



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

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**NEWS RELEASE**

FOR RELEASE

April 4, 2006

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Lee County, Iowa.

The County had local tax revenue of \$31,037,569 for the year ended June 30, 2005, which included \$1,821,474 in tax credits from the state. The County forwarded \$23,924,442 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,113,127 of the local tax revenue to finance County operations, a 10 percent decrease from the prior year. Other revenues included charges for service of \$2,680,406, operating grants, contributions and restricted interest of \$5,506,909, capital grants, contributions and restricted interest of \$2,167,841, tax increment financing of \$693,545, local option sales tax of \$1,335,189, unrestricted investment earnings of \$148,158, supplemental debt service payments to the County for tax increment urban renewal revenue bonds of \$1,761,876 and other general revenues of \$427,572.

Expenses for County operations totaled \$21,168,604, a 3.8 percent increase from the prior year. Expenses included \$4,876,836 for roads and transportation, \$4,597,223 for mental health and \$3,461,160 for physical health and social services.

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

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**LEE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2005**

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**Lee County**

**Officials**

| <u>Name</u>                  | <u>Title</u>         | <u>Term Expires</u> |
|------------------------------|----------------------|---------------------|
| <b>(Before January 2005)</b> |                      |                     |
| Matt Pflug                   | Board of Supervisors | Jan 2005            |
| Robert J. Woodruff           | Board of Supervisors | Jan 2005            |
| Daniel J. Dunagan            | Board of Supervisors | Jan 2007            |
| Anne M. Pedersen             | County Auditor       | Jan 2005            |
| Mary C. Hoenig               | County Treasurer     | Jan 2007            |
| Larry J. Holtkamp            | County Recorder      | Jan 2007            |
| David L. Ireland             | County Sheriff       | Jan 2005            |
| Michael P. Short             | County Attorney      | Jan 2007            |
| Janice C. Calvert            | County Assessor      | Jan 2010            |
| <b>(After January 2005)</b>  |                      |                     |
| Joe Kowzan                   | Board of Supervisors | Jan 2007            |
| Rick Larkin                  | Board of Supervisors | Jan 2007            |
| Larry Kruse                  | Board of Supervisors | Jan 2009            |
| George Morgan                | Board of Supervisors | Jan 2009            |
| Bob Woodruff                 | Board of Supervisors | Jan 2009            |
| Anne M. Pedersen             | County Auditor       | Jan 2009            |
| Mary C. Hoenig               | County Treasurer     | Jan 2007            |
| Larry J. Holtkamp            | County Recorder      | Jan 2007            |
| H.D. Buck Jones              | County Sheriff       | Jan 2009            |
| Michael P. Short             | County Attorney      | Jan 2007            |
| Janice C. Calvert            | County Assessor      | Jan 2010            |

**Lee County**



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Independent Auditor's Report

To the Officials of Lee County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lee County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Lee County's management. 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. 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 blended component unit, is based solely on the report of the other auditors.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of the other auditors provide a reasonable basis for our opinions.

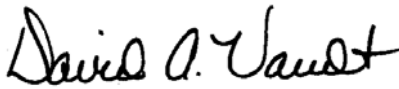
The financial statements of Lee County EMS Ambulance, Inc., the County's only discretely presented component unit, have not been audited, and we were not engaged to audit the financial statements of Lee County EMS Ambulance, Inc. as part of our audit of the County's basic financial statements. As described in Note 14, the County has chosen to present condensed financial information for Lee County EMS Ambulance, Inc. Because Lee County EMS Ambulance, Inc.'s financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the condensed financial information of the discretely presented component unit of the County as of and for the year ended December 31, 2004.

In addition, 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 and the aggregate remaining fund information of Lee County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

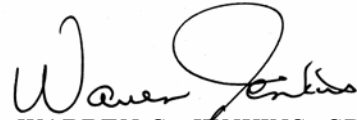
In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2005 on our consideration of Lee County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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 second paragraph of this report, the financial statements for the five years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 8, 2005

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

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Lee County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the County is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- The assets of the County exceeded liabilities at June 30, 2005 by \$29.2 million.
- Lee County's net assets increased \$666,000 from FY04 to FY05.
- Governmental fund revenues in FY05 decreased 2.9%, or approximately \$571,000, from FY04. Property and other county tax decreased in FY05 approximately \$699,000 from FY04. The County collected approximately \$693,000 in tax increment financing revenue. The overall tax levy rate remained the same at \$8.60000 per \$1,000 of taxable valuation while the countywide and the rural services property valuations decreased by \$103.2 million and \$44.1 million, respectively. The tax levy rate for the General Fund increased while the tax levy rate for the Mental Health Fund decreased and the tax levy rate for the Rural Services Fund remained the same.
- Governmental fund expenditures increased by 10.3%, or approximately \$2,107,000, from FY04 to FY05.
- The County is in the fourth year of implementation of the Lee County Economic Development Plan. The goal of this plan is to bring much needed jobs to the County, thus employing our citizens and increasing the County's tax base. The Lee County Board of Supervisors, other than budgetary, allows this department to function with considerable autonomy. However, our future goals are to develop a more hands on approach to insure the success of this program.

### **USING THIS ANNUAL REPORT**

The annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information.

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's fiscal activities.
- Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the County as a whole and present an overall view of the County's finances.
- Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Lee County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lee County acts solely as an agent or custodian for the benefit of those outside of the County (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, other than MD&A, provides information about the required budgetary comparison information.
- Other Supplementary Information provides detailed information about the nonmajor governmental and the individual agency funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

### *The Statement of Net Assets and the Statement of Activities*

One of the most important questions asked about the County's finances is, "Is the County as a whole in a better or worse financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about activities in a way that helps answer this question.

Government-wide financial statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus and report information about the County as a whole using accounting methods similar to those used by 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 Assets includes all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets 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 assets changed during the fiscal year. All changes in net assets are reported as soon as the event or 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 periods.

To assess the County's overall health, readers also need to consider additional, non-financial factors, such as changes in property tax base and the condition of County buildings and roads.

Governmental activities are displayed in the Statement of Net Assets 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 or federal grants finance most of these activities.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the County's funds, focusing on its most significant or "major" funds, not the County as a whole. Some funds are required to be established by Iowa Code or by bond covenants. The County can establish other funds to help it control and manage money for particular purposes.

The County has three (3) kinds of funds:

- Governmental funds account for most of the County's basic services. These generally focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include the General Fund, the Special Revenue Funds, such as Mental Health and Secondary Roads, the Debt Service Fund and 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 into cash. Consequently, the governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. This 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 financial statements required for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- The County's Internal Service Funds are accounted for as proprietary funds. These funds report activities that provide supplies and services to other County programs and activities. The County's Internal Service Funds are Supplies, Employee Health Plan Trust and Information Technology.

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

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

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

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

Because the fund financial statements do not encompass the additional long-term focus of the government-wide financial statements, summary reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements to explain the relationship or differences between the two statements.

#### **FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the County's total net assets at June 30, 2005 and June 30, 2004.

| Net Assets of Governmental Activities<br>(Expressed in Thousands) |                  |               |
|---|------------------|---------------|
|   | June 30,         |               |
|   | 2005             | 2004          |
| Current and other assets  | \$ 16,733        | 17,398        |
| Capital assets  | 27,436           | 25,828        |
| Total assets  | <u>44,169</u>    | <u>43,226</u> |
| Long-term liabilities   | 2,602            | 5,006         |
| Other liabilities   | 12,351           | 9,670         |
| Total liabilities   | <u>14,953</u>    | <u>14,676</u> |
| Net assets:   |                  |               |
| Invested in capital assets, net of related debt                   | 26,913           | 25,011        |
| Restricted  | 3,398            | 4,869         |
| Unrestricted  | (1,095)          | (1,330)       |
| Total net assets  | <u>\$ 29,216</u> | <u>28,550</u> |

Lee County's total net assets increased by approximately \$666,000, or 2.33%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. Debt related to capital assets is liquidated with resources other than capital assets. The County's improved financial position is also the product of many other factors. Total revenues held fairly steady, with only a decrease of approximately \$27,000 while expenditures increased by approximately \$777,000 from FY04 to FY05. Revenues still exceeded expenditures for FY05. Comparatively, FY04 total net assets increased by approximately \$1.5 million, or 5.43%.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is at a deficit of approximately \$1,095,000. The deficit unrestricted net assets results primarily from the County's liability for tax increment urban renewal revenue bonds issued on behalf of the City of Keokuk and Roquette America, Inc. to construct a floodwall. The County does not own and, accordingly, has not recorded the assets for which this debt was issued.

| Changes in Net Assets of Governmental Activities<br>(Expressed in Thousands)       |                     |               |
|--|---------------------|---------------|
|  | Year ended June 30, |               |
|  | 2005                | 2004          |
| Revenues:  |                     |               |
| Program revenues:  |                     |               |
| Charges for service  | \$ 2,680            | 3,005         |
| Operating grants, contributions and restricted interest                            | 5,507               | 5,889         |
| Capital grants, contributions and restricted interest                              | 2,168               | 1,718         |
| General revenues:  |                     |               |
| Property tax   | 6,679               | 7,378         |
| Tax increment financing  | 693                 | -             |
| Penalty and interest on property tax   | 129                 | 71            |
| Gaming wager tax   | 91                  | 91            |
| State tax credits  | 434                 | 511           |
| Local option sales tax   | 1,335               | 1,208         |
| Grants and contributions not restricted<br>to specific purposes                    | -                   | 43            |
| Unrestricted investment earnings   | 148                 | 137           |
| Sale of low income housing tax credits to investor                                 | -                   | 247           |
| Supplemental debt service payment for tax increment<br>urban renewal revenue bonds | 1,762               | 1,436         |
| Gain on sale of capital assets   | 138                 | 44            |
| Other general revenues   | 70                  | 83            |
| Total revenues   | <u>21,834</u>       | <u>21,861</u> |
| Program expenses:  |                     |               |
| Public safety and legal services   | 3,161               | 3,111         |
| Physical health and social services  | 3,461               | 3,589         |
| Mental health  | 4,597               | 3,919         |
| County environment and education   | 1,584               | 1,615         |
| Roads and transportation   | 4,877               | 4,636         |
| Governmental services to residents   | 937                 | 888           |
| Administration   | 1,993               | 1,919         |
| Non-program  | 216                 | 380           |
| Interest on long-term debt   | 342                 | 334           |
| Total expenses   | <u>21,168</u>       | <u>20,391</u> |
| Increase in net assets   | 666                 | 1,470         |
| Net assets beginning of year   | <u>28,550</u>       | <u>27,080</u> |
| Net assets end of year   | <u>\$ 29,216</u>    | <u>28,550</u> |

For FY05, Lee County's property tax rates remained the same at \$7.22842 per \$1,000 of valuation in the countywide levy and property tax rates also remained the same at \$1.37158 per \$1,000 of valuation for the rural levy. The countywide assessed property valuation decreased \$103,205,784 and the rural assessed property valuation decreased \$44,080,616. The net effect of the decreases in valuations and the constant tax rates was a net decrease in property tax of approximately \$806,480.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Lee County completed FY05, its governmental funds reported a combined fund balance of \$3,701,265, which is less than the \$6,743,147 combined fund balance at the end of FY04.

The General Fund, the operating fund for Lee County, ended FY05 with an ending balance totaling \$1,696,642, a decrease of \$938,912. Revenues decreased approximately \$233,000 while expenditures decreased approximately \$228,000. These decreases were primarily due to Conservation purchasing \$261,500 of land during FY04 for which they received a REAP grant and other donations.

The Mental Health Fund ended FY05 with an ending balance of \$(767,491), a decrease of \$1,525,278. Revenues decreased approximately \$1,341,000 while expenditures increased approximately \$494,000. The decrease in revenue was due to a reduction in tax revenues of approximately \$677,000 caused by the decrease in valuations as well as the County not receiving any allowable growth funds from the state, which were approximately \$628,000 in FY04.

The Secondary Roads Fund ended FY05 with a \$1,948,511 balance, compared to the prior year ending balance of \$2,360,248, a decrease of \$411,737. Revenues increased approximately \$165,000, primarily due to an increase in intergovernmental revenues. The expenditures increased approximately \$564,000, primarily due to an increase in capital projects in the Secondary Roads Fund.

The Keokuk Floodwall Fund ended FY05 with an ending balance of \$4,989, compared to the prior year ending balance of \$11,282, a decrease of \$6,293. Revenues increased approximately \$1,000,000, primarily due to new tax increment financing revenue of approximately \$693,000 as well as an increase in receipts from Roquette America, Inc. of approximately \$300,000. Expenditures increased approximately \$1,000,000, primarily due to the County making an additional payment in FY05 toward the Floodwall debt.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the County annually adopts a budget following required public notice and hearing for all funds except the component units, internal service funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The County's certified budget is prepared on the cash basis.

Over the course of the year, Lee County amended its budget once in May 2005. The amendment was made to reflect re-estimated figures obtained during the next year's budget process and for the unexpected recall of some of the tax increment urban renewal revenue bonds.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of FY05, the County had invested \$27.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment, transportation equipment and administrative offices. This amount is a net increase of approximately \$1.6 million over FY04. The most significant changes to capital assets during FY05 included the increase in construction in progress and the increase in infrastructure.

Lee County had depreciation expense of \$1.7 million in FY05 and total accumulated depreciation of \$17.8 million at June 30, 2005. Additional information about the County's capital assets is included in Note 5 to the financial statements.

## **Long-Term Debt**

At year-end, the County had \$2.2 million in revenue bonds and other long-term debt outstanding. This represents a decrease of 53% from the prior year.

Outstanding debt decreased as a result of revenue bond and other long-term debt payments due and paid during the year. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent 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 \$46.1 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 FY04 to FY05, the countywide and the rural services property taxable valuations decreased drastically by \$103.2 million and \$44.1 million, respectively. In FY06, the countywide and the rural services property taxable valuations continue to decrease by yet another \$3.0 million and \$1.3 million, respectively.

Amounts budgeted for expenditure in the FY06 operating budget are approximately \$21.4 million, a decrease of 2.3% from the final FY05 actual disbursements of \$21.9 million. In the FY06 budgeting process, the County's General Fund is expected to end FY06 with an ending fund balance of \$1.5 million, compared to the June 30, 2005 actual cash balance of \$1.8 million.

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

This financial report is designed to provide the County's citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lee County Board of Supervisors at P.O. Box 488, Fort Madison, IA 52627-0240.

## **Basic Financial Statements**

**Exhibit A**

Lee County  
Statement of Net Assets  
June 30, 2005

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                                    |                                    |
| Cash and pooled investments                      | \$ 4,899,981                       |
| Receivables:                                     |                                    |
| Property tax:                                    |                                    |
| Delinquent                                       | 52,206                             |
| Succeeding year                                  | 9,415,000                          |
| Succeeding year tax increment financing          | 786,000                            |
| Interest and penalty on property tax             | 111,870                            |
| Accounts   | 19,987                             |
| Accrued interest                                 | 21,079                             |
| Due from other governments                       | 904,300                            |
| Inventories                                      | 511,594                            |
| Prepaid expense                                  | 10,609                             |
| Capital assets (net of accumulated depreciation) | <u>27,436,366</u>                  |
| <b>Total assets</b>                              | <u>44,168,992</u>                  |
| <b>Liabilities</b>                               |                                    |
| Accounts payable                                 | 954,178                            |
| Salaries and benefits payable                    | 346,594                            |
| Due to other governments                         | 849,690                            |
| Deferred revenue:                                |                                    |
| Succeeding year property tax                     | 9,415,000                          |
| Succeeding year tax increment financing          | 786,000                            |
| Long-term liabilities:                           |                                    |
| Portion due or payable within one year:          |                                    |
| Real estate installment contract                 | 16,326                             |
| Bank loans                                       | 25,405                             |
| Installment purchase agreement                   | 28,238                             |
| Compensated absences                             | 292,011                            |
| Portion due or payable after one year:           |                                    |
| Tax increment urban renewal revenue bonds        | 1,635,000                          |
| Real estate installment contract                 | 38,001                             |
| Bank loans                                       | 415,092                            |
| Compensated absences                             | <u>151,862</u>                     |
| <b>Total liabilities</b>                         | <u>14,953,397</u>                  |

Lee County  
Statement of Net Assets  
June 30, 2005

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Net Assets</b>                               |                                    |
| Invested in capital assets, net of related debt | 26,913,304                         |
| Restricted for:                                 |                                    |
| Supplemental levy purposes                      | 257,179                            |
| Secondary roads purposes                        | 1,827,932                          |
| Hospice care:                                   |                                    |
| Expendable                                      | 17,030                             |
| Nonexpendable                                   | 82,500                             |
| Building repair and maintenance                 | 772,279                            |
| Other purposes                                  | 440,459                            |
| Unrestricted                                    | <u>(1,095,088)</u>                 |
| <b>Total net assets</b>                         | <u><u>\$ 29,215,595</u></u>        |

See notes to financial statements.



**Lee County**

Lee County  
Statement of Activities  
Year ended June 30, 2005

|  | Program Revenues     |                        |  |  | Net (Expense)<br>Revenue and<br>Changes<br>in Net Assets |
|--|----------------------|------------------------|--|--|--|
|  | Expenses             | Charges for<br>Service | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Capital Grants,<br>Contributions<br>and Restricted<br>Interest |  |
| <b>Functions/Programs:</b>                                   |                      |                        |  |  |  |
| Governmental activities:                                     |                      |                        |  |  |  |
| Public safety and legal services                             | \$ 3,160,752         | 210,291                | 224,090  | -  | (2,726,371)  |
| Physical health and social services                          | 3,461,160            | 1,551,200              | 617,100  | -  | (1,292,860)  |
| Mental health  | 4,597,223            | 143,357                | 1,451,556  | -  | (3,002,310)  |
| County environment and education                             | 1,583,867            | 17,527                 | 410,292  | -  | (1,156,048)  |
| Roads and transportation                                     | 4,876,836            | 22,335                 | 2,777,204  | 2,167,841  | 90,544   |
| Governmental services to residents                           | 937,363              | 505,415                | 5,037  | -  | (426,911)  |
| Administration   | 1,993,073            | 36,861                 | 21,410   | -  | (1,934,802)  |
| Non-program  | 216,476              | 193,420                | 220  | -  | (22,836)   |
| Interest on long-term debt                                   | 341,854              | -                      | -  | -  | (341,854)  |
| <b>Total</b>   | <b>\$ 21,168,604</b> | <b>2,680,406</b>       | <b>5,506,909</b>   | <b>2,167,841</b>   | <b>(10,813,448)</b>                                      |
| <b>General Revenues:</b>                                     |                      |                        |  |  |  |
| Property and other county tax levied for general purposes    |                      |                        |  |  | 6,678,842  |
| Tax increment financing                                      |                      |                        |  |  | 693,545  |
| Penalty and interest on property tax                         |                      |                        |  |  | 129,191  |
| Gaming wager tax   |                      |                        |  |  | 91,207   |
| State tax credits  |                      |                        |  |  | 434,285  |
| Local option sales tax                                       |                      |                        |  |  | 1,335,189  |
| Unrestricted investment earnings                             |                      |                        |  |  | 148,158  |
| Supplemental debt service payments by Roquette America, Inc. |                      |                        |  |  | 1,761,876  |
| Gain on sale of capital assets                               |                      |                        |  |  | 137,440  |
| Miscellaneous  |                      |                        |  |  | 69,734   |
| <b>Total general revenues</b>                                |                      |                        |  |  | <b>11,479,467</b>  |
| Change in net assets   |                      |                        |  |  | 666,019  |
| Net assets beginning of year                                 |                      |                        |  |  | 28,549,576   |
| Net assets end of year                                       |                      |                        |  |  | <b>\$ 29,215,595</b>                                     |

See notes to financial statements.

Lee County  
Balance Sheet  
Governmental Funds

June 30, 2005

|  | Special Revenue     |                  |                    |
|--|---------------------|------------------|--------------------|
|  | General             | Mental<br>Health | Secondary<br>Roads |
| <b>Assets</b>                              |                     |                  |                    |
| Cash and pooled investments:               |                     |                  |                    |
| County Treasurer                           | \$ 1,836,844        | 291,773          | 1,315,582          |
| Bankers Trust escrow                       | -                   | -                | -                  |
| Component units                            | -                   | -                | -                  |
| Receivables:                               |                     |                  |                    |
| Property tax:                              |                     |                  |                    |
| Delinquent                                 | 37,112              | 11,352           | -                  |
| Succeeding year                            | 6,698,000           | 2,049,000        | -                  |
| Succeeding year tax increment financing    | -                   | -                | -                  |
| Interest and penalty on property tax       | 111,870             | -                | -                  |
| Accounts                                   | 12,643              | 4,063            | 1,033              |
| Accrued interest                           | 11,925              | -                | -                  |
| Due from other governments                 | 447,596             | 4,662            | 253,389            |
| Inventories                                | -                   | -                | 510,257            |
| Prepaid insurance                          | 1,109               | -                | -                  |
| Prepaid rent                               | -                   | -                | -                  |
| <b>Total assets</b>                        | <b>\$ 9,157,099</b> | <b>2,360,850</b> | <b>2,080,261</b>   |
| <b>Liabilities and Fund Balances</b>       |                     |                  |                    |
| Liabilities:                               |                     |                  |                    |
| Accounts payable                           | \$ 233,188          | 328,567          | 53,658             |
| Salaries and benefits payable              | 250,792             | 4,819            | 76,865             |
| Due to other funds                         | 2,641               | 92               | 44                 |
| Due to other governments                   | 92,129              | 733,322          | 1,183              |
| Deferred revenue:                          |                     |                  |                    |
| Succeeding year property tax               | 6,698,000           | 2,049,000        | -                  |
| Succeeding year tax increment financing    | -                   | -                | -                  |
| Other                                      | 183,707             | 12,541           | -                  |
| Total liabilities                          | <u>7,460,457</u>    | <u>3,128,341</u> | <u>131,750</u>     |
| Fund balances:                             |                     |                  |                    |
| Reserved for:                              |                     |                  |                    |
| Inventories                                | -                   | -                | 510,257            |
| Supplemental levy purposes                 | 250,511             | -                | -                  |
| Debt service                               | -                   | -                | -                  |
| Hospice care                               | -                   | -                | -                  |
| Building repair and maintenance            | 772,279             | -                | -                  |
| Medicaid administrative reimbursements     | 13,540              | -                | -                  |
| Unreserved:                                |                     |                  |                    |
| Designated for future capital projects     | 500,000             | -                | -                  |
| Undesignated, reported in:                 |                     |                  |                    |
| General fund                               | 160,312             | -                | -                  |
| Special revenue funds                      | -                   | (767,491)        | 1,438,254          |
| Total fund balances                        | <u>1,696,642</u>    | <u>(767,491)</u> | <u>1,948,511</u>   |
| <b>Total liabilities and fund balances</b> | <b>\$ 9,157,099</b> | <b>2,360,850</b> | <b>2,080,261</b>   |

See notes to financial statements.

| Keokuk<br>Floodwall | Nonmajor  | Total      |
|---------------------|-----------|------------|
| 344                 | 499,480   | 3,944,023  |
| 4,645               | -         | 4,645      |
| -                   | 231,186   | 231,186    |
| -                   | 3,742     | 52,206     |
| -                   | 668,000   | 9,415,000  |
| 786,000             | -         | 786,000    |
| -                   | -         | 111,870    |
| -                   | 2,248     | 19,987     |
| -                   | 486       | 12,411     |
| -                   | 198,653   | 904,300    |
| -                   | -         | 510,257    |
| -                   | -         | 1,109      |
| -                   | 9,500     | 9,500      |
| 790,989             | 1,613,295 | 16,002,494 |

|         |         |            |
|---------|---------|------------|
| -       | 56,886  | 672,299    |
| -       | 11,215  | 343,691    |
| -       | -       | 2,777      |
| -       | 10,096  | 836,730    |
| -       | 668,000 | 9,415,000  |
| 786,000 | -       | 786,000    |
| -       | 48,484  | 244,732    |
| 786,000 | 794,681 | 12,301,229 |

|         |           |            |
|---------|-----------|------------|
| -       | -         | 510,257    |
| -       | -         | 250,511    |
| 4,989   | 10,871    | 15,860     |
| -       | 99,530    | 99,530     |
| -       | -         | 772,279    |
| -       | -         | 13,540     |
| -       | -         | 500,000    |
| -       | -         | 160,312    |
| -       | 708,213   | 1,378,976  |
| 4,989   | 818,614   | 3,701,265  |
| 790,989 | 1,613,295 | 16,002,494 |

**Lee County**

Lee County

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2005

**Total governmental fund balances (page 19)** \$ 3,701,265

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$45,042,512 and the accumulated depreciation is \$17,658,534. 27,383,978

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 244,732

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 Assets. 459,070

Long-term liabilities, including bonds payable, loans payable, contract/agreement payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (2,573,450)

**Net assets of governmental activities (page 15)** \$ 29,215,595

See notes to financial statements.

Lee County

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

Year ended June 30, 2005

|   | General             | Special Revenue    |                    |
|---|---------------------|--------------------|--------------------|
|   |                     | Mental Health      | Secondary Roads    |
| <b>Revenues:</b>  |                     |                    |                    |
| Property and other county tax                             | \$ 5,285,620        | 1,319,618          | -                  |
| Tax increment financing                                   | -                   | -                  | -                  |
| Interest and penalty on property tax                      | 119,478             | -                  | -                  |
| Intergovernmental   | 2,661,164           | 1,491,067          | 2,924,332          |
| Licenses and permits                                      | 52,823              | -                  | 460                |
| Charges for service                                       | 802,513             | -                  | 73                 |
| Use of money and property                                 | 142,538             | 79,244             | 1,477              |
| Miscellaneous   | 52,130              | 4,338              | 30,731             |
| Total revenues  | <u>9,116,266</u>    | <u>2,894,267</u>   | <u>2,957,073</u>   |
| <b>Expenditures:</b>                                      |                     |                    |                    |
| Operating:  |                     |                    |                    |
| Public safety and legal services                          | 3,105,607           | -                  | -                  |
| Physical health and social services                       | 3,347,953           | -                  | -                  |
| Mental health   | -                   | 4,419,545          | -                  |
| County environment and education                          | 915,915             | -                  | -                  |
| Roads and transportation                                  | -                   | -                  | 3,801,274          |
| Governmental services to residents                        | 873,821             | -                  | -                  |
| Administration  | 1,816,882           | -                  | -                  |
| Debt service  | -                   | -                  | -                  |
| Capital projects  | -                   | -                  | 591,036            |
| Total expenditures  | <u>10,060,178</u>   | <u>4,419,545</u>   | <u>4,392,310</u>   |
| Excess (deficiency) of revenues over (under) expenditures | <u>(943,912)</u>    | <u>(1,525,278)</u> | <u>(1,435,237)</u> |
| <b>Other financing sources (uses):</b>                    |                     |                    |                    |
| Sale of capital assets                                    | -                   | -                  | 23,500             |
| Operating transfers in                                    | 5,000               | -                  | 1,000,000          |
| Operating transfers out                                   | -                   | -                  | -                  |
| Total other financing sources (uses)                      | <u>5,000</u>        | <u>-</u>           | <u>1,023,500</u>   |
| Net change in fund balances                               | (938,912)           | (1,525,278)        | (411,737)          |
| Fund balances beginning of year                           | <u>2,635,554</u>    | <u>757,787</u>     | <u>2,360,248</u>   |
| Fund balances end of year                                 | <u>\$ 1,696,642</u> | <u>(767,491)</u>   | <u>1,948,511</u>   |

See notes to financial statements.

| Keokuk<br>Floodwall | Nonmajor    | Total       |
|---------------------|-------------|-------------|
| -                   | 1,447,144   | 8,052,382   |
| 693,545             | -           | 693,545     |
| -                   | -           | 119,478     |
| -                   | 383,101     | 7,459,664   |
| -                   | -           | 53,283      |
| -                   | 19,927      | 822,513     |
| 140                 | 74,729      | 298,128     |
| 1,761,876           | 113,306     | 1,962,381   |
| 2,455,561           | 2,038,207   | 19,461,374  |
| -                   | -           | 3,105,607   |
| -                   | 37,177      | 3,385,130   |
| -                   | 322,074     | 4,741,619   |
| -                   | 709,241     | 1,625,156   |
| -                   | 96,165      | 3,897,439   |
| -                   | 28,212      | 902,033     |
| -                   | -           | 1,816,882   |
| 2,461,854           | -           | 2,461,854   |
| -                   | -           | 591,036     |
| 2,461,854           | 1,192,869   | 22,526,756  |
| (6,293)             | 845,338     | (3,065,382) |
| -                   | -           | 23,500      |
| -                   | -           | 1,005,000   |
| -                   | (1,005,000) | (1,005,000) |
| -                   | (1,005,000) | 23,500      |
| (6,293)             | (159,662)   | (3,041,882) |
| 11,282              | 978,276     | 6,743,147   |
| 4,989               | 818,614     | 3,701,265   |



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, 2005

**Net change in fund balances - Total governmental funds (page 23)** \$ (3,041,882)

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

|   |                    |           |
|---|--------------------|-----------|
| Expenditures for capital assets                                     | \$ 1,099,769       |           |
| Capital assets contributed by the Iowa Department of Transportation | 2,095,514          |           |
| Depreciation expense  | <u>(1,674,347)</u> | 1,520,936 |

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 113,940

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

|              |                 |          |
|--------------|-----------------|----------|
| Property tax | (7,145)         |          |
| Other        | <u>(60,416)</u> | (67,561) |

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 2,386,372

Compensated absences 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. (10,514)

The Internal Service Funds are used by management to charge the costs of various services to individual departments and funds. The change in net assets of the Internal Service Funds is reported with governmental activities. (235,272)

**Change in net assets of governmental activities (page 17)** \$ 666,019

See notes to financial statements.

Lee County  
Statement of Net Assets  
Proprietary Funds  
June 30, 2005

|   | Internal<br>Service |
|---|---------------------|
| <b>Assets</b>                                   |                     |
| Current assets:                                 |                     |
| Cash and cash equivalents                       | \$ 720,127          |
| Accrued interest receivable                     | 8,668               |
| Due from other funds                            | 2,881               |
| Inventories                                     | 1,337               |
| Noncurrent assets:                              |                     |
| Capital assets, net of accumulated depreciation | 52,388              |
| <b>Total assets</b>                             | <b>785,401</b>      |
| <b>Liabilities</b>                              |                     |
| Current liabilities:                            |                     |
| Accounts payable                                | 281,879             |
| Salaries and benefits payable                   | 2,903               |
| Due to other funds                              | 104                 |
| Due to other governments                        | 12,960              |
| Installment purchase agreement                  | 28,238              |
| Compensated absences                            | 247                 |
| <b>Total liabilities</b>                        | <b>326,331</b>      |
| <b>Net Assets</b>                               |                     |
| Invested in capital assets, net of related debt | 24,150              |
| Unrestricted                                    | 434,920             |
| <b>Total net assets</b>                         | <b>\$ 459,070</b>   |

See notes to financial statements.

**Exhibit H**

## Lee County

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

Year ended June 30, 2005

|   |               | <u>Internal<br/>Service</u> |
|---|---------------|-----------------------------|
| Operating revenues:   |               |                             |
| Reimbursements from operating funds and other governmental units  |               | \$ 1,664,028                |
| Reimbursements from employees and others                          |               | 169,813                     |
| Miscellaneous   |               | 415                         |
| Total operating revenues  |               | <u>1,834,256</u>            |
| Operating expenses:   |               |                             |
| Medical and health services                                       | \$ 1,699,375  |                             |
| Supplemental insurance  | 10,478        |                             |
| Salaries and benefits   | 64,234        |                             |
| Administrative fees, network access fees<br>and stop-loss premium | 182,991       |                             |
| Supplies, utilities and data processing                           | 80,481        |                             |
| Maintenance agreements  | 2,597         |                             |
| Equipment   | 15,409        |                             |
| Miscellaneous   | 607           |                             |
| Depreciation  | <u>26,223</u> | <u>2,082,395</u>            |
| Operating loss  |               | <u>(248,139)</u>            |
| Non-operating revenues (expenses):                                |               |                             |
| Interest income   |               | 14,216                      |
| Interest expense  |               | <u>(1,349)</u>              |
| Total non-operating revenues (expenses)                           |               | <u>12,867</u>               |
| Net loss  |               | <u>(235,272)</u>            |
| Net assets beginning of year                                      |               | <u>694,342</u>              |
| Net assets end of year  |               | <u>\$ 459,070</u>           |

See notes to financial statements.

Lee County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2005

|   | Internal<br>Service |
|---|---------------------|
| Cash flows from operating activities:   |                     |
| Cash received from operating funds and other governmental units                       | \$ 1,749,350        |
| Cash received from employees and others   | 85,174              |
| Cash paid to suppliers for services   | (2,038,924)         |
| Net cash used by operating activities   | (204,400)           |
| Cash flows from capital and related financing activities:                             |                     |
| Principal paid on installment purchase agreement                                      | (27,415)            |
| Interest paid on installment purchase agreement                                       | (1,349)             |
| Net cash used by capital and related financing activities                             | (28,764)            |
| Cash flows from investing activities:   |                     |
| Interest on investments   | 9,709               |
| Net decrease in cash and cash equivalents   | (223,455)           |
| Cash and cash equivalents beginning of year   | 943,582             |
| Cash and cash equivalents end of year   | \$ 720,127          |
| <br><b>Reconciliation of operating loss to net cash used by operating activities:</b> |                     |
| Operating loss  | \$ (248,139)        |
| Adjustments to reconcile operating loss to net cash used by operating activities:     |                     |
| Depreciation expense  | 26,223              |
| Changes in assets and liabilities:  |                     |
| Decrease in accounts receivable   | 269                 |
| Decrease in inventories   | 8,358               |
| Increase in accounts payable and due to other governments                             | 9,554               |
| Increase in salaries and benefits payable   | 217                 |
| Increase in due to other funds  | 84                  |
| (Decrease) in compensated absences  | (966)               |
| Net cash used by operating activities   | \$ (204,400)        |

See notes to financial statements.

Lee County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2005

**Assets**

|                              |                   |
|------------------------------|-------------------|
| Cash and pooled investments: |                   |
| County Treasurer             | \$ 1,731,880      |
| Other County officials       | 220,309           |
| Receivables:                 |                   |
| Property tax:                |                   |
| Delinquent                   | 317,187           |
| Succeeding year              | 22,373,000        |
| Accounts                     | 17,928            |
| Accrued interest             | 469               |
| Special assessments          | 68,064            |
| Due from other governments   | 1,515             |
| <b>Total assets</b>          | <u>24,730,352</u> |

**Liabilities**

|                               |                   |
|-------------------------------|-------------------|
| Accounts payable              | 9,834             |
| Salaries and benefits payable | 14,465            |
| Due to other governments      | 24,266,837        |
| Trusts payable                | 422,255           |
| Compensated absences          | 16,961            |
| <b>Total liabilities</b>      | <u>24,730,352</u> |

**Net assets** \$ -

See notes to financial statements.

Lee County

Notes to Financial Statements

June 30, 2005

**(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. As permitted by Chapter 331.203 of the Code of Iowa, the County increased the membership of the Board of Supervisors from 3 to 5 in November 2004. 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 that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

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

The Lincoln Ridge Limited Partnership is 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, the Lincoln Ridge Limited Partnership meets the definition of a component unit that should be blended. The partnership's financial report for the year ended December 31, 2004 was used to provide the financial activity included in this report. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

The 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, the Lee County Economic Development Group meets the definition of a component unit that should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

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

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

#### Discretely Presented Component Unit

The 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, Iowa. 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 Lee 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 that should be discretely presented. Condensed financial statements for the year ended December 31, 2004 presented in Note 14 were prepared on the accrual basis of accounting. Unaudited financial statements can be obtained from the Lee County EMS Ambulance, Inc., 314 South Main Street, Donnellson, IA. 50265.

### Jointly Governed Organizations

The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representative to the following boards and commissions: Lee County Assessor's Conference Board, Lee County Emergency Management Commission and Lee County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such 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 Commission, South Iowa Area Crime Commission, South Iowa Detention Service Agency, Lee County Narcotics Task Force and Southeast Iowa Regional Planning Commission.

### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets 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 Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

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

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Keokuk Floodwall Fund is used to account for tax increment financing and other revenue to be used to fund payments on debt incurred to construct the floodwall.

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 period or soon enough thereafter to pay liabilities of the current period. 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 assets 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.

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

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, 2005, 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 in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

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

Capital assets of the County are depreciated 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                           |
| Equipment             | 2 - 20                            |
| Vehicles              | 3 - 10                            |

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation benefits and compensatory time for subsequent use or for payment upon termination, death or retirement. 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, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, 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 Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Unrestricted Net Assets – The net assets of the Internal Service Funds are 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. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the roads and transportation function and disbursements in the debt service function exceeded the amount budgeted prior to amendment.

**(2) Cash and Pooled Investments**

The County’s deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Investments are stated at fair value. At June 30, 2005 the County had the following money market mutual fund investments:

| Investment Type                              | Fair Value       |
|--|------------------|
| Fidelity Treasury Fund – Daily Money Class - |                  |
| Repurchase Agreements                        | \$ 90,925        |
| U.S. Treasury Obligations                    | <u>4,284</u>     |
| Total  | <u>\$ 95,209</u> |

Due to the nature of investments in mutual funds, there is no assurance the investment will generate any specific rate of return and there is no assurance the accounts will not decrease in value. Mutual funds are not subject to risk categorization.

Credit risk. The County’s Fidelity Treasury Fund – Daily Money Class invests entirely in U.S. Treasury Bills, U.S. Treasury Notes and Repurchase Agreements and, therefore, is not subject to credit risk.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer. The County’s investment in the Fidelity Treasury Fund – Daily Money Class is 2.2 percent of the County’s total investments.

Interest rate risk. At June 30, 2005, the effective duration of the Fidelity Treasury Fund – Daily Money Class was less than 1 month.

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

The detail of interfund receivables and payables at June 30, 2005 is as follows:

| Receivable Fund   | Payable Fund               | Amount          |
|-------------------|----------------------------|-----------------|
| Internal Service: |                            |                 |
| Supplies          | General                    | \$ 2,641        |
|                   | Special Revenue:           |                 |
|                   | Mental Health              | 92              |
|                   | Secondary Roads            | 44              |
|                   | Internal Service:          |                 |
|                   | Employee Health Plan Trust | 8               |
|                   | Information Technology     | 96              |
| Total             |                            | <u>\$ 2,881</u> |

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

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

| <u>Transfer to</u>                  | <u>Transfer from</u>               | <u>Amount</u>       |
|-------------------------------------|------------------------------------|---------------------|
| General                             | Special Revenue:<br>Rural Services | \$ 5,000            |
| Special Revenue:<br>Secondary Roads | Special Revenue:<br>Rural Services | 1,000,000           |
| Total                               |                                    | <u>\$ 1,005,000</u> |

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

|   | <u>Balance</u>       |                  |                    | <u>Balance</u>    |
|---|----------------------|------------------|--------------------|-------------------|
|   | <u>Beginning</u>     |                  |                    | <u>End</u>        |
|   | <u>of Year</u>       | <u>Increases</u> | <u>Decreases</u>   | <u>of Year</u>    |
| <b>Governmental activities:</b>             |                      |                  |                    |                   |
| Capital assets not being depreciated:       |                      |                  |                    |                   |
| Land  | \$ 713,869           | 27,500           | -                  | 741,369           |
| Land, road network                          | 753,462              | 44,577           |                    | 798,039           |
| Construction in progress                    | 233,600              | 2,590,863        | (1,798,621)        | 1,025,842         |
| Total capital assets not being depreciated  | <u>1,700,931</u>     | <u>2,662,940</u> | <u>(1,798,621)</u> | <u>2,565,250</u>  |
| Capital assets being depreciated:           |                      |                  |                    |                   |
| Buildings                                   | 7,634,457            | -                | -                  | 7,634,457         |
| Improvements other than buildings           | 693,716              | -                | -                  | 693,716           |
| Equipment and vehicles                      | 5,400,402            | 651,083          | (437,787)          | 5,613,698         |
| Equipment - internal service                | 178,103              | -                | -                  | 178,103           |
| Infrastructure, road network                | 26,736,770           | 1,798,621        | -                  | 28,535,391        |
| Total capital assets being depreciated      | <u>40,643,448</u>    | <u>2,449,704</u> | <u>(437,787)</u>   | <u>42,655,365</u> |
| Less accumulated depreciation for:          |                      |                  |                    |                   |
| Buildings                                   | 2,860,357            | 219,223          | -                  | 3,079,580         |
| Improvements other than buildings           | 426,120              | 22,648           | -                  | 448,768           |
| Equipment and vehicles                      | 3,223,184            | 537,447          | (432,987)          | 3,327,644         |
| Equipment - internal service                | 99,492               | 26,223           | -                  | 125,715           |
| Infrastructure, road network                | 9,907,513            | 895,029          | -                  | 10,802,542        |
| Total accumulated depreciation              | <u>16,516,666</u>    | <u>1,700,570</u> | <u>(432,987)</u>   | <u>17,784,249</u> |
| Total capital assets being depreciated, net | <u>24,126,782</u>    | <u>749,134</u>   | <u>(4,800)</u>     | <u>24,871,116</u> |
| Governmental activities capital assets, net | <u>\$ 25,827,713</u> | <u>3,412,074</u> | <u>(1,803,421)</u> | <u>27,436,366</u> |

Depreciation expense was charged to the following functions:

|  |                     |
|--|---------------------|
| Governmental activities:                             |                     |
| Public safety and legal services                     | \$ 46,672           |
| Physical health and social services                  | 24,084              |
| Mental health  | 83,478              |
| County environment and education                     | 22,578              |
| Roads and transportation                             | 1,328,497           |
| Governmental services to residents                   | 13,579              |
| Administration                                       | 181,682             |
| Total depreciation expense - governmental activities | <u>\$ 1,700,570</u> |

**(6) Due to Other Governments**

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

| Fund                         | Description | Amount               |
|------------------------------|-------------|----------------------|
| General                      | Services    | \$ 92,129            |
| Special Revenue:             |             |                      |
| Mental Health                | Services    | 733,322              |
| Secondary Roads              | Services    | 1,183                |
| Rural Services               | Services    | 10,096               |
|                              |             | <u>744,601</u>       |
| Total for governmental funds |             | <u>\$ 836,730</u>    |
| Internal Service:            |             |                      |
| Employee Health Plan Trust   |             | \$ 12,960            |
| Agency:                      |             |                      |
| County Assessor              | Collections | \$ 667,970           |
| Schools                      |             | 13,688,589           |
| Community Colleges           |             | 883,105              |
| Corporations                 |             | 7,711,179            |
| Auto License and Use Tax     |             | 560,667              |
| All other                    |             | 755,327              |
|                              |             | <u>755,327</u>       |
| Total for agency funds       |             | <u>\$ 24,266,837</u> |

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

|                           | Tax Increment<br>Urban Renewal<br>Revenue Bonds | Real Estate<br>Installment<br>Contract | Bank<br>Loan | Installment<br>Purchase<br>Agreement | Great River<br>Progressive<br>Housing<br>Corporation<br>Bank Loan | Lincoln<br>Ridge<br>Developer<br>Agreement | Compen-<br>sated<br>Absences | Total     |
|---------------------------|---|--|--------------|--------------------------------------|---|--|------------------------------|-----------|
| Balance beginning of year | \$ 3,755,000                                    | 89,888                                 | 93,281       | 55,653                               | 371,294   | 206,733                                    | 434,325                      | 5,006,174 |
| Increases                 | -   | -                                      | -            | -                                    | -   | -  | 479,884                      | 479,884   |
| Decreases                 | 2,120,000                                       | 35,561                                 | 4,800        | 27,415                               | 19,278  | 206,733                                    | 470,336                      | 2,884,123 |
| Balance end of year       | \$ 1,635,000                                    | 54,327                                 | 88,481       | 28,238                               | 352,016   | -  | 443,873                      | 2,601,935 |
| Due within one year       | \$ -  | 16,326                                 | 5,070        | 28,238                               | 20,335  | -  | 292,011                      | 361,980   |

Tax Increment Urban Renewal Revenue Bonds

The County sold \$10,260,000 of tax increment urban renewal revenue bonds dated December 1, 1994 to construct a floodwall within the limits of the County and the City of Keokuk. The bonds are payable from the income and proceeds of the Keokuk Floodwall Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. On November 1, 1994, the County entered into an agreement with the City of Keokuk and Roquette America, Inc. which provides for supplemental payments to be made to the County in the event taxes are insufficient to service the debt. During the year ended June 30, 2005, the County received payments of \$1,761,876 from Roquette America, Inc. to pay the principal, interest and other fees due on the bonds. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

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

| Year<br>ending<br>June 30, | Interest<br>Rates | Principal    | Interest | Total     |
|----------------------------|-------------------|--------------|----------|-----------|
| 2006                       | 6.40%             | \$ -         | 104,640  | 104,640   |
| 2007                       | 6.40              | 1,635,000    | 104,640  | 1,739,640 |
| Total                      |                   | \$ 1,635,000 | 209,280  | 1,844,280 |

During the year ended June 30, 2005, principal of \$2,120,000 on these bonds was retired.

#### Real Estate Installment Contract

In August 2000, the County entered into an agreement with the Iowa Natural Heritage Foundation to acquire 19.53 acres of land. The County made a \$1,000 down payment and the remaining purchase price of \$84,000 was paid by the Iowa Natural Heritage Foundation. The agreement calls for the County to repay the Iowa Natural Heritage Foundation over 5 years at an interest rate determined by the local prime rate published by Wells Fargo Bank Iowa, N.A. on the date of closing and the annual anniversary dates thereafter.

In August 2002, the agreement was revised. Under the revised agreement, the County will make five annual installments, including interest at a rate adjusted annually on May 31, with the final payment due May 31, 2009. During the year ended June 30, 2004, the balance on the loan increased by \$5,888 to \$89,888, due to accrued interest being capitalized. During the year ended June 30, 2005, the County paid principal of \$35,561 on the loan.

#### Bank Loan

In January 2002, the County entered into a loan agreement with a bank to borrow \$100,000 for the construction of apartments to house persons with disabilities. In October 2002, the County modified the loan agreement, extending the maturity date to October 15, 2017 and requiring semi-annual payments, including interest at 5.55% per annum. The balance of the loan at June 30, 2005 was \$88,481.

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

| Year<br>ending<br>June 30, | Interest<br>Rates | Principal | Interest | Total   |
|----------------------------|-------------------|-----------|----------|---------|
| 2006                       | 5.55%             | \$ 5,070  | 4,841    | 9,911   |
| 2007                       | 5.55              | 5,356     | 4,555    | 9,911   |
| 2008                       | 5.55              | 5,645     | 4,266    | 9,911   |
| 2009                       | 5.55              | 5,974     | 3,937    | 9,911   |
| 2010                       | 5.55              | 6,310     | 3,601    | 9,911   |
| 2011-2015                  | 5.55              | 37,287    | 12,276   | 49,563  |
| 2016-2018                  | 5.55              | 22,839    | 1,940    | 24,779  |
| Total                      |                   | \$ 88,481 | 35,416   | 123,897 |

During the year ended June 30, 2005, the County paid principal of \$4,800 on the loan.



Installment Purchase Agreement

In April 2003, the County entered into an installment purchase agreement for \$82,268 to purchase a computer. The agreement bears interest at the rate of 3.02% per annum and requires quarterly payments of \$7,191, including interest, with the final payment due on June 1, 2006. The balance of the agreement at June 30, 2005 was \$28,238.

A summary of the annual installment purchase agreement principal and interest requirements to maturity is as follows:

| Year ending June 30, | Interest Rates | Principal | Interest | Total  |
|----------------------|----------------|-----------|----------|--------|
| 2006                 | 3.02%          | \$ 28,238 | 526      | 28,764 |

During the year ended June 30, 2005, the County paid \$28,764 on the agreement, including principal of \$27,415 and interest of \$1,349.

Great River Progressive Housing Corporation Bank Loan

On January 13, 2003, the Great River Progressive Housing Corporation (GRPHC), general partner to Lincoln Ridge Limited Partnership (LRLP), entered into a loan agreement with a bank to borrow \$400,000 for the construction of a low-income housing project for persons with mental disabilities. The loan bears interest at the rate of 5.41% per annum and requires semi-annual payments on December 15 and June 15 of \$19,555, including interest, with the final payment due on December 15, 2017. The amount of each principal and interest payment is equivalent to Lee County's payment to the GRPHC pursuant to a service agreement. During the year ended June 30, 2005, the GRPHC paid principal of \$19,278 and interest of \$19,832 on the loan. The balance owed on the loan at June 30, 2005 was \$352,016.

A summary of the annual loan principal and interest requirements to maturity on the bank loan is as follows:

| Year ending June 30, | Interest Rates | Principal  | Interest | Total   |
|----------------------|----------------|------------|----------|---------|
| 2006                 | 5.41%          | \$ 20,335  | 18,774   | 39,109  |
| 2007                 | 5.41           | 21,450     | 17,659   | 39,109  |
| 2008                 | 5.41           | 22,582     | 16,527   | 39,109  |
| 2009                 | 5.41           | 23,864     | 15,245   | 39,109  |
| 2010                 | 5.41           | 25,173     | 13,936   | 39,109  |
| 2011-2015            | 5.41           | 148,111    | 47,435   | 195,546 |
| 2016-2018            | 5.41           | 90,501     | 7,502    | 98,003  |
| Total                |                | \$ 352,016 | 137,078  | 489,094 |

**(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$340,578, \$334,279 and \$329,001, respectively, equal to the required contributions for each year.

**(9) Contingent Liabilities**

Solid Waste Disposal Bonds

In May 1996, the County entered into a loan agreement with the Great River Regional Waste Authority to assist in financing the cost of the construction and/or acquisition of certain improvements to the Authority's existing solid waste disposal facilities. Pursuant to the loan agreement, the County issued general obligation solid waste disposal bonds totaling \$7,445,000 to repay \$6,825,000 of general obligation solid waste disposal bond anticipation series 1993 notes, which matured on June 1, 1996, and loan the remaining cash proceeds to the Authority. These bonds mature on June 1, 2007 and bear interest at rates ranging from 4.55% to 5% per annum. The Authority agreed to repay the loan and interest thereon and issued a solid waste disposal revenue bond in the principal amount of \$7,445,000 to the County in evidence of the Authority's obligation to repay the amounts payable.

In March 2003, the County issued \$3,400,000 of general obligation solid waste disposal refunding bonds to currently refund the 1996 general obligation solid waste disposal bonds. The County is contingently liable for the 2003 general obligation solid waste disposal refunding bonds. Bond principal and interest are paid from proceeds received from the Great River Regional Waste Authority. However, the bonds are a general obligation of the County and, if the revenues of the Regional Waste Authority in future years are not adequate, a tax will be levied on all taxable property in the County. The liability for these bonds is not recorded by the County since the bonds are to be paid from other than County resources. The transactions for the bond issue are accounted for in an Agency Fund.

Details of this contingent liability for the 2003 general obligation solid waste disposal refunding bonds at June 30, 2005 are as follows:

| Year<br>ending<br>June 30, | Interest<br>Rates | Principal    | Interest | Total     |
|----------------------------|-------------------|--------------|----------|-----------|
| 2006                       | 1.90%             | \$ 855,000   | 35,495   | 890,495   |
| 2007                       | 2.20              | 875,000      | 19,250   | 894,250   |
| Total                      |                   | \$ 1,730,000 | 54,745   | 1,784,745 |

South Iowa Area Detention Service Agency

The South Iowa Area Detention Service Agency (SIADSA) is a public authority established in 1991 under a 28E agreement by Appanoose, Davis, Des Moines, Jefferson, Lee, Lucas, Louisa, Mahaska, Union and Wapello counties. In May 1991, SIADSA issued \$2,300,000 in capital loan note certificates for construction of the detention center facilities and purchase of equipment. Each member county authorized separate loan agreements with SIADSA which were pledged as security for SIADSA's debt obligation through the 2005/2006 fiscal year.

During the year ended June 30, 2004, SIADSA refinanced the 1991 debt issuance to receive better interest rates. The SIADSA Board consented to SIADSA incurring indebtedness to refund the 1991 capital loan note certificates for cost savings and pledged the 1991 loan agreements as security for the new debt obligation provided the refunding debt does not extend beyond the 2005/2006 fiscal year.

In April 2005, SIADSA requested each of the ten member counties to contribute \$16,871 to the debt service payment due on June 1, 2005. Lee County made this payment on April 19, 2005.

Although Lee County has authorized the loan agreement, it has not issued any debt as a guarantor for SIADSA. Accordingly, the County remains contingently liable for \$24,500 in the event SIADSA cannot satisfy its debt obligation.

**(10) Endowment**

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

The County maintains the endowment principal in the Permanent, Neff Memorial Fund. Interest earned on the principal is credited to the Special Revenue, Neff Memorial Fund to be used in accordance with the endowment provisions. The balances in these funds are reported in net assets restricted for hospice care.

**(11) Rural Community 2000 Program Loan**

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

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

The County is required to remit the proceeds of the loan repayments from the Rathbun Regional Water Association to the Iowa Department of Economic Development. The County's liability for repayment of the loan is limited to the amount collected from the Rathbun Regional Water Association. Therefore, the liability for the loan is not recorded by the County. The outstanding balance on this loan at June 30, 2005 was \$41,263.

**(12) Risk Management**

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

**(13) Deficit Fund Balance**

The Special Revenue, Mental Health Fund had a deficit balance of \$767,491 at June 30, 2005. The deficit will be eliminated through working with the Iowa Department of Human Services for ways to lower costs and improve efficiency.

**(14) Employee Health Insurance Plan**

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

Monthly payments of service fees and plan contributions to the Employee Health Plan Trust Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Health Plan Trust Fund. The County's contribution to the fund for the year ended June 30, 2005 was \$1,439,839.

Amounts payable from the Employee Health Plan Trust Fund at June 30, 2005 total \$269,530, 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 \$130,001 and is reported as a designation of the Employee Health Plan Trust Fund net assets. 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. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

|  |                   |
|--|-------------------|
| Unpaid claims at July 1, 2004  | \$ 276,151        |
| Incurred claims (including claims incurred but not reported as of June 30, 2005) | 1,692,754         |
| Payments on claims during the fiscal year  | <u>1,699,375</u>  |
| Unpaid claims at June 30, 2005   | <u>\$ 269,530</u> |

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

The Lee County EMS Ambulance, Inc. (EMS) provides ambulance service for Lee County, Iowa. The 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 unaudited condensed financial information for EMS for the year ended December 31, 2004.

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| Condensed Statement of Net Assets               |                          |
|---|--------------------------|
| December 31, 2004                               |                          |
| (Unaudited)                                     |                          |
| <b>Assets</b>                                   |                          |
| Current assets:                                 |                          |
| Capital assets, net of accumulated depreciation | \$ 211,319               |
| Other   | 336,141                  |
| <b>Total assets</b>                             | <u>547,460</u>           |
| <b>Liabilities</b>                              |                          |
| Long-term liabilities                           | 90,854                   |
| Other   | 87,462                   |
| <b>Total liabilities</b>                        | <u>178,316</u>           |
| <b>Net assets:</b>                              |                          |
| Invested in capital assets, net of related debt | 83,716                   |
| Unrestricted                                    | 285,427                  |
| <b>Total net assets</b>                         | <u><u>\$ 369,143</u></u> |

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| Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets |                          |
|--|--------------------------|
| Year ended December 31, 2004   |                          |
| (Unaudited)  |                          |
| Operating revenues:  |                          |
| Patient income   | \$ 1,150,791             |
| County subsidy   | 390,000                  |
| Other  | 1,219                    |
| Total operating revenues   | <u>1,542,010</u>         |
| Operating expenses:  |                          |
| Salaries and benefits  | \$ 1,094,022             |
| Insurance  | 175,221                  |
| Other  | 271,681                  |
| Operating loss   | <u>1,086</u>             |
| Non-operating revenues (expenses):                                       |                          |
| Interest income  | 13,235                   |
| Interest expense   | (11,117)                 |
| Net loss   | <u>3,204</u>             |
| Net assets beginning of year   | <u>365,939</u>           |
| Net assets end of year   | <u><u>\$ 369,143</u></u> |

**Required Supplementary Information**

Lee County

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

Required Supplementary Information

Year ended June 30, 2005

|   | Actual              | Less<br>Funds not<br>Required to<br>be Budgeted |
|---|---------------------|---|
| Receipts:   |                     |   |
| Property and other county tax   | \$ 8,716,780        | -   |
| Interest and penalty on property tax  | 119,049             | -   |
| Intergovernmental   | 7,468,105           | 289,109   |
| Licenses and permits  | 58,099              | -   |
| Charges for service   | 832,413             | -   |
| Use of money and property   | 295,754             | 68,824  |
| Miscellaneous   | 1,987,210           | 67,677  |
| Total receipts  | <u>19,477,410</u>   | <u>425,610</u>                                  |
| Disbursements:  |                     |   |
| Public safety and legal services  | 3,133,793           | -   |
| Physical health and social services   | 3,506,672           | -   |
| Mental health   | 4,511,377           | 281,210   |
| County environment and education  | 1,667,310           | 319,494   |
| Roads and transportation  | 3,867,090           | -   |
| Governmental services to residents  | 898,536             | -   |
| Administration  | 1,856,402           | -   |
| Debt service  | 2,461,854           | -   |
| Capital projects  | 589,210             | -   |
| Total disbursements   | <u>22,492,244</u>   | <u>600,704</u>                                  |
| Excess (deficiency) of receipts over (under) disbursements  | (3,014,834)         | (175,094)                                       |
| Other financing sources, net  | 23,500              | -   |
| Excess (deficiency) of receipts and other financing<br>sources over (under) disbursements and other<br>financing uses | (2,991,334)         | (175,094)                                       |
| Balance beginning of year   | <u>7,171,188</u>    | <u>406,280</u>                                  |
| Balance end of year   | <u>\$ 4,179,854</u> | <u>231,186</u>                                  |

See accompanying independent auditor's report.

| Net         | Budgeted Amounts |             | Final to Net Variance |
|-------------|------------------|-------------|-----------------------|
|             | Original         | Final       |                       |
| 8,716,780   | 8,198,552        | 8,738,407   | (21,627)              |
| 119,049     | 128,000          | 128,000     | (8,951)               |
| 7,178,996   | 7,806,710        | 7,454,595   | (275,599)             |
| 58,099      | 69,150           | 73,280      | (15,181)              |
| 832,413     | 885,310          | 836,385     | (3,972)               |
| 226,930     | 348,340          | 269,669     | (42,739)              |
| 1,919,533   | 1,594,171        | 2,065,418   | (145,885)             |
| 19,051,800  | 19,030,233       | 19,565,754  | (513,954)             |
| 3,133,793   | 3,064,250        | 3,216,673   | 82,880                |
| 3,506,672   | 3,618,671        | 3,752,689   | 246,017               |
| 4,230,167   | 4,060,196        | 4,329,477   | 99,310                |
| 1,347,816   | 1,285,148        | 1,376,856   | 29,040                |
| 3,867,090   | 3,909,414        | 3,847,613   | (19,477)              |
| 898,536     | 919,414          | 915,051     | 16,515                |
| 1,856,402   | 2,212,080        | 2,150,755   | 294,353               |
| 2,461,854   | 1,464,146        | 2,535,680   | 73,826                |
| 589,210     | 942,225          | 740,000     | 150,790               |
| 21,891,540  | 21,475,544       | 22,864,794  | 973,254               |
| (2,839,740) | (2,445,311)      | (3,299,040) | 459,300               |
| 23,500      | -                | 23,500      | -                     |
| (2,816,240) | (2,445,311)      | (3,275,540) | 459,300               |
| 6,764,908   | 6,007,009        | 6,764,908   | -                     |
| 3,948,668   | 3,561,698        | 3,489,368   | 459,300               |



Lee County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2005

|                              | Governmental Funds |                             |                              |
|------------------------------|--------------------|-----------------------------|------------------------------|
|                              | Cash<br>Basis      | Accrual<br>Adjust-<br>ments | Modified<br>Accrual<br>Basis |
| Revenues                     | \$ 19,477,410      | (16,036)                    | 19,461,374                   |
| Expenditures                 | 22,492,244         | 34,512                      | 22,526,756                   |
| Net                          | (3,014,834)        | (50,548)                    | (3,065,382)                  |
| Other financing sources, net | 23,500             | -                           | 23,500                       |
| Beginning fund balances      | 7,171,188          | (428,041)                   | 6,743,147                    |
| Ending fund balances         | \$ 4,179,854       | (478,589)                   | 3,701,265                    |

See accompanying independent auditor's report.

Lee County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 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 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, one budget amendment increased budgeted disbursements by \$1,389,250. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the roads and transportation function. In addition, disbursements in the debt service function exceeded the amount budgeted prior to amendment.

**Lee County**

**Other Supplementary Information**

Lee County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

|  | Rural<br>Services   | Resource<br>Enhancement<br>and<br>Protection | County<br>Recorder's<br>Records<br>Management | Sheriff<br>Reserves | Great River<br>Progressive<br>Housing<br>Corp | Special<br>Lincoln<br>Ridge<br>Limited<br>Partnership |
|--|---------------------|--|---|---------------------|---|---|
| <b>Assets</b>                            |                     |  |   |                     |   |   |
| Cash and pooled investments              |                     |  |   |                     |   |   |
| County Treasurer                         | \$ 141,424          | 16,287                                       | 36,940  | 4,557               | -   | -   |
| Component units                          | -                   | -  | -   | -                   | 31  | 96,362  |
| Receivables:                             |                     |  |   |                     |   |   |
| Property tax:                            |                     |  |   |                     |   |   |
| Delinquent                               | 3,742               | -  | -   | -                   | -   | -   |
| Succeeding year                          | 668,000             | -  | -   | -                   | -   | -   |
| Accounts                                 | -                   | -  | -   | -                   | -   | 2,248   |
| Accrued interest                         | -                   | 21   | 46  | -                   | -   | -   |
| Due from other governments               | 198,653             | -  | -   | -                   | -   | -   |
| Prepaid rent                             | -                   | -  | -   | -                   | -   | -   |
| <b>Total assets</b>                      | <b>\$ 1,011,819</b> | <b>16,308</b>                                | <b>36,986</b>                                 | <b>4,557</b>        | <b>31</b>                                     | <b>98,610</b>   |
| <b>Liabilities and Fund Equity</b>       |                     |  |   |                     |   |   |
| Liabilities:                             |                     |  |   |                     |   |   |
| Accounts payable                         | \$ 354              | -  | -   | 765                 | -   | 55,767  |
| Salaries and benefits payable            | 3,591               | 1,814  | -   | -                   | -   | -   |
| Due to other governments                 | 10,096              | -  | -   | -                   | -   | -   |
| Deferred revenue:                        |                     |  |   |                     |   |   |
| Succeeding year property tax             | 668,000             | -  | -   | -                   | -   | -   |
| Other                                    | 48,484              | -  | -   | -                   | -   | -   |
| Total liabilities                        | 730,525             | 1,814  | -   | 765                 | -   | 55,767  |
| Fund equity:                             |                     |  |   |                     |   |   |
| Fund balances:                           |                     |  |   |                     |   |   |
| Reserved for:                            |                     |  |   |                     |   |   |
| Debt service                             | -                   | -  | -   | -                   | -   | -   |
| Hospice care                             | -                   | -  | -   | -                   | -   | -   |
| Unreserved:                              |                     |  |   |                     |   |   |
| Undesignated                             | 281,294             | 14,494                                       | 36,986  | 3,792               | 31  | 42,843  |
| Total fund equity                        | 281,294             | 14,494                                       | 36,986  | 3,792               | 31  | 42,843  |
| <b>Total liabilities and fund equity</b> | <b>\$ 1,011,819</b> | <b>16,308</b>                                | <b>36,986</b>                                 | <b>4,557</b>        | <b>31</b>                                     | <b>98,610</b>   |

See accompanying independent auditor's report.

| Revenue  |  |                                   |                           |                                     |                   |                  |                 |                               |           |
|--|--|-----------------------------------|---------------------------|-------------------------------------|-------------------|------------------|-----------------|-------------------------------|-----------|
| Lee County<br>Economic<br>Development<br>Group | Three Rivers<br>Conservation<br>Foundation | Friends<br>of<br>Public<br>Health | Electronic<br>Transaction | Conservation<br>Land<br>Acquisition | Memorial<br>Trust | Neff<br>Memorial | Debt<br>Service | Permanent<br>Neff<br>Memorial | Total     |
| -  | -  | -                                 | 10,969                    | 7,948                               | 171,122           | 16,877           | 10,856          | 82,500                        | 499,480   |
| 49,530   | 67,253                                     | 18,010                            | -                         | -                                   | -                 | -                | -               | -                             | 231,186   |
| -  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 3,742     |
| -  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 668,000   |
| -  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 2,248     |
| -  | -  | -                                 | 14                        | 11                                  | 226               | 153              | 15              | -                             | 486       |
| -  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 198,653   |
| 9,500  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 9,500     |
| 59,030   | 67,253                                     | 18,010                            | 10,983                    | 7,959                               | 171,348           | 17,030           | 10,871          | 82,500                        | 1,613,295 |
| -  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 56,886    |
| 5,810  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 11,215    |
| -  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 10,096    |
| -  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 668,000   |
| -  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 48,484    |
| 5,810  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 794,681   |
| -  | -  | -                                 | -                         | -                                   | -                 | -                | 10,871          | -                             | 10,871    |
| -  | -  | -                                 | -                         | -                                   | -                 | 17,030           | -               | 82,500                        | 99,530    |
| 53,220   | 67,253                                     | 18,010                            | 10,983                    | 7,959                               | 171,348           | -                | -               | -                             | 708,213   |
| 53,220   | 67,253                                     | 18,010                            | 10,983                    | 7,959                               | 171,348           | 17,030           | 10,871          | 82,500                        | 818,614   |
| 59,030   | 67,253                                     | 18,010                            | 10,983                    | 7,959                               | 171,348           | 17,030           | 10,871          | 82,500                        | 1,613,295 |

Lee County

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

Year ended June 30, 2005

|   | Rural<br>Services | Resource<br>Enhancement<br>and<br>Protection | County<br>Recorder's<br>Records<br>Management | Sheriff<br>Reserves | Great River<br>Progressive<br>Housing<br>Corp | Special<br>Lincoln Ridge<br>Limited<br>Partnership |
|---|-------------------|--|---|---------------------|---|--|
| <b>Revenues:</b>  |                   |  |   |                     |   |  |
| Property and other county tax   | \$ 1,447,144      | -  | -   | -                   | -   | -  |
| Intergovernmental   | 78,199            | 15,793                                       | -   | -                   | 39,109  | -  |
| Charges for service   | -                 | -  | 5,731   | -                   | -   | -  |
| Use of money and property   | 100               | 167  | 532   | -                   | -   | 64,113   |
| Miscellaneous   | 5                 | -  | -   | 4,927               | -   | 6,101  |
| <b>Total revenues</b>   | <b>1,525,448</b>  | <b>15,960</b>                                | <b>6,263</b>                                  | <b>4,927</b>        | <b>39,109</b>                                 | <b>70,214</b>                                      |
| <b>Expenditures:</b>  |                   |  |   |                     |   |  |
| <b>Operating:</b>   |                   |  |   |                     |   |  |
| Physical health and social services   | -                 | -  | -   | 1,135               | -   | -  |
| Mental health   | -                 | -  | -   | -                   | 39,114  | 282,960  |
| County environment and education  | 407,764           | 14,323                                       | -   | -                   | -   | -  |
| Roads and transportation  | 96,165            | -  | -   | -                   | -   | -  |
| Governmental services to residents  | 1,826             | -  | -   | -                   | -   | -  |
| <b>Total expenditures</b>   | <b>505,755</b>    | <b>14,323</b>                                | <b>-</b>                                      | <b>1,135</b>        | <b>39,114</b>                                 | <b>282,960</b>                                     |
| Excess (deficiency) of revenues over<br>(under) expenditures                          | 1,019,693         | 1,637  | 6,263   | 3,792               | (5)   | (212,746)  |
| <b>Other financing uses:</b>  |                   |  |   |                     |   |  |
| Operating transfers out   | (1,005,000)       | -  | -   | -                   | -   | -  |
| Excess (deficiency) of revenues over (under)<br>expenditures and other financing uses | 14,693            | 1,637  | 6,263   | 3,792               | (5)   | (212,746)  |
| Fund balances beginning of year   | 266,601           | 12,857                                       | 30,723  | -                   | 36  | 255,589  |
| Fund balances end of year   | <b>\$ 281,294</b> | <b>14,494</b>                                | <b>36,986</b>                                 | <b>3,792</b>        | <b>31</b>                                     | <b>42,843</b>                                      |

See accompanying independent auditor's report.

| Revenue  |  |                                   |                           |                                     |                   |                  |                 |                               |             |
|--|--|-----------------------------------|---------------------------|-------------------------------------|-------------------|------------------|-----------------|-------------------------------|-------------|
| Lee County<br>Economic<br>Development<br>Group | Three Rivers<br>Conservation<br>Foundation | Friends<br>of<br>Public<br>Health | Electronic<br>Transaction | Conservation<br>Land<br>Acquisition | Memorial<br>Trust | Neff<br>Memorial | Debt<br>Service | Permanent<br>Neff<br>Memorial | Total       |
| -  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 1,447,144   |
| 250,000  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 383,101     |
| -  | -  | -                                 | 14,196                    | -                                   | -                 | -                | -               | -                             | 19,927      |
| 282  | 4,152                                      | 277                               | 454                       | 124                                 | 2,878             | 1,476            | 174             | -                             | 74,729      |
| 26,504   | 37,154                                     | -                                 | -                         | 930                                 | 37,685            | -                | -               | -                             | 113,306     |
| 276,786  | 41,306                                     | 277                               | 14,650                    | 1,054                               | 40,563            | 1,476            | 174             | -                             | 2,038,207   |
| -  | -  | -                                 | -                         | -                                   | 36,042            | -                | -               | -                             | 37,177      |
| -  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 322,074     |
| 252,037  | 35,117                                     | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 709,241     |
| -  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | 96,165      |
| -  | -  | -                                 | 26,386                    | -                                   | -                 | -                | -               | -                             | 28,212      |
| 252,037  | 35,117                                     | -                                 | 26,386                    | -                                   | 36,042            | -                | -               | -                             | 1,192,869   |
| 24,749   | 6,189                                      | 277                               | (11,736)                  | 1,054                               | 4,521             | 1,476            | 174             | -                             | 845,338     |
| -  | -  | -                                 | -                         | -                                   | -                 | -                | -               | -                             | (1,005,000) |
| 24,749   | 6,189                                      | 277                               | (11,736)                  | 1,054                               | 4,521             | 1,476            | 174             | -                             | (159,662)   |
| 28,471   | 61,064                                     | 17,733                            | 22,719                    | 6,905                               | 166,827           | 15,554           | 10,697          | 82,500                        | 978,276     |
| 53,220   | 67,253                                     | 18,010                            | 10,983                    | 7,959                               | 171,348           | 17,030           | 10,871          | 82,500                        | 818,614     |



**Schedule 3**

Lee County  
Combining Schedule of Net Assets  
Internal Service Funds

June 30, 2005

|   | Supplies         | Employee<br>Health Plan<br>Trust | Information<br>Technology | Total          |
|---|------------------|----------------------------------|---------------------------|----------------|
| <b>Assets</b>                                   |                  |                                  |                           |                |
| Current assets:                                 |                  |                                  |                           |                |
| Cash and pooled investments                     | \$ 25,585        | 403,831                          | 290,711                   | 720,127        |
| Accrued interest receivable                     | -                | 8,668                            | -                         | 8,668          |
| Due from other funds                            | 2,881            | -                                | -                         | 2,881          |
| Inventories                                     | 1,337            | -                                | -                         | 1,337          |
| Noncurrent assets:                              |                  |                                  |                           |                |
| Capital assets, net of accumulated depreciation | -                | -                                | 52,388                    | 52,388         |
| <b>Total assets</b>                             | <b>29,803</b>    | <b>412,499</b>                   | <b>343,099</b>            | <b>785,401</b> |
| <b>Liabilities</b>                              |                  |                                  |                           |                |
| Current liabilities:                            |                  |                                  |                           |                |
| Accounts payable                                | 175              | 269,530                          | 12,174                    | 281,879        |
| Salaries and benefits payable                   | -                | -                                | 2,903                     | 2,903          |
| Due to other funds                              | -                | 8                                | 96                        | 104            |
| Due to other governments                        | -                | 12,960                           | -                         | 12,960         |
| Installment purchase agreement                  | -                | -                                | 28,238                    | 28,238         |
| Compensated absences                            | -                | -                                | 247                       | 247            |
| <b>Total liabilities</b>                        | <b>175</b>       | <b>282,498</b>                   | <b>43,658</b>             | <b>326,331</b> |
| <b>Net Assets</b>                               |                  |                                  |                           |                |
| Invested in capital assets, net of related debt | -                | -                                | 24,150                    | 24,150         |
| Unrestricted                                    | 29,628           | 130,001                          | 275,291                   | 434,920        |
|   | <b>\$ 29,628</b> | <b>130,001</b>                   | <b>299,441</b>            | <b>459,070</b> |

See accompanying independent auditor's report.

## Lee County

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

Year ended June 30, 2005

|   | Supplies         | Employee<br>Health Plan<br>Trust | Information<br>Technology | Total            |
|---|------------------|----------------------------------|---------------------------|------------------|
| Operating revenues:   |                  |                                  |                           |                  |
| Reimbursements from operating funds<br>and other governmental units | \$ 46,828        | 1,439,839                        | 177,361                   | 1,664,028        |
| Reimbursements from employees and others                            | -                | 169,813                          | -                         | 169,813          |
| Miscellaneous   | -                | -                                | 415                       | 415              |
| Total operating revenues  | <u>46,828</u>    | <u>1,609,652</u>                 | <u>177,776</u>            | <u>1,834,256</u> |
| Operating expenses:   |                  |                                  |                           |                  |
| Medical and health services   | -                | 1,699,375                        | -                         | 1,699,375        |
| Supplemental insurance  | -                | 10,478                           | -                         | 10,478           |
| Salaries and benefits   | -                | -                                | 64,234                    | 64,234           |
| Administrative fees, network access fees<br>and stop-loss premium   | -                | 182,991                          | -                         | 182,991          |
| Supplies, utilities and data processing                             | 46,712           | 1,106                            | 32,663                    | 80,481           |
| Maintenance agreements  | -                | -                                | 2,597                     | 2,597            |
| Non-capitalized equipment   | -                | -                                | 15,409                    | 15,409           |
| Miscellaneous   | -                | 607                              | -                         | 607              |
| Depreciation  | -                | -                                | 26,223                    | 26,223           |
| Total operating expenses  | <u>46,712</u>    | <u>1,894,557</u>                 | <u>141,126</u>            | <u>2,082,395</u> |
| Operating income (loss)   | <u>116</u>       | <u>(284,905)</u>                 | <u>36,650</u>             | <u>(248,139)</u> |
| Non-operating revenues (expenses):                                  |                  |                                  |                           |                  |
| Interest income   | -                | 14,216                           | -                         | 14,216           |
| Interest expense  | -                | -                                | (1,349)                   | (1,349)          |
| Total non-operating revenues (expenses)                             | <u>-</u>         | <u>14,216</u>                    | <u>(1,349)</u>            | <u>12,867</u>    |
| Net income (loss)   | <u>116</u>       | <u>(270,689)</u>                 | <u>35,301</u>             | <u>(235,272)</u> |
| Net assets beginning of year  | <u>29,512</u>    | <u>400,690</u>                   | <u>264,140</u>            | <u>694,342</u>   |
| Net assets end of year  | <u>\$ 29,628</u> | <u>130,001</u>                   | <u>299,441</u>            | <u>459,070</u>   |

See accompanying independent auditor's report.

**Lee County**

Lee County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2005

|   | Supplies         | Employee<br>Health Plan<br>Trust | Information<br>Technology | Total            |
|---|------------------|----------------------------------|---------------------------|------------------|
| Cash flows from operating activities:   |                  |                                  |                           |                  |
| Cash received from operating funds and other governmental units                                       | \$ 46,935        | 1,524,614                        | 177,801                   | 1,749,350        |
| Cash received from employees and others   | -                | 85,174                           | -                         | 85,174           |
| Cash paid to suppliers for services   | (38,327)         | (1,896,047)                      | (104,550)                 | (2,038,924)      |
| Net cash provided (used) by operating activities  | <u>8,608</u>     | <u>(286,259)</u>                 | <u>73,251</u>             | <u>(204,400)</u> |
| Cash flows from capital and related financing activities:   |                  |                                  |                           |                  |
| Principal paid on installment purchase agreement  | -                | -                                | (27,415)                  | (27,415)         |
| Interest paid on installment purchase agreement   | -                | -                                | (1,349)                   | (1,349)          |
| Net cash used by capital and related financing activities   | <u>-</u>         | <u>-</u>                         | <u>(28,764)</u>           | <u>(28,764)</u>  |
| Cash flows from investing activities:   |                  |                                  |                           |                  |
| Interest on investments   | -                | 9,709                            | -                         | 9,709            |
| Net increase (decrease) in cash and cash equivalents  | <u>8,608</u>     | <u>(276,550)</u>                 | <u>44,487</u>             | <u>(223,455)</u> |
| Cash and cash equivalents beginning of year   | <u>16,977</u>    | <u>680,381</u>                   | <u>246,224</u>            | <u>943,582</u>   |
| Cash and cash equivalents end of year   | <u>\$ 25,585</u> | <u>403,831</u>                   | <u>290,711</u>            | <u>720,127</u>   |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities:        |                  |                                  |                           |                  |
| Operating income (loss)   | \$ 116           | (284,905)                        | 36,650                    | (248,139)        |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                  |                                  |                           |                  |
| Depreciation  | -                | -                                | 26,223                    | 26,223           |
| Changes in assets and liabilities:  |                  |                                  |                           |                  |
| Decrease in accounts and other receivables  | 108              | 136                              | 25                        | 269              |
| Decrease in inventories   | 8,358            | -                                | -                         | 8,358            |
| Increase (decrease) in accounts payable and due to other governments                                  | 26               | (1,478)                          | 11,006                    | 9,554            |
| Increase in salaries and benefits payable   | -                | -                                | 217                       | 217              |
| Increase (decrease) in due to other funds   | -                | (12)                             | 96                        | 84               |
| (Decrease) in compensated absences  | -                | -                                | (966)                     | (966)            |
| Net cash provided (used) by operating activities  | <u>\$ 8,608</u>  | <u>(286,259)</u>                 | <u>73,251</u>             | <u>(204,400)</u> |

See accompanying independent auditor's report.

Lee County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2005

|                               | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | Drainage<br>Districts | Solid<br>Waste<br>Debt<br>Service |
|-------------------------------|-------------------|--|--------------------|-----------------------|-----------------------------------|
| <b>Assets</b>                 |                   |  |                    |                       |                                   |
| Cash and pooled investments:  |                   |  |                    |                       |                                   |
| County Treasurer              | \$ -              | 3,316                                  | 284,630            | 19,390                | 8,822                             |
| Other County officials        | 172,699           | -                                      | -                  | -                     | -                                 |
| Receivables:                  |                   |  |                    |                       |                                   |
| Property tax:                 |                   |  |                    |                       |                                   |
| Delinquent                    | -                 | 970                                    | 2,275              | -                     | -                                 |
| Succeeding year               | -                 | 175,000                                | 411,000            | -                     | -                                 |
| Accounts                      | 266               | -                                      | -                  | -                     | -                                 |
| Accrued interest              | 255               | -                                      | -                  | -                     | -                                 |
| Special assessments           | -                 | -                                      | -                  | 41,069                | -                                 |
| Due from other governments    | -                 | -                                      | -                  | -                     | -                                 |
| <b>Total assets</b>           | <b>\$ 173,220</b> | <b>179,286</b>                         | <b>697,905</b>     | <b>60,459</b>         | <b>8,822</b>                      |
| <b>Liabilities</b>            |                   |  |                    |                       |                                   |
| Accounts payable              | \$ -              | -                                      | 73                 | 4,511                 | 1,000                             |
| Salaries and benefits payable | -                 | -                                      | 12,901             | -                     | -                                 |
| Due to other governments      | 36,371            | 179,286                                | 667,970            | 55,948                | 7,822                             |
| Trusts payable                | 136,849           | -                                      | -                  | -                     | -                                 |
| Compensated absences          | -                 | -                                      | 16,961             | -                     | -                                 |
| <b>Total liabilities</b>      | <b>\$ 173,220</b> | <b>179,286</b>                         | <b>697,905</b>     | <b>60,459</b>         | <b>8,822</b>                      |

See accompanying independent auditor's report.

| Schools    | Community Colleges | Corporations | Townships | Auto License and Use Tax | Payee Accounts | Other   | Total      |
|------------|--------------------|--------------|-----------|--------------------------|----------------|---------|------------|
| 275,945    | 17,154             | 151,375      | 4,817     | 560,667                  | -              | 405,764 | 1,731,880  |
| -          | -                  | -            | -         | -                        | 47,610         | -       | 220,309    |
| 81,644     | 5,951              | 224,804      | 1,517     | -                        | -              | 26      | 317,187    |
| 13,331,000 | 860,000            | 7,335,000    | 257,000   | -                        | -              | 4,000   | 22,373,000 |
| -          | -                  | -            | -         | -                        | -              | 17,662  | 17,928     |
| -          | -                  | -            | -         | -                        | -              | 214     | 469        |
| -          | -                  | -            | -         | -                        | -              | 26,995  | 68,064     |
| -          | -                  | -            | -         | -                        | -              | 1,515   | 1,515      |
| 13,688,589 | 883,105            | 7,711,179    | 263,334   | 560,667                  | 47,610         | 456,176 | 24,730,352 |
| -          | -                  | -            | -         | -                        | -              | 4,250   | 9,834      |
| -          | -                  | -            | -         | -                        | -              | 1,564   | 14,465     |
| 13,688,589 | 883,105            | 7,711,179    | 263,334   | 560,667                  | -              | 212,566 | 24,266,837 |
| -          | -                  | -            | -         | -                        | 47,610         | 237,796 | 422,255    |
| -          | -                  | -            | -         | -                        | -              | -       | 16,961     |
| 13,688,589 | 883,105            | 7,711,179    | 263,334   | 560,667                  | 47,610         | 456,176 | 24,730,352 |

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

Year ended June 30, 2005

|                                    | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | Drainage<br>Districts | Solid<br>Waste<br>Debt<br>Service |
|------------------------------------|-------------------|--|--------------------|-----------------------|-----------------------------------|
| <b>Assets and Liabilities</b>      |                   |  |                    |                       |                                   |
| Balances beginning of year         | \$ 143,220        | 168,381                                | 658,057            | 4,378                 | 8,822                             |
| Additions:                         |                   |  |                    |                       |                                   |
| Property and other county tax      | -                 | 172,789                                | 405,576            | -                     | -                                 |
| E911 surcharges                    | -                 | -                                      | -                  | -                     | -                                 |
| State tax credits                  | -                 | 10,432                                 | 23,537             | -                     | -                                 |
| Drivers license fees               | -                 | -                                      | -                  | -                     | -                                 |
| Office fees and collections        | 641,046           | -                                      | -                  | -                     | -                                 |
| Electronic transaction fees        | -                 | -                                      | -                  | -                     | -                                 |
| Auto licenses, use tax and postage | -                 | -                                      | -                  | -                     | -                                 |
| Assessments                        | -                 | -                                      | -                  | 137,722               | -                                 |
| Trusts                             | 1,186,919         | -                                      | -                  | -                     | -                                 |
| Miscellaneous                      | 8,316             | 14                                     | 1,666              | 52,726                | 899,395                           |
| Total additions                    | <u>1,836,281</u>  | <u>183,235</u>                         | <u>430,779</u>     | <u>190,448</u>        | <u>899,395</u>                    |
| Deductions:                        |                   |  |                    |                       |                                   |
| Agency remittances:                |                   |  |                    |                       |                                   |
| To other funds                     | 448,981           | -                                      | -                  | -                     | -                                 |
| To other governments               | 172,299           | 172,330                                | 390,931            | 134,367               | 899,395                           |
| Trusts paid out                    | 1,185,001         | -                                      | -                  | -                     | -                                 |
| Total deductions                   | <u>1,806,281</u>  | <u>172,330</u>                         | <u>390,931</u>     | <u>134,367</u>        | <u>899,395</u>                    |
| Balances end of year               | <u>\$ 173,220</u> | <u>179,286</u>                         | <u>697,905</u>     | <u>60,459</u>         | <u>8,822</u>                      |

See accompanying independent auditor's report.

| Schools    | Community Colleges | Corporations | Townships | Auto License and Use Tax | Drivers License Trust | Payee Accounts | Other     | Total      |
|------------|--------------------|--------------|-----------|--------------------------|-----------------------|----------------|-----------|------------|
| 13,836,278 | 884,675            | 7,786,651    | 256,848   | 553,208                  | -                     | 54,377         | 262,307   | 24,617,202 |
| 13,283,249 | 846,529            | 7,583,766    | 241,287   | -                        | -                     | -              | 4,057     | 22,537,253 |
| -          | -                  | -            | -         | -                        | -                     | -              | 121,897   | 121,897    |
| 843,129    | 53,919             | 418,670      | 17,170    | -                        | -                     | -              | 20,332    | 1,387,189  |
| -          | -                  | -            | -         | -                        | 168,934               | -              | -         | 168,934    |
| -          | -                  | -            | -         | -                        | -                     | -              | -         | 641,046    |
| -          | -                  | -            | -         | -                        | -                     | -              | 5,722     | 5,722      |
| -          | -                  | -            | -         | 6,801,959                | -                     | -              | -         | 6,801,959  |
| -          | -                  | -            | -         | -                        | -                     | -              | 12,019    | 149,741    |
| -          | -                  | -            | -         | -                        | -                     | 598,949        | 879,171   | 2,665,039  |
| 1,008      | 74                 | -            | 51        | -                        | -                     | -              | 56,402    | 1,019,652  |
| 14,127,386 | 900,522            | 8,002,436    | 258,508   | 6,801,959                | 168,934               | 598,949        | 1,099,600 | 35,498,432 |
| -          | -                  | -            | -         | 302,666                  | 74,328                | -              | 20,071    | 846,046    |
| 14,275,075 | 902,092            | 8,077,908    | 252,022   | 6,491,834                | 94,606                | -              | 175,101   | 32,037,960 |
| -          | -                  | -            | -         | -                        | -                     | 605,716        | 710,559   | 2,501,276  |
| 14,275,075 | 902,092            | 8,077,908    | 252,022   | 6,794,500                | 168,934               | 605,716        | 905,731   | 35,385,282 |
| 13,688,589 | 883,105            | 7,711,179    | 263,334   | 560,667                  | -                     | 47,610         | 456,176   | 24,730,352 |



**Schedule 8**

## Lee County

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

For the Last Six Years

|                                      | Modified Accrual Basis |                   |                   |                   |                   |                   |
|--------------------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                      | 2005                   | 2004              | 2003              | 2002              | 2001              | 2000              |
| <b>Revenues:</b>                     |                        |                   |                   |                   |                   |                   |
| Property and other county tax        | \$ 8,052,382           | 8,750,034         | 8,642,457         | 8,433,268         | 7,983,602         | 7,464,452         |
| Tax increment financing              | 693,545                | -                 | -                 | -                 | 573,982           | 579,791           |
| Interest and penalty on property tax | 119,478                | 135,959           | 139,706           | 150,239           | 123,622           | 110,114           |
| Intergovernmental                    | 7,459,664              | 7,962,245         | 8,783,384         | 8,261,606         | 7,525,424         | 7,127,774         |
| Licenses and permits                 | 53,283                 | 61,716            | 77,062            | 71,271            | 91,232            | 105,994           |
| Charges for service                  | 822,513                | 855,211           | 768,099           | 880,739           | 802,788           | 771,701           |
| Use of money and property            | 298,128                | 279,467           | 258,595           | 388,840           | 588,654           | 575,235           |
| Miscellaneous                        | 1,962,381              | 1,987,823         | 2,588,161         | 1,673,160         | 1,457,648         | 1,778,115         |
| <b>Total</b>                         | <b>\$ 19,461,374</b>   | <b>20,032,455</b> | <b>21,257,464</b> | <b>19,859,123</b> | <b>19,146,952</b> | <b>18,513,176</b> |
| <b>Expenditures:</b>                 |                        |                   |                   |                   |                   |                   |
| <b>Operating:</b>                    |                        |                   |                   |                   |                   |                   |
| Public safety and legal services     | \$ 3,105,607           | 3,049,182         | 2,773,197         | 2,722,325         | 2,531,644         | 2,510,998         |
| Physical health and social services  | 3,385,130              | 3,514,564         | 3,767,970         | 3,630,793         | 3,426,169         | 3,044,325         |
| Mental health                        | 4,741,619              | 4,070,197         | 5,825,118         | 4,734,145         | 4,099,546         | 4,280,737         |
| County environment and education     | 1,625,156              | 1,608,790         | 1,219,746         | 1,072,142         | 897,378           | 824,012           |
| Roads and transportation             | 3,897,439              | 3,578,306         | 3,441,171         | 3,576,503         | 3,225,883         | 3,071,800         |
| Governmental services to residents   | 902,033                | 853,197           | 812,745           | 788,302           | 743,819           | 650,298           |
| Administration                       | 1,816,882              | 1,695,306         | 2,263,147         | 2,051,982         | 2,306,705         | 2,464,100         |
| Non-program                          | -                      | -                 | -                 | -                 | 100,000           | -                 |
| Debt service                         | 2,461,854              | 1,438,510         | 1,428,737         | 1,427,498         | 1,577,169         | 1,547,987         |
| Capital projects                     | 591,036                | 611,245           | 770,797           | 275,207           | 577,356           | 138,207           |
| <b>Total</b>                         | <b>\$ 22,526,756</b>   | <b>20,419,297</b> | <b>22,302,628</b> | <b>20,278,897</b> | <b>19,485,669</b> | <b>18,532,464</b> |

See accompanying independent auditor's report.

**Lee County**

**Schedule 9**

Lee County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

| Grantor/Program   | CFDA<br>Number | Agency or<br>Pass-through<br>Number | Program<br>Expenditures |
|---|----------------|-------------------------------------|-------------------------|
| Indirect:   |                |                                     |                         |
| U.S. Department of Agriculture:   |                |                                     |                         |
| Iowa Department of Human Services:  |                |                                     |                         |
| Human Services Administrative Reimbursements:   |                |                                     |                         |
| State Administrative Matching Grants for<br>Food Stamp Program                          | 10.561         |                                     | \$ 21,221               |
| U.S. Department of Transportation:  |                |                                     |                         |
| Iowa Department of Transportation:  |                |                                     |                         |
| Highway Planning and Construction   | 20.205         | BROS-C056(50)--8J-56                | 72,327                  |
| Iowa Department of Public Safety:   |                |                                     |                         |
| State and Community Highway Safety  | 20.600         | PAP 03-04 Task 22                   | 2,817                   |
| State and Community Highway Safety  | 20.600         | PAP 04-04 Task 22                   | 8,293                   |
|   |                |                                     | 11,110                  |
| Safety Incentives to Prevent Operation of<br>Motor Vehicles by Intoxicated Persons      | 20.605         | PAP 05-163 Task 43                  | 14,354                  |
| Environmental Protection Agency:  |                |                                     |                         |
| Office of Air and Radiation:  |                |                                     |                         |
| Linn County Public Health:  |                |                                     |                         |
| State Indoor Radon Grants   | 66.032         |                                     | 2,395                   |
| U.S. Department of Education:   |                |                                     |                         |
| Iowa Department of Education:   |                |                                     |                         |
| Rehabilitation Services - Vocational<br>Rehabilitation Grants to States                 | 84.126         | 04-CPSE-22                          | 6,604                   |
| Rehabilitation Services - Vocational<br>Rehabilitation Grants to States                 | 84.126         | 05-CPSE-22                          | 19,425                  |
|   |                |                                     | 26,029                  |
| U.S. Department of Health and Human Services:   |                |                                     |                         |
| Iowa Department of Public Health:   |                |                                     |                         |
| Public Health & Social Services Emergency<br>Fund                                       | 93.003         | 5885EM176                           | 16,285                  |
| Consolidated Knowledge Development and<br>Application (KD&A) Program                    | 93.230         | 5884IP16                            | 11,287                  |
| Consolidated Knowledge Development and<br>Application (KD&A) Program                    | 93.230         | 5885IP16                            | 37,640                  |
|   |                |                                     | 48,927                  |
| Immunization Grants   | 93.268         | 5885I453                            | 4,125                   |
| Centers for Disease Control and Prevention -<br>Investigations and Technical Assistance | 93.283         | 5884EHC7                            | 839                     |
| Centers for Disease Control and Prevention -<br>Investigations and Technical Assistance | 93.283         | 5885EHC4                            | 12,000                  |

Lee County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2005

| Grantor/Program  | CFDA<br>Number | Agency or<br>Pass-through<br>Number | Program<br>Expenditures |
|--|----------------|-------------------------------------|-------------------------|
| Indirect (continued):  |                |                                     |                         |
| U.S. Department of Health and Human Services:  |                |                                     |                         |
| Iowa Department of Public Health:  |                |                                     |                         |
| Des Moines County Public Health:   |                |                                     |                         |
| Centers for Disease Control and Prevention -<br>Investigations and Technical Assistance                    | 93.283         | 5883BT56                            | 27,867                  |
|  |                |                                     | <u>40,706</u>           |
| Specially Selected Health Projects   | 93.888         | 5885NW20                            | 985                     |
| Maternal and Child Health Services Block Grant<br>to the States  | 93.994         | 5884MC05                            | 5,637                   |
| Maternal and Child Health Services Block Grant<br>to the States  | 93.994         | 5885MC05                            | 19,990                  |
|  |                |                                     | <u>25,627</u>           |
| Iowa Department of Elder Affairs:  |                |                                     |                         |
| Southeast Iowa Area Agency on Aging, Inc.  |                |                                     |                         |
| National Family Caregiver Support  | 93.052         | IIIE Hospice Respite - 1            | 5,456                   |
| Iowa Department of Human Services:   |                |                                     |                         |
| Human Services Administrative Reimbursements:  |                |                                     |                         |
| Temporary Assistance for Needy Families<br>Refugee and Entrant Assistance - State<br>Administered Programs | 93.558         |                                     | 28,109                  |
| Child Care Mandatory and Matching Funds<br>of the Child Care and Development Fund                          | 93.566         |                                     | 35                      |
| Foster Care - Title IV-E   | 93.596         |                                     | 5,512                   |
| Adoption Assistance  | 93.658         |                                     | 14,823                  |
| Medical Assistance Program   | 93.659         |                                     | 3,461                   |
| Social Services Block Grant  | 93.778         |                                     | 30,388                  |
|  | 93.667         |                                     | 18,741                  |
| Social Services Block Grant  | 93.667         |                                     | 177,836                 |
|  |                |                                     | <u>196,577</u>          |
| Iowa Secretary of State:   |                |                                     |                         |
| Access for Individuals with Disabilities -<br>Grants to States   | 93.617         | 05-HAVA-56-001                      | 8,178                   |
| Corporation for National and Community Service:  |                |                                     |                         |
| Linn County Conservation Board:  |                |                                     |                         |
| AmeriCorps   | 94.006         |                                     | 1,575                   |
| U.S. Department of Homeland Security:  |                |                                     |                         |
| Iowa Department of Public Defense:   |                |                                     |                         |
| Iowa Homeland Security and Emergency<br>Management Division:   |                |                                     |                         |
| State Domestic Preparedness Equipment<br>Support Program   | 97.004         |                                     | 181,321                 |
| Public Assistance Grants   | 97.036         | Disaster #1367                      | 14,405                  |
| Emergency Management Performance Grants  | 97.042         |                                     | 11,580                  |
|  |                |                                     | <u>181,321</u>          |
|  |                |                                     | <u>14,405</u>           |
|  |                |                                     | <u>11,580</u>           |
| Total Indirect   |                |                                     | <u>\$ 785,511</u>       |

Lee County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

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

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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 the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lee County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated November 8, 2005. Except as noted in the Independent Auditor's Report, 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.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items II-A-05, II-E-05 and II-I-05 are material weaknesses.

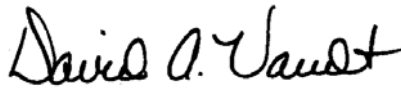
Compliance and Other Matters

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 that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 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.

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

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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 8, 2005

**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance in  
Accordance with OMB Circular A-133**



**Lee County**



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

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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Officials of Lee County:

Compliance

We have audited the compliance of Lee County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Lee County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Lee County's management. Our responsibility is to express an opinion on Lee County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lee County's compliance with those requirements.

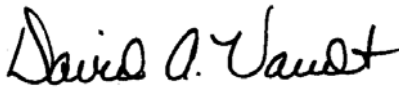
In our opinion, Lee County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 8, 2005

Lee County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (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 unqualified opinion was issued on compliance with requirements applicable to each of the major programs.
- (f) The audit disclosed no instances of non-compliance which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were
  - CFDA Number 20.205 – Highway Planning and Construction
  - CFDA Number 93.667 – Social Services Block Grant.
  - CFDA Number 97.004 – State Domestic Preparedness Equipment Support Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lee County did not qualify as a low-risk auditee.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-05 Segregation of Duties – During our review of the internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. The following weaknesses in the offices identified were noted for which no compensating controls exist:

Auditor's Office – Payroll is not reviewed by an independent person for propriety.

Treasurer's Office – The same individual who prepares the summary of delinquents also performs the year end reconciliation of delinquent taxes. The reconciliation is not currently reviewed and initialed by an independent person.

Recorder's Office – The same individual who prepares monthly bank reconciliations for both North and South Lee is, at times, responsible for handling and recording receipts. This individual also prepares and signs checks for South Lee. In addition, bank reconciliations are not always reviewed by an independent person.

Sheriff's Office – Generally, one individual in the Sheriff's office may have control over receipts, deposits and posting to inmate ledgers for the Commissary account. An independent person does not compare the amount deposited to the receipt records. Also, one individual prepares and records deposits and maintains the checkbook for the Forfeiture account. Bank reconciliations are not always reviewed by an independent person.

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

County Auditor Response – Due to the elimination of the Payroll Supervisor position, this office will perform reviews by independent persons to the extent possible.

County Treasurer Response – The County Treasurer will review the delinquent tax reconciliation.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

County Recorder Response – Reconciliations are reviewed but not initialed. Every effort will be made to initial the bank reconciliations in the future.

County Sheriff Response – A member of management will periodically review the Inmate Commissary Account for accuracy.

An account has already been established with the Lee County Treasurer's office. As soon as we received payment for the Bullet Proof Vest Grant, the forfeiture checking account will be closed and the monies will be deposited in the account established with the Lee County Treasurer.

Conclusion – Responses accepted.

II-B-05 Capital Assets – The County Auditor's Office previously maintained a capital asset listing accounting for all assets, including those items below capitalization thresholds. This listing was maintained for internal control and insurance purposes. During the year ended June 30, 2005, the County did not update the listing for additions or deletions and the listing was not distributed to each department to review for accuracy.

Recommendation – The capital asset listing should be updated for changes. Annually, the listing should be compared to actual assets to ensure its accuracy.

Response – Due to the transfer of the Budget Director's position from the Auditor's department to the Board of Supervisor's department in September 2003, this office no longer has the resources to provide this service on behalf of the Board.

Conclusion – Response acknowledged. The County should ensure the capital assets listing is updated annually and compared to actual assets for accuracy.

II-C-05 Sheriff's Forfeiture Account – The County Sheriff maintains a forfeiture account to collect and expend forfeiture moneys. Although the activity in the account is reported semi-annually to the County Budget Director for inclusion in the County's financial activity and budget, expenditures from this account are not made by County claim and are not approved by the Board of Supervisors.

Recommendation – The County Sheriff's forfeiture account balance and any future collections should be remitted to the County Treasurer. Disbursements from the fund should be made through County claims approved by the Board of Supervisors.

Response – An account has been set up with the Lee County Treasurer's office. Forfeiture collections will be transferred to that account.

Conclusion – Response accepted.

II-D-05 Public Health Department Credit Card – Certain travel expenses charged on the credit card lacked sufficient supporting documentation, including the purpose of the trip and the name of the individuals for meals charged.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Recommendation – Supporting documentation of travel expenses should include the purpose of the trip and identification of the individuals receiving meals.

The Board of Health should adopt a written policy regulating the use of credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges. Board policy should prohibit the use of County credit cards for personal expenses.

Response – In December 2004, the Board of Health adopted a policy regulating the use of credit cards. The policy addresses who controls the credit cards, who is authorized to use credit cards and for what purpose, and supporting documentation. The board policy prohibits the use of agency credit cards for personal expenditures and for meals. Meals are not longer charged to the credit card. Documentation of the purpose of the trip was inadvertently omitted when submitted to payment. The policy has been reviewed with staff, including review of required documentation.

Conclusion – Response accepted.

- II-E-05 Public Health Department Receivables – The amounts billed for medicare, medicaid and other reimbursements were not reconciled to collections and accounts receivable.

Recommendation – A reconciliation of billings, collections and accounts receivable should be prepared monthly.

Response – The current software system does not generate a computer report of accounts receivables. The Finance/Operations Director is preparing account receivables monthly by hand and is working with the health department's software vendor to develop a report from the computer system to show reconciliation of billings, collections and accounts receivable.

Conclusion – Response accepted.

- II-F-05 Conservation Department Reimbursements – The Conservation Department received grants and donations totaling \$9,900 for land acquisition. The revenue was incorrectly credited against the expenditure for land, understating revenues and expenditures.

Recommendation – Revenues should not be netted against expenditures except for error corrections.

Response – The Conservation Board will not net revenues against expenses and will check with the County Auditor to assure this is recorded correctly.

Conclusion – Response accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

II-G-05 Capital Asset Policy – The County does not have a written capital asset policy which would also include procedures for the disposal of capital assets.

Recommendation – The Board of Supervisors should adopt written capital asset policies and ensure it includes procedures for the disposition of all capital assets, whether by trade, sale or other method. The policy should require proper approval for all disposals and should prohibit employees from receiving capital assets unless purchased through public auction.

Response – We do have a reasonable functioning policy which has never been committed to writing. We will accomplish this by June 30, 2006.

Conclusion – Response accepted.

II-H-05 Credit Card Policy – The County has certain credit cards available for use by various departments. The County does not have a written policy regarding the issuance and use of these credit cards. A limited review of payments made on credit card statements identified some finance charges being paid due to carrying a balance between months. Finance charges on credit card debt do not meet the test of public purpose.

Recommendation – The Board should adopt a written policy governing the use of County owned credit cards. The policy should specify the individuals who are authorized to use the cards, the types of expenses allowed, the documentation required to support the expense incurred and the requirement to pay the total balance monthly to ensure finance charges are not incurred. Board policy should prohibit the use of County-owned credit cards for personal expenses.

Response – Work has progressed on a new policy. Unfortunately, completion of this project did not receive high priority with the Board of Supervisors this fiscal year. A Credit Card Policy will be adopted prior to June 30, 2006.

Conclusion – Response accepted.

II-I-05 Protective Payee Operations – Lee County has been designated “protective payee” by the Social Security Administration, the Iowa Department of Human Services and/or the courts for approximately 120 clients who need assistance in managing their day to day finances. We identified improprieties with certain disbursements from the Protective Payee Program. As a result, we conducted a special investigation of the Program administered by the County’s Central Point of Coordination Department.

The procedures performed during the investigation identified \$60,573.57 of improper disbursements from client accounts in the North Lee County region and \$1,796.99 of cash withheld from deposits to client accounts. However, copies of bank statements and redeemed checks were not available for all client accounts. If we were able to review copies of all redeemed checks issued from the client accounts, we may have identified additional improper disbursements.



Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

We also identified several internal control weaknesses. Each of our specific findings is included in a report issued by the Auditor of State on March 6, 2006. Copies of the report were filed with the Lee County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office.

Recommendation – According to County officials we spoke with, the improper disbursements and cash withheld from deposits will be covered by the County's surety bond. County officials should consult with legal counsel to ensure any recovered funds are properly allocated to the client accounts sustaining losses.

In addition, County officials should establish the internal control procedures identified in the separately issued report for the Protective Payee Program.

Response – As a result of issues discovered in the audit process, we have drafted a policies and procedures document. This document will be amended to include internal control policies recommended in the separately issued report.

Conclusion – Response accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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

IV-A-05 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005, except as follows:

| <u>Office</u> | <u>Depository</u>              | <u>Maximum Authorized Deposit</u> |
|---------------|--------------------------------|-----------------------------------|
| Treasurer     | Midwest Federal Savings & Loan | \$ 100,000                        |
| Sheriff       | Keokuk Savings Bank & Trust    | 200,000                           |

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

Response – We will make every effort to ensure this does not happen again. We will probably either increase the depository amount or close the account. The new County Treasurer will make that decision.

Conclusion – Response accepted.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the roads and transportation function. In addition, disbursements in the debt service function exceeded the amount budgeted prior to amendment.

Recommendation – Chapter 331.435 of the Code of Iowa authorizes the Board of Supervisors to adopt a budget amendment in the same manner as the original budget. Such increases or decreases should be made before disbursements are allowed to exceed the budget.

Response – This was a one-time event with the Keokuk Floodwall Project which could not be avoided. At the end of December 2004 the Keokuk Floodwall was still within the original budget. We already knew we were going to do a regular budget amendment prior to the payment due by June 1, 2005. However, in January 2005 an additional \$118,184.50 was paid out which took us over-budget. This was done by wire, therefore it would not have been included in a regular claims run. Traditionally the County does manage budget amendments in a timely manner.

Conclusion – Response acknowledged. Budget amendments should be made before disbursements are allowed to exceed the budget.

IV-C-05 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

- IV-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-E-05 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all coverage should be periodically reviewed to ensure the coverage is adequate for current operations.
- IV-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-05 Deposits and Investments – Except as noted above, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- IV-I-05 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-J-05 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The County Treasurer retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.
- Recommendation – The County should obtain and retain an image of both the front and back of each cancelled check as required.
- Response – The County Treasurer called the bank and will check next months bank statement to make sure we have the front and back of all cancelled checks.
- Conclusion – Response accepted.
- IV-K-05 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, 2005 for the County Extension Office did not exceed the amount budgeted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

IV-L-05 Financial Condition – The Special Revenue, Mental Health Fund had a deficit balance of over \$760,000 at June 30, 2005.

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – To the best that this is in our control, we will make every effort to end the year with a positive accrual balance. Some of the activity in this fund, such as mandated spending, requirements for tax levy guidelines and unpredictable year end payables do make the ending accrual fund balance a bit of a challenge. Since we will be levying maximum again for fiscal year 2007, this should take care of this problem for at least the next two years.

Conclusion – Response accepted.

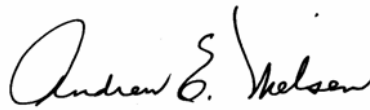
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Lee County

Staff

This audit was performed by:

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Brian R. Brustkern, CPA, Senior Auditor II  
Stephanie A. Bernard, Staff Auditor  
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