
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ (1,352)	45,525	863	45,036
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation/amortization expense	3,605	-	37,152	40,757
Changes in assets and liabilities:				
(Increase) in accounts receivable	-	(70)	-	(70)
(Increase) in due from other governments	(162)	-	-	(162)
(Increase) in due from other funds	(1,135)	-	-	(1,135)
Decrease in inventories	1,750	-	-	1,750
Increase (decrease) in accounts payable	805	34,759	(737)	34,827
Increase in salaries and benefits payable	-	-	128	128
(Decrease) in due to other funds	-	(5)	(15)	(20)
(Decrease) in due to other governments	-	(369)	-	(369)
(Increase) decrease in prepaid expenses	-	205,263	(7,297)	197,966
(Decrease) in compensated absences	-	-	(760)	(760)
Increase in pension liability	-	-	5,933	5,933
(Increase) in deferred outflows of resources	-	-	(3,728)	(3,728)
Increase in deferred inflows of resources	-	-	626	626
Increase in total OPEB liability	-	-	392	392
Net cash provided by operating activities	$ 3,511	285,103	32,557	321,171

See accompanying independent auditor's report.

Lee County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

		County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Schools
Assets						
Cash, cash equivalents and pooled investments:						
County Treasurer	$	3,635	3,764	301,416	734,173	302,226
Other County officials		206,995	-	-	-	-
Receivables:						
Property tax:						
Delinquent		-	881	1,684	-	71,318
Succeeding year		-	258,000	494,000	-	19,405,000
Accounts		8,134	-	-	-	-
Accrued interest		-	-	-	-	-
Special assessments		-	-	-	-	-
Drainage assessments:						
Current		-	-	-	51,681	-
Due from other governments		-	-	-	-	-
Prepaid expenses		-	-	4,950	-	-
Total assets	$	218,764	262,645	802,050	785,854	19,778,544
Liabilities						
Liabilities:						
Accounts payable	$	-	-	671	-	-
Salaries and benefits payable		-	-	5,820	764	-
Due to other governments		36,995	262,645	777,244	79,938	19,778,544
Trusts payable		181,769	-	-	-	-
Compensated absences		-	-	18,315	-	-
Drainage bond payable		-	-	-	705,152	-
Total liabilities	$	218,764	262,645	802,050	785,854	19,778,544

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drivers License Trust	Payee Accounts	Other	Total
21,320	201,607	4,269	805,742	802	-	1,095,114	3,474,068
-	-	-	-	-	136,377	-	343,372
5,008	55,186	826	-	-	-	34	134,937
1,473,000	11,618,000	455,000	-	-	-	5,000	33,708,000
-	-	-	-	-	-	20,594	28,728
-	-	-	-	-	-	315	315
-	-	-	-	-	-	214,459	214,459
-	-	-	-	-	-	-	51,681
-	-	-	-	-	-	115,293	115,293
-	-	-	-	-	-	-	4,950
1,499,328	11,874,793	460,095	805,742	802	136,377	1,450,809	38,075,803
-	-	-	-	-	-	49,790	50,461
-	-	-	-	-	-	20,050	26,634
1,499,328	11,874,793	460,095	805,742	802	-	1,356,755	36,932,881
-	-	-	-	-	136,377	-	318,146
-	-	-	-	-	-	24,214	42,529
-	-	-	-	-	-	-	705,152
1,499,328	11,874,793	460,095	805,742	802	136,377	1,450,809	38,075,803

Lee County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2018

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Schools
Balances beginning of year	$ 209,847	243,504	732,781	1,034,266	18,469,361
Additions:					
Property and other county tax	-	257,581	494,516	-	19,536,887
911 surcharges	-	-	-	-	-
State tax credits	-	26,722	50,681	-	2,074,652
Drivers license fees	-	-	-	-	-
Office fees and collections	984,250	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	146,312	-
Trusts	1,481,457	-	-	-	-
Miscellaneous	-	-	5,857	210,465	-
Total additions	2,465,707	284,303	551,054	356,777	21,611,539
Deductions:					
Agency remittances:					
To other funds	805,088	-	-	-	-
To other governments	183,778	265,162	481,785	605,189	20,302,356
Trusts paid out	1,467,924	-	-	-	-
Total deductions	2,456,790	265,162	481,785	605,189	20,302,356
Balances end of year	$ 218,764	262,645	802,050	785,854	19,778,544

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drivers License Trust	Payee Accounts	Other	Total
1,387,521	11,868,177	425,688	789,621	802	131,493	1,177,569	36,470,630
1,472,898	11,716,504	448,054	-	-	-	4,452	33,930,892
-	-	-	-	-	-	118,866	118,866
151,877	1,473,664	31,965	-	-	-	520	3,810,081
-	-	-	-	147,931	-	-	147,931
-	-	-	-	-	-	-	984,250
-	-	-	9,788,714	-	-	-	9,788,714
-	-	-	-	-	-	198,647	344,959
-	-	-	-	-	1,119,425	805,384	3,406,266
-	-	-	-	-	-	3,061,192	3,277,514
1,624,775	13,190,168	480,019	9,788,714	147,931	1,119,425	4,189,061	55,809,473
-	-	-	373,202	-	-	-	1,178,290
1,512,968	13,183,552	445,612	9,399,391	147,931	-	3,096,804	49,624,528
-	-	-	-	-	1,114,541	819,017	3,401,482
1,512,968	13,183,552	445,612	9,772,593	147,931	1,114,541	3,915,821	54,204,300
1,499,328	11,874,793	460,095	805,742	802	136,377	1,450,809	38,075,803

Lee County

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

For the Last Ten Years

	2018	2017	2016	Modified 2015
Revenues:				
Property and other county tax	$ 10,903,882	10,720,493	11,009,591	10,759,734
Local option sales tax	1,557,179	1,685,519	1,831,714	1,764,285
Interest and penalty on property tax	160,481	138,525	142,002	139,728
Intergovernmental	8,941,730	8,661,941	11,772,333	9,850,223
Licenses and permits	243,592	256,856	192,727	111,772
Charges for service	1,009,650	995,653	1,064,137	1,048,099
Use of money and property	326,001	297,881	615,296	297,627
Miscellaneous	660,400	1,495,640	5,799,346	3,019,302
Total	$ 23,802,915	24,252,508	32,427,146	26,990,770
Expenditures:				
Operating:				
Public safety and legal services	$ 6,280,673	5,736,621	4,980,040	4,694,543
Physical health and social services	4,630,114	4,363,856	4,505,995	4,346,000
Mental health	1,491,378	1,214,808	1,292,277	1,182,005
County environment and education	1,929,379	2,100,128	2,052,614	1,715,148
Roads and transportation	5,046,294	5,364,056	5,285,493	5,394,021
Governmental services to residents	1,181,467	1,268,466	1,085,093	1,190,720
Administration	2,922,850	2,136,108	2,161,986	2,129,200
Non-program	68,273	832,870	305,876	63,574
Debt service	1,018,024	935,845	996,738	906,756
Capital projects	254,199	224,320	8,066,394	3,406,224
Total	$ 24,822,651	24,177,078	30,732,506	25,028,191

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
10,260,723	10,398,427	10,226,662	10,193,550	9,599,284	9,329,877
1,318,713	1,511,657	1,409,188	1,508,640	1,614,653	1,444,024
146,058	148,139	145,270	141,028	143,078	135,727
8,271,583	7,944,450	10,657,595	9,899,246	9,143,676	9,684,756
101,664	93,635	105,568	98,426	86,269	82,522
1,006,977	1,028,187	916,932	943,735	867,688	899,956
309,196	311,682	292,716	309,502	326,842	482,356
899,461	374,143	408,049	371,510	303,476	314,528
22,314,375	21,810,320	24,161,980	23,465,637	22,084,966	22,373,746
4,428,780	4,255,457	4,422,016	4,185,481	3,888,632	3,689,993
4,290,759	4,234,139	3,982,400	3,882,964	3,817,068	3,913,476
1,753,244	2,683,788	6,615,100	4,824,623	4,327,187	4,584,834
1,800,562	1,292,962	1,115,886	1,189,364	1,493,459	1,405,654
5,130,710	4,703,670	4,552,964	4,476,579	3,790,575	3,763,046
918,840	958,573	958,038	903,704	893,551	961,591
1,989,089	2,026,221	2,022,340	2,305,653	2,216,598	2,036,986
8,734	17,038	-	63,199	103,361	261,564
893,243	815,576	813,334	818,097	747,089	736,339
579,977	100,416	648,571	271,567	2,199,820	3,865,711
21,793,938	21,087,840	25,130,649	22,921,231	23,477,340	25,219,194

Lee County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5888NU55	$ 10,367
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		16,040
			26,407
U.S. Department of Justice:			
Governor's Office of Drug Control Policy:			
Public Safety Partnership and Community Policing Grants	16.710	16-CAMP-06	7,199
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15-JAG-199437	34,515
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	BROS-C056(95)--8J-56	131,186
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 17-402-M0PT, Task 14-00-00	3,646
State and Community Highway Safety	20.600	PAP 18-402-M0PT, Task 14-00-00	9,836
			13,482
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	2017 (HMEP-TR)	1,400
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	FFY 2018 (HMEP-PL)	3,145
			4,545
U.S. Department of Health and Human Services:			
Des Moines County Public Health:			
Public Health Emergency Preparedness, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074		21,257
Iowa Department of Public Health:			
Grants to States to Support Oral Health Workforce Activities	93.110	5887DH32	11,791
Grants to States to Support Oral Health Workforce Activities	93.110	5888DH32	7,437
			19,228
Immunization Cooperative Agreements	93.268	5888I447	2,395
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5888MH11	1,364
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	5888I447	9,997
Children's Health Insurance Program	93.767	5887MH11	1,490
Children's Health Insurance Program	93.767	5888MH11	11,805
Medicaid Cluster:			13,295
Medical Assistance Program	93.778	5888MHI08	46,904
Medical Assistance Program	93.778	5887MH11	13,730
Medical Assistance Program	93.778	5888MH11	41,328
			101,962 *

Lee County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
Indirect (continued):			
Maternal, Infant and Early Childhood Home Visiting Program	93.870	5887CH06	73,366
Maternal, Infant and Early Childhood Home Visiting Program	93.870	5888CH06	185,143
			258,509
Maternal and Child Health Services Block Grant to the States	93.994	5887MH11	16,248
Maternal and Child Health Services Block Grant to the States	93.994	5888MH11	48,762
			65,010
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs	93.566		22
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		4,354
Foster Care - Title IV-E	93.658		5,874
Adoption Assistance	93.659		1,889
Social Services Block Grant	93.667		4,791
Children's Health Insurance Program	93.767		119
Medicaid Cluster:			
Medical Assistance Program	93.778		26,073 *
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Emergency Management Performance Grants	97.042	EMPG-17-PT-56	5,944
Emergency Management Performance Grants	97.042	EMPG-18-PT-56	17,784
			23,728
Total			$ 777,201

* Total Medicaid Cluster $128,035

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, 2018. 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.

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.

Indirect Cost Rate – 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.

Lee County

OFFICE OF 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, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 13, 2019. 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 have not been identified. However, as described in the accompanying Schedule of Findings, 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 the accompanying Schedule of Findings and Questioned Costs as items II-A-18 through II-E-18 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 the accompanying Schedule of Findings as item II-F-18 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, 2018 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.

Marlys Gaston

MARLYS K. GASTON, CPA
Deputy Auditor of State

May 13, 2019

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STATE OF IOWA

Rob Sand
Auditor of State

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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 its major federal programs for the year ended June 30, 2018. 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 we considered necessary in the circumstances.

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

Opinion on the Major Federal Programs

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 its major federal programs for the year ended June 30, 2018.

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 the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lee County's internal control over compliance.

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

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

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

Marlys Gaston

MARLYS K. GASTON, CPA
Deputy Auditor of State

May 13, 2019

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

(a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.

(b) A significant deficiency 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 the major program.

(f) The audit did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.

(g) The major programs were as follows:

- CFDA Number 20.205 – Highway Planning and Construction

- CFDA Number 93.870 – 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.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-18 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.

Cause – The County office noted above 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 County Recorder'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 – The County Recorder should review the control activities of the office to obtain the maximum internal control possible under the circumstances. The County Recorder should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

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

Conclusion – Response accepted.

II-B-18 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 recording 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 and should be documented by the signature or initials of the reviewer and the date of the review.

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

Conclusion – Response accepted.

II-C-18 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 County's financial statements.

Condition – Material amounts of payables and inventory were not properly recorded in the County's financial statements. In addition, capital assets additions totaling approximately $106,000 were not added to the capital asset listing, including equipment donated to the County. Material amounts of General Fund disbursements were improperly recorded in the Special Revenue, Rural Service Fund. Adjustments were subsequently made by the County to properly record these amounts in the financial statements.

Cause – County policies do not require and procedures have not been established to require an independent review of year-end cut-off or other transactions to ensure the County's financial statements are accurate and reliable.

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

Recommendation – The County should implement procedures to ensure all payables, inventory and capital asset additions are identified and recorded in the County's financial statements. The County should ensure disbursements are recorded in the proper fund.

Response – We will review claims to ensure all items are properly recorded and included in payables and inventory. Disbursements will be recorded in the proper fund.

Conclusion – Response accepted.

II-D-18 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 County's financial statements.

Condition – Although Lee County EMS Ambulance, Inc. prepares an annual financial report, the financial report did not include patient billing receivables or accounts payable at December 31, 2017. A listing of accounts payable at December 31, 2017 was not prepared. Adjustments were subsequently made to properly record these amounts in the financial statements.

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

Effect – Lack of policies and procedures resulted in Lee County EMS Ambulance, Inc. 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 implement procedures to ensure all receivables and payables are identified and recorded for inclusion in the County's financial statements.

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

Conclusion – Response accepted.

II-E-18 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. 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.

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

Recommendation – Lee County EMS Ambulance, Inc. should establish policies and implement procedures to reconcile ambulance billings, collections and delinquent accounts for each billing period. 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 perform reconciliations of ambulance billings, collections and delinquent accounts. Receipts recorded in the billing system will be reconciled to deposits.

Conclusion – Response accepted.

II-F-18 County Sheriff – Commissary Account

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.

The Sheriff's Office maintains a Commissary account used to purchase and sell goods to inmates. The account is comprised of inmate balances, a reserve to allow resale items to be purchased, and commissary profits.

Condition – The Sheriff's Office (Jail) generates a listing of inmate trust balances at the end of each month and compares the balance to the bank reconciliation to determine the amount of commissary profits held in the account. However, the Sheriff's Office has not established a set amount of reserve to be held in the account for purchasing resale items and has not periodically remitted the profits accumulated in the Commissary account to the County Treasurer.

Cause – Procedures have not been designed and implemented to ensure appropriate accounting records are maintained to ensure commissary profits in excess of the amount needed to purchase resale items for the Commissary are remitted to the County Treasurer.

Effect – Inadequate accounting records can result in unrecorded transactions, undetected errors and the opportunity for misappropriation or the potential for expenditures to bypass the oversight of the Board of Supervisors.

Recommendation – When performing monthly bank reconciliations, the Sheriff's Office should determine the amount held in the account in excess of the inmate balances and the established reserve used to purchase resale items for the Commissary. The excess is commissary profits and should be paid monthly to the County Treasurer and credited to the Sheriff Commissary account within the General Fund.

Response – We will work to modify our reconciliation process for the Jail Division account and use it to track and send profits and fees collected quarterly to the County Treasurer.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-18 Certified Budget – Disbursements during the year ended June 30, 2018 did not exceed the amounts budgeted.

IV-B-18 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-18 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-18 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ernie Steffensmeier, County Engineer, sister-in-law owns Steffensmeier Welding	Welding	$ 1,033
Ernie Steffensmeier, County Engineer, brothers own Steffensmeier Repair and Fabrication	Welding and repairs	2,798
Tammy Wilson, Financial Director of Public Health, husband is a shareholder in Agrineed Inc.	Supplies and maintenance other County departments	16,608
Rick Larkin, Board of Supervisors, wife is a manager of The Kensington	Building rental-Public Health	18,050

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 Public Health Department is administered by the Board of Health and the Board of Supervisor Member is not directly affected as a result of the transactions and his duties of employment do not directly involve procurement and preparation of any part of the transactions.

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

The transactions with Steffensmeier Repair and Fabrication 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.

IV-E-18 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-18 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-18 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-18 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-18 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, 2018 for the County Extension Office did not exceed the amount budgeted.

IV-J-18 Deficit Fund Balance – The Special Revenue, Lincoln Ridge Limited Partnership Fund had a deficit fund balance of $63,746 at June 30, 2018.

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-18 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.

Staff

This audit was performed by:

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