

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

March 14, 2022

Contact: Ernest Ruben
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$31,668,542 for the year ended June 30, 2021, an 8.9% increase over the prior year. Expenses for County operations for the year ended June 30, 2021 totaled \$30,320,964, an 11.2% increase over the prior year. The significant increase in the revenues is due to the County levying property taxes for mental health in fiscal year 2021 while no property taxes were levied for mental health in fiscal year 2020. The significant increase in expenses is due primarily to the startup costs for the County to take over operating the ambulance service on July 1, 2021, an increase in the cost of adult correctional services and an increase in road maintenance.

AUDIT FINDINGS:

Sand reported eight findings related to the receipt and expenditure of taxpayer funds and eight findings pertaining to the Lee County EMS Ambulance, Inc. (EMS), a discretely presented component unit of the County. They are found on pages 94 through 108 of this report. The findings address issues such as lack of segregation of duties, material amounts of ambulance receivables and payables not properly recorded in the Lee County EMS Ambulance, Inc. financial statements and lack of reconciliation of ambulance receivables, collections and delinquent accounts. Sand provided the County with recommendations to address each of these findings.

Five findings for the County and eight for the discretely presented component unit are repeated from the prior year. The County Board of Supervisors, other elected officials and EMS management have a fiduciary responsibility to provide oversight of the County's and the EMS' operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

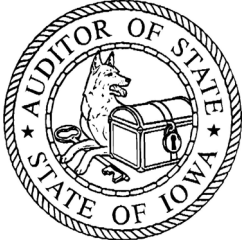
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LEE COUNTY

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

JUNE 30, 2021

Lee County



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Rob Sand
Auditor of State

February 15, 2022

Officials of Lee County
Fort Madison, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Lee County for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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Lee County

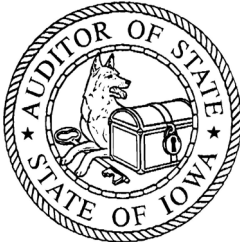
Officials

(Before January 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Fedler	Board of Supervisors	Jan 2021
Gary Folluo	Board of Supervisors	Jan 2021
Matt Pflug	Board of Supervisors	Jan 2021
Rich Harlow	Board of Supervisors	Jan 2023
Rick Larkin	Board of Supervisors	Jan 2023
Denise Fraise	County Auditor	Jan 2021
Chris Spann	County Treasurer	Jan 2023
Nancy Booten	County Recorder	Jan 2023
Stacy Weber	County Sheriff	Jan 2021
Ross Braden	County Attorney	Jan 2023
Kandie White	County Assessor	Jan 2022

(After January 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rich Harlow	Board of Supervisors	Jan 2023
Rick Larkin	Board of Supervisors	Jan 2023
Ron Fedler	Board of Supervisors	Jan 2025
Matt Pflug	Board of Supervisors	Jan 2025
Garry Seyb, Jr.	Board of Supervisors	Jan 2025
Denise Fraise	County Auditor	Jan 2025
Chris Spann	County Treasurer	Jan 2023
Nancy Booten	County Recorder	Jan 2023
Stacy Weber	County Sheriff	Jan 2025
Ross Braden	County Attorney	Jan 2023
Kandie White	County Assessor	Jan 2022



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Independent Auditor's Report

To the Officials of Lee County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Lee County, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Lee County as of June 30, 2021, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

The accompanying financial statements have been prepared assuming the discretely presented component unit, Lee County EMS Ambulance, Inc. (EMS), will continue as a going concern. As discussed in note 16 to the financial statements, EMS has suffered losses from operations and has stated that substantial doubt exists about EMS' ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 62 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lee County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2022 on our consideration of Lee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lee County's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

February 15, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lee County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2021. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2021 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 8.9%, or approximately \$2,598,000, from fiscal year 2020 to fiscal year 2021. Property tax revenues increased approximately \$1,251,000, operating grants, contributions and restricted interest increased approximately \$1,795,000 and capital grants, contributions and restricted interest decreased approximately \$1,574,000.
- Program expenses of the County's governmental activities were 11.2%, or approximately \$3,056,000, more in fiscal year 2021 than in fiscal year 2020.
- The County's net position increased 2.6%, or approximately \$1,348,000, over the June 30, 2020 balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

The required financial statements for fiduciary funds is a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2021	2020
Current and other assets	\$ 44,478	32,960
Capital assets	48,110	45,454
Total assets	92,588	78,414
Deferred outflows of resources	2,394	2,011
Long-term liabilities	20,417	11,148
Other liabilities	6,209	1,308
Total liabilities	26,626	12,456
Deferred inflows of resources	14,362	15,323
Net position:		
Net investment in capital assets	44,269	42,041
Restricted	13,121	11,427
Unrestricted	(3,396)	(822)
Total net position	\$ 53,994	52,646

Lee County's total net position increased 2.6% (from approximately \$54 million compared to approximately \$52.6 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased approximately \$2,228,000, or 5.3%, over the prior year.

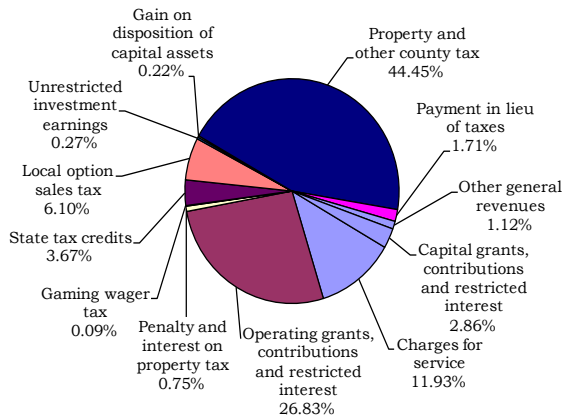
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$1,694,000, or 14.8%, over the prior year. This increase is primarily due to an increase in the amount held at year end in the Special Revenue, Secondary Roads Fund.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased from a deficit balance of approximately \$822,000 at June 30, 2020 to a deficit of approximately \$3,396,000 at the end of this year, a decrease of approximately \$2,574,000. This decrease is due primarily to an increase in net pension and total OPEB liabilities and proceeds from debt issuances.

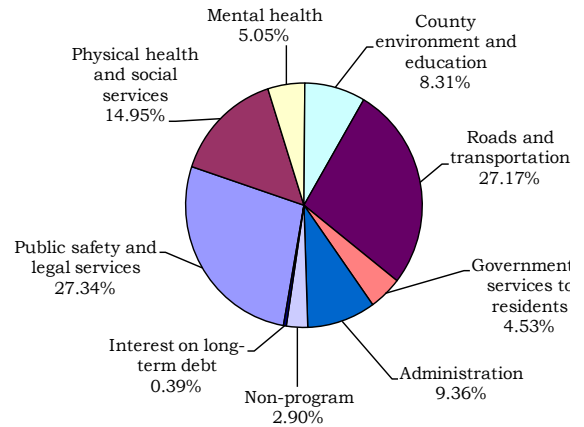
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2021	2020
Revenues:		
Program revenues:		
Charges for service	\$ 3,779	3,640
Operating grants, contributions and restricted interest	8,496	6,701
Capital grants, contributions and restricted interest	906	2,480
General revenues:		
Property and other county tax	14,078	12,827
Penalty and interest on property tax	238	60
Gaming wager tax	28	20
State tax credits	1,163	1,143
Local option sales tax	1,932	1,493
Payment in lieu of taxes	540	370
Unrestricted investment earnings	85	155
Gain on disposition of capital assets	70	5
Other general revenues	354	177
Total revenues	31,669	29,071
Program expenses:		
Public safety and legal services	8,287	7,133
Physical health and social services	4,534	4,451
Mental health	1,531	1,345
County environment and education	2,520	2,025
Roads and transportation	8,239	7,586
Governmental services to residents	1,373	1,354
Administration	2,838	2,563
Non-program	880	698
Interest on long-term debt	119	110
Total expenses	30,321	27,265
Change in net position	1,348	1,806
Net position beginning of year	52,646	50,840
Net position end of year	\$ 53,994	52,646

Revenue by Source



Expenses by Program



Lee County's governmental activities net position increased approximately \$1,348,000 during the year. Revenues for governmental activities increased approximately \$2,598,000 over the prior year, including property tax revenue which increased over the prior year approximately \$1,251,000, or 9.8%.

For fiscal year 2021, taxable property valuation increased approximately \$85,162,000 and the tax levy rate increased from \$10.38848 to \$10.67038 per \$1,000 of taxable valuation. Therefore, property tax revenue increased approximately \$1,251,000. The total Lee County assessed taxable property valuation for property tax payable in fiscal year 2022 increased approximately \$36,349,000. The tax levy rate is set to decrease to \$10.25869 per \$1,000 of taxable valuation. Property tax revenue is budgeted to decrease approximately \$216,000 next year.

The County's operating grants, contributions and restricted interest increased 26.8%, approximately \$1,795,000 over the prior year due to an increase in road use taxes of approximately \$370,000. The County also received additional grant funding from the Iowa Department of Transportation of approximately \$197,000 for RISE program, approximately \$110,000 for diesel emission reduction act program, approximately \$177,000 from the USDA Natural Resources Conservation Service for a severe erosion project and approximately \$614,000 of Coronavirus Relief Funds.

The County's capital grants, contributions and restricted interest decreased 63.5% from the prior year due to a decrease of approximately \$1,500,000 in infrastructure assets contributed by the Iowa Department of Transportation.

The cost of all governmental activities this year was approximately \$30.3 million compared to approximately \$27.3 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$17.1 million because some of the cost was paid by those who directly benefited from the programs (approximately \$3.8 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$9.4 million). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased from approximately \$12.8 million in fiscal year 2020 to approximately \$13.2 million in fiscal year 2021. As discussed above, the County received additional grant funding. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$18.5 million of taxes and other revenues, such as interest.

INDIVIDUAL MAJOR FUND ANALYSIS

As Lee County completed the year, its governmental funds reported a combined fund balance of \$21,866,095, an increase of \$6,975,946 above last year's total of \$14,890,149. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

The General Fund ended fiscal year 2021 with an ending balance of \$7,509,588, compared to the prior year ending balance of \$6,494,999, an increase of \$1,014,589. Revenues increased \$1,338,995 or 8%, primarily due to a \$614,000 increase in coronavirus relief funds. Expenditures increased \$2,255,865, or 14.2%, to \$18,156,296 in fiscal year 2021. Public safety and legal services function expenditures increased \$1,628,396 due primarily to increases in ambulance services and adult correctional services.

The Special Revenue, Mental Health Fund ended fiscal year 2021 with an ending balance of \$466,999 compared to the prior year ending balance of \$389,193 an increase of \$77,806. Revenues increased \$1,468,626 due primarily to an increase in property tax revenue. Expenditures increased \$237,596, due to an increase in distributions to the Mental Health Region.

The Special Revenue, Rural Services Fund ended fiscal year 2021 with an ending balance of \$1,521,418 compared to the prior year ending balance of \$1,348,683, an increase of \$172,735. Revenues increased \$372,226 or 11.7% over the prior year, due primarily to an increase in local option sales tax revenue. Expenditures decreased \$50,769, due primarily to decreased public safety and legal services expenditures.

The Special Revenue, Secondary Roads Fund ended fiscal year 2021 with an ending balance of \$6,514,939 compared to the prior year ending balance of \$5,450,546, an increase of \$1,064,393. Revenues increased \$819,660 or 17.4% due primarily to an increase in road use taxes of approximately \$370,000. The County also received additional grant funding from the Iowa Department of Transportation of approximately \$197,000 for the RISE program and approximately \$110,000 from the diesel emission reduction act program. Expenditures increased \$1,246,026 or 21.6%, due primarily to more capital projects being completed during the fiscal year and increased road maintenance.

During the year ended June 30, 2021, the County issued \$10,270,000 of general obligation bonds. The bonds were issued partially as an advance refunding to retire outstanding debt obligations. The remaining proceeds totaling \$7,082,000 were placed in the Capital Projects Fund to finance maintenance projects and construct the emergency services communications system. Bond proceeds of \$4,520,137 remained in the Capital Projects Fund at the end of the year.

The Debt Service Fund ended fiscal year 2021 with an ending balance of \$101,970 compared to the prior year ending balance of \$80,367, an increase of \$21,603. Revenues increased \$61,656 due to an increase in property tax revenues. \$3,188,000 of bond proceeds were placed in the Debt Service Fund and used to refund certain outstanding general obligation debt. As a result, expenditures increased \$3,191,869 due to the refunding.

BUDGETARY HIGHLIGHTS

During the year, Lee County amended its budget three times. The first amendment was made in October 2020 to increase budgeted receipts for debt proceeds and to provide for additional disbursements for additional correctional officers, the ambulance department and maintenance projects funded with the debt proceeds. The second amendment was in April 2021 to increase budgeted receipts for debt proceeds and increased disbursements for the refunding of existing debt and additional capital projects. The third amendment was made May 2021 to increase budgeted intergovernmental receipts and to provide additional disbursements in certain county departments.

The County's receipts were \$3,358,580 more than budgeted, a variance of 11.3%. The County received \$2,611,279 more in intergovernmental receipts than anticipated in fiscal year 2021. This was primarily due to the receipt of the American Rescue Plan Act (ARPA) funds of \$3,268,739.

Total disbursements were \$4,412,838 less than the amended budget, a variance of 12.1%. Actual disbursements for capital projects, roads and transportation and physical health and social services were \$2,294,042, \$810,284 and \$385,583, respectively, less than budgeted. This was primarily due to the timing of a bridge replacement project being delayed as well as four structure projects converted to box culvert replacements, equipment delays due to COVID-19 and physical health and social services had to suspend in-person services for most of the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the County had invested approximately \$48.1 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment, transportation equipment and administrative offices. This amount is a net increase of \$2,655,576 over June 30, 2020.

Lee County had depreciation/amortization expense of approximately \$3.2 million in fiscal year 2021 and total accumulated depreciation/amortization of approximately \$51.3 million at June 30, 2021. Additional information about the County's capital assets is included in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2021, the County had approximately \$11,528,000 of long-term debt outstanding. This represents an increase of approximately \$7,357,000 over June 30, 2020.

Debt increased as a result of issuing general obligation bonds for maintenance projects, an advance refunding to retire outstanding debt obligations and construct the emergency services communications center. In addition, the County entered into a lease agreement to acquire ambulances.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Lee County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$126.8 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

Lee County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2022 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 6.6% versus 8.9% a year ago. This compares with the State's unemployment rate of 4.0% and the national rate of 5.9%.

These indicators were taken into account when adopting the budget for fiscal year 2022. Amounts available for appropriation (i.e., beginning balance plus revenues) in the operating budget are approximately \$47.1 million, an increase of approximately \$7,600,000 over the final fiscal year 2021 budget, primarily due to increased debt proceeds carried forward in the beginning balance. Budgeted disbursements are expected to increase approximately \$1,224,000 over the final fiscal year 2021 budget, primarily in the Capital Projects and Public Safety Functions. The County has added no major new programs or initiatives to the fiscal year 2022 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$3,915,000, or 29.5%, by the close of fiscal year 2022.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Lee County
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 26,771,990
Receivables:	
Property tax:	
Delinquent	37,606
Succeeding year	13,833,000
Interest and penalty on property tax	53,983
Accounts	539,707
Accrued interest	6,190
Loans receivable	75,473
Due from other governments	1,231,211
Inventories	1,169,277
Prepaid expense	759,654
Capital assets not being depreciated	4,492,515
Capital assets, net of accumulated depreciation/amortization	43,617,378
Total assets	92,587,984
Deferred Outflows of Resources	
Pension related deferred outflows	2,166,019
OPEB related deferred outflows	228,512
Total deferred outflows of resources	2,394,531
Liabilities	
Accounts payable	2,064,679
Accrued interest payable	27,257
Salaries and benefits payable	341,453
Due to other governments	506,883
Unearned revenues	3,268,739
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	953,000
Capital lease purchase agreement	216,030
Promissory note	9,977
Compensated absences	589,980
Total OPEB liability	69,940
Portion due or payable after one year:	
General obligation bonds	9,317,000
Capital lease purchase agreement	1,021,565
Promissory note	9,978
Compensated absences	109,490
Net pension liability	6,887,870
Total OPEB liability	1,232,389
Total liabilities	26,626,230
Deferred Inflows of Resources	
Unavailable property tax revenue	13,833,000
Pension related deferred inflows	415,471
OPEB related deferred inflows	113,717
Total deferred inflows of resources	14,362,188

Lee County
Statement of Net Position
June 30, 2021

	Governmental Activities
Net Position	
Net investment in capital assets	44,269,228
Restricted for:	
Nonexpendable:	
Permanent Fund - hospice care	82,500
Expendable:	
Supplemental levy purposes	2,607,433
Mental health purposes	458,823
Rural services purposes	1,499,058
Secondary roads purposes	6,364,421
Conservation land acquisition	398,145
Debt service	104,663
Building repair and maintenance	454,410
Hospice care purposes	207,977
Other purposes	943,119
Unrestricted	(3,395,680)
Total net position	\$ 53,994,097

See notes to financial statements.

Lee County

Lee County
Statement of Activities
Year ended June 30, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 8,286,870	644,190	221,046	-	(7,421,634)
Physical health and social services	4,534,240	1,311,042	2,209,053	-	(1,014,145)
Mental health	1,530,532	4,380	45,147	-	(1,481,005)
County environment and education	2,520,212	110,767	687,932	114,000	(1,607,513)
Roads and transportation	8,238,892	193,889	5,185,450	791,943	(2,067,610)
Governmental services to residents	1,373,275	613,603	53,055	-	(706,617)
Administration	2,838,598	44,969	6,365	-	(2,787,264)
Non-program	879,546	856,288	85,192	-	61,934
Interest on long-term debt	118,799	-	2,796	-	(116,003)
Total	\$ 30,320,964	3,779,128	8,496,036	905,943	(17,139,857)
General Revenues:					
Property and other county tax levied for:					
General purposes					13,264,948
Debt service					812,512
Penalty and interest on property tax					238,288
Gaming wager tax					27,770
Hotel/motel tax					14,389
State tax credits and replacements					1,163,094
Rents					266,585
Local option sales tax					1,931,515
Payment in lieu of taxes					540,000
Unrestricted investment earnings					85,422
Gain on disposition of capital assets					69,910
Miscellaneous					73,002
Total general revenues					18,487,435
Change in net position					1,347,578
Net position beginning of year					52,646,519
Net position end of year					\$ 53,994,097
See notes to financial statements.					

Lee County
Balance Sheet
Governmental Funds

June 30, 2021

	Special		
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 10,015,487	471,162	1,446,276
Component units	-	-	-
Receivables:			
Property tax:			
Delinquent	29,297	1,915	3,633
Succeeding year	10,249,000	670,000	1,940,000
Interest and penalty on property tax	53,983	-	-
Accounts	50,862	-	-
Economic development loan	75,473	-	-
Accrued interest	3,501	-	-
Due from other governments	614,354	-	106,187
Inventories	-	-	-
Prepaid items	755,304	-	-
Total assets	\$ 21,847,261	1,143,077	3,496,096
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 248,433	8	12,331
Salaries and benefits payable	250,797	3,990	11,980
Due to other funds	5,985	90	-
Due to other governments	77,171	122	6,926
Unearned Revenue	3,268,739	-	-
Total liabilities	3,851,125	4,210	31,237
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	10,249,000	670,000	1,940,000
Other	237,548	1,868	3,441
Total deferred inflows of resources	10,486,548	671,868	1,943,441
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Hospice care	-	-	-
Prepaid items	755,304	-	-
Loans receivable	75,473	-	-
Restricted for:			
Supplemental levy purposes	2,673,832	-	-
Mental health purposes	-	466,999	-
Rural services purposes	-	-	1,521,418
Secondary roads purposes	-	-	-
Conservation land acquisition	398,145	-	-
Capital projects	-	-	-
Debt service	-	-	-
Hospice care	-	-	-
Building repair and maintenance (local option sales tax)	454,410	-	-
Other purposes	2,487	-	-
Unassigned	3,149,937	-	-
Total fund balances	7,509,588	466,999	1,521,418
Total liabilities, deferred inflows of resources and fund balances	\$ 21,847,261	1,143,077	3,496,096

See notes to financial statements.

Revenue				
Secondary Roads	Capital Projects	Debt Service	Nonmajor	Total
5,023,354	5,960,173	103,120	412,863	23,432,435
-	-	-	810,489	810,489
-	-	2,761	-	37,606
-	-	974,000	-	13,833,000
-	-	-	-	53,983
37,052	-	-	451,793	539,707
-	-	-	-	75,473
-	1,864	32	98	5,495
510,407	-	-	-	1,230,948
1,162,764	-	-	-	1,162,764
4,350	-	-	-	759,654
6,737,927	5,962,037	1,079,913	1,675,243	41,941,554
139,425	1,441,900	1,250	21,210	1,864,557
67,775	-	-	2,856	337,398
103	-	-	-	6,178
2,084	-	-	420,133	506,436
-	-	-	-	3,268,739
209,387	1,441,900	1,250	444,199	5,983,308
-	-	974,000	-	13,833,000
13,601	-	2,693	-	259,151
13,601	-	976,693	-	14,092,151
1,162,764	-	-	-	1,162,764
-	-	-	82,500	82,500
4,350	-	-	-	759,654
-	-	-	-	75,473
-	-	-	-	2,673,832
-	-	-	-	466,999
-	-	-	-	1,521,418
5,347,825	-	-	-	5,347,825
-	-	-	-	398,145
-	4,520,137	-	-	4,520,137
-	-	101,970	-	101,970
-	-	-	207,977	207,977
-	-	-	-	454,410
-	-	-	940,567	943,054
-	-	-	-	3,149,937
6,514,939	4,520,137	101,970	1,231,044	21,866,095
6,737,927	5,962,037	1,079,913	1,675,243	41,941,554

Lee County

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

June 30, 2021

Total governmental fund balances (page 21) \$ 21,866,095

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$98,808,979 and the accumulated depreciation/amortization is \$50,821,254. 47,987,725

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 259,151

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 with governmental activities in the Statement of Net Position, as follows:

Capital assets of \$597,630, net of accumulated depreciation/amortization of \$475,462	\$ 122,168	
Installment purchase agreement payable	(104,046)	
Compensated absences	(2,061)	
Total OPEB liability	(13,023)	
Net pension liability	(68,879)	
Pension and OPEB related deferred outflows	23,945	
Pension and OPEB related deferred inflows	(5,292)	
Other net position	<u>2,338,091</u>	2,290,903

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

Deferred outflows of resources	2,370,586	
Deferred inflows of resources	<u>(523,896)</u>	1,846,690

Long-term liabilities, including general obligation bonds payable, capital lease purchase agreements payable, promissory note, net pension liability, total OPEB liability, accrued interest payable and compensated absences payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (20,256,467)

Net position of governmental activities (page 17) \$ 53,994,097

See notes to financial statements.

Lee County

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

Year ended June 30, 2021

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 10,173,062	1,370,020	1,962,541
Local option sales tax	482,879	-	1,448,636
Interest and penalty on property tax	236,589	-	-
Intergovernmental	4,529,703	141,076	125,462
Licenses and permits	293,357	-	-
Charges for service	1,077,534	4,380	-
Use of money and property	350,177	-	-
Miscellaneous	873,535	-	4,028
Total revenues	18,016,836	1,515,476	3,540,667
Expenditures:			
Operating:			
Public safety and legal services	8,017,194	-	636,545
Physical health and social services	4,334,812	-	-
Mental health	-	1,437,670	-
County environment and education	1,787,803	-	189,256
Roads and transportation	-	-	-
Governmental services to residents	1,335,060	-	1,990
Administration	2,445,927	-	-
Debt service	-	-	-
Capital projects	235,500	-	-
Total expenditures	18,156,296	1,437,670	827,791
Excess (deficiency) of revenues over (under) expenditures	(139,460)	77,806	2,712,876
Other financing sources (uses):			
Transfers in	20,500	-	-
Transfers out	-	-	(2,540,141)
Lease agreements	1,133,549	-	-
General obligation bonds issued	-	-	-
Total other financing sources (uses)	1,154,049	-	(2,540,141)
Change in fund balances	1,014,589	77,806	172,735
Fund balances beginning of year	6,494,999	389,193	1,348,683
Fund balances end of year	\$ 7,509,588	466,999	1,521,418

See notes to financial statements.

Revenue				
Secondary Roads	Capital Projects	Debt Service	Nonmajor	Total
-	-	824,373	-	14,329,996
-	-	-	-	1,931,515
-	-	-	-	236,589
5,319,669	-	69,949	252,463	10,438,322
54,553	-	-	-	347,910
21	-	-	5,542	1,087,477
-	5,663	2,796	78,382	437,018
155,822	-	-	325,909	1,359,294
5,530,065	5,663	897,118	662,296	30,168,121
-	-	-	2,249	8,655,988
-	-	-	55,913	4,390,725
-	-	-	-	1,437,670
-	-	-	499,451	2,476,510
6,261,344	-	-	-	6,261,344
-	-	-	-	1,337,050
-	-	-	-	2,445,927
-	-	4,063,515	-	4,063,515
744,469	2,547,026	-	-	3,526,995
7,005,813	2,547,026	4,063,515	557,613	34,595,724
(1,475,748)	(2,541,363)	(3,166,397)	104,683	(4,427,603)
2,540,141	-	-	-	2,560,641
-	(20,500)	-	-	(2,560,641)
-	-	-	-	1,133,549
-	7,082,000	3,188,000	-	10,270,000
2,540,141	7,061,500	3,188,000	-	11,403,549
1,064,393	4,520,137	21,603	104,683	6,975,946
5,450,546	-	80,367	1,126,361	14,890,149
6,514,939	4,520,137	101,970	1,231,044	21,866,095

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, 2021

Change in fund balances - Total governmental funds (page 25) \$ 6,975,946

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

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

Expenditures for capital assets	\$ 5,206,541	
Capital assets contributed by the Iowa Department of Transportation	635,290	
Depreciation/amortization expense	<u>(3,224,333)</u>	2,617,498

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

69,910

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

Property tax	(210,377)	
Other	<u>48,272</u>	(162,105)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(11,403,549)	
Repaid	<u>4,012,062</u>	(7,391,487)

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

945,024

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

Compensated absences	(203,961)	
Pension expense	(1,286,663)	
OPEB expense	(120,193)	
Interest on long-term debt	<u>(20,284)</u>	(1,631,101)

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

(76,107)

Change in net position of governmental activities (page 19) \$ 1,347,578

See notes to financial statements.

Lee County
Statement of Net Position
Proprietary Funds

June 30, 2021

	Internal Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,529,066
Receivables:	
Accrued interest	695
Due from other funds	6,231
Due from other governments	263
Inventories	6,513
Noncurrent assets:	
Capital assets, net of accumulated depreciation/amortization	122,168
Total assets	2,664,936
Deferred Outflows of Resources	
OPEB related deferred outflows	2,285
Pension related deferred outflows	21,660
Total Deferred Outflows of Resources	23,945
Liabilities	
Current liabilities:	
Accounts payable	200,122
Salaries and benefits payable	4,055
Due to other funds	53
Due to other governments	447
Installment purchase agreement payable	34,682
Compensated absences	2,061
Non-current liabilities:	
Installment purchase agreement payable	69,364
Total OPEB liability	13,023
Net pension liability	68,879
Total liabilities	392,686
Deferred Inflows of Resources	
OPEB related deferred inflows	1,137
Pension related deferred inflows	4,155
Total Deferred Inflows of Resources	5,292
Net Position	
Net investment in capital assets	18,122
Restricted for employee health	2,042,372
Unrestricted	230,409
Total net position	\$ 2,290,903

See notes to financial statements.

Exhibit H

Lee County

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

Year ended June 30, 2021

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds and other governmental units		\$ 3,643,339
Reimbursements from employees and others		412,366
Miscellaneous reimbursements		<u>3,378</u>
Total operating revenues		4,059,083
Operating expenses:		
Medical and health services	\$ 3,634,259	
Salaries and benefits	190,716	
Administrative fees, network access fees and stop-loss premium	66,921	
Supplies, utilities and data processing	166,310	
Maintenance agreements	39,667	
Non-capitalized equipment	8,137	
Depreciation/amortization	<u>37,082</u>	<u>4,143,092</u>
Operating loss		(84,009)
Non-operating revenues:		
Interest income		<u>7,902</u>
Change in net position		(76,107)
Net position beginning of year		<u>2,367,010</u>
Net position end of year		<u>\$ 2,290,903</u>

See notes to financial statements.

Lee County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2021

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds and other governmental units	\$ 3,649,394
Cash received from employees and others	416,544
Cash paid to suppliers for services	(3,949,308)
Net cash provided by operating activities	116,630
Cash flows from capital and related financing activities:	
Purchase of equipment	(5,250)
Installment purchase agreement payment	(34,132)
Net cash used by capital and related financing activities	(39,382)
Cash flows from investing activities:	
Interest on investments	7,825
Net increase in cash and cash equivalents	85,073
Cash and cash equivalents beginning of year	2,443,993
Cash and cash equivalents end of year	\$ 2,529,066
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (84,009)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization expense	37,082
Changes in assets and liabilities:	
Due from other governments	(44)
Due from other funds	6,899
Inventories	(2,894)
Accounts payable	146,203
Salaries and benefits payable	287
Due to other funds	4
Due to other governments	447
Prepaid expenses	14,643
Compensated absences	(6,653)
Pension liability	16,713
Deferred outflows of resources	(3,835)
Deferred inflows of resources	(8,650)
Total OPEB liability	437
Net cash provided by operating activities	\$ 116,630

See notes to financial statements.

Lee County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2021

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 4,668,211
Other County officials	296,556
Property tax receivable:	
Delinquent	118,189
Succeeding year	35,038,900
Accounts receivable	18,529
Accrued interest	299
Special assessments	343,743
Drainage Assessment	50,605
Due from other governments	73,919
Prepaid insurance	75
Total assets	<u>40,609,026</u>

Liabilities

Accounts payable	112,936
Salaries and benefits payable	45,772
Due to other governments	2,171,883
Trusts payable	327,753
Compensated absences	74,139
Drainage bond payable	245,588
Total liabilities	<u>2,978,071</u>

Deferred Inflows of Resources

Unavailable revenues	<u>35,038,900</u>
Total net position	<u>\$ 2,592,055</u>

See notes to financial statements.

Lee County

Statement of Changes in Fiduciary Net Position
Custodial Funds

Year Ended June 30, 2021

Additions:	
Property and other county tax	\$ 34,298,018
911 surcharge	114,767
State tax credits	3,369,538
Drivers license fees	70,389
Office fees and collections	1,452,551
Auto licenses, use tax and postage	11,755,263
Assessments	389,263
Trusts	2,890,842
Miscellaneous	<u>4,108,465</u>
Total additions	<u>58,449,096</u>
Deductions:	
Agency remittances:	
To other funds	1,496,338
To other governments	53,849,963
Trusts paid out	<u>2,891,300</u>
Total deductions	<u>58,237,601</u>
Change in net position	211,495
Net position beginning of year	<u>2,380,560</u>
Net position end of year	<u>\$ 2,592,055</u>

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

Great River Progressive Housing Corporation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of fostering low-income housing within Lee County. In accordance with criteria set forth by the Governmental Accounting Standards Board, Great River Progressive Housing Corporation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County. The Great River Progressive Housing Corporation filed for dissolution in June 2021, remaining assets will belong to the County.

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

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

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

Discretely Presented Component Unit

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

In accordance with criteria set forth by the Governmental Accounting Standards Board, EMS meets the definition of a component unit which should be discretely presented. Condensed financial statements prepared on the accrual basis of accounting for the year ended December 31, 2020 are presented in Note 14.

Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lee County Assessor's Conference Board, Lee County Emergency Management Commission, Lee County Joint 911 Service Board and Children First – Lee/Van Buren Empowerment Area. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Custodial Funds of the County.

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

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2020.

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.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2021, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. 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.

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

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment and infrastructure are depreciated/amortized using the straight line method over the following estimated useful lives:

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2021. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Health Plan Trust Fund is designated for anticipated future catastrophic losses of the County. The net position of the Internal Service, Supplies and Information Technology Funds are designated for future use.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2021, disbursements did not exceed the amounts budgeted.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

Three Rivers Conservation Foundation’s investments at June 30, 2021 consist of stocks, mutual funds, exchange-traded funds and closed-ended funds with a fair value of \$147,854. Disclosure of concentration of credit risk and interest rate risk do not apply to these investments.

Friends of Public Health’s investments at June 30, 2021 consist of Series A preferred interest in IO-MEGA, LLC with a cost of \$75,000. Fair value is not determinable for this investment. Disclosures of concentration of credit risk and interest rate risk do not apply to this investment.

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

The recurring fair value measurement for the stocks and stock mutual funds of \$147,854 was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2021 is as follows:

Receivable Fund	Payable Fund	Amount
Internal Service:		
Supplies	General	\$ 5,985
	Special Revenue:	
	Mental Health	90
	Secondary Roads	103
	Internal Service:	
	Employee Health Plan Trust	6
	Information Technology	47
Total		<u>\$ 6,231</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Basic	\$ 2,540,141
General	Capital Projects	20,500
	Total	<u>\$ 2,560,641</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, 2021 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 993,136	114,000	-	1,107,136
Land, road network	1,585,584	-	-	1,585,584
Construction in progress	28,400	3,508,879	(1,737,484)	1,799,795
Total capital assets not being depreciated/amortized	<u>2,607,120</u>	<u>3,622,879</u>	<u>(1,737,484)</u>	<u>4,492,515</u>
Capital assets being depreciated/amortized:				
Buildings	16,748,302	946,286	-	17,694,588
Improvements other than buildings	1,434,625	147,866	-	1,582,491
Equipment and vehicles	9,445,229	1,968,397	(510,184)	10,903,442
Equipment, internal service	124,130	5,250	-	129,380
Intangibles	125,420	-	-	125,420
Intangibles, internal service	468,250	-	-	468,250
Infrastructure, road network	63,041,731	968,792	-	64,010,523
Total capital assets being depreciated/amortized	<u>91,387,687</u>	<u>4,036,591</u>	<u>(510,184)</u>	<u>94,914,094</u>
Less accumulated depreciation/amortization for:				
Buildings	7,755,467	408,017	-	8,163,484
Improvements other than buildings	881,435	44,299	-	925,734
Equipment and vehicles	6,744,909	879,833	(505,189)	7,119,553
Equipment, internal service	117,590	7,590	-	125,180
Intangibles	125,420	-	-	125,420
Intangibles, internal service	320,790	29,492	-	350,282
Infrastructure, road network	32,594,879	1,892,184	-	34,487,063
Total accumulated depreciation/amortization	<u>48,540,490</u>	<u>3,261,415</u>	<u>(505,189)</u>	<u>51,296,716</u>
Total capital assets being depreciated/amortized, net	<u>42,847,197</u>	<u>775,176</u>	<u>(4,995)</u>	<u>43,617,378</u>
Governmental activities capital assets, net	<u>\$ 45,454,317</u>	<u>4,398,055</u>	<u>(1,742,479)</u>	<u>48,109,893</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 281,674
Physical health and social services	17,963
Mental health	86,084
County environment and education	119,655
Roads and transportation	2,377,531
Government services to residents	13,765
Administration	364,743
Total depreciation/amortization expense - government activities	<u>\$ 3,261,415</u>

Equipment costing \$765,334 was purchased under capital lease agreements. Accumulated depreciation on these assets totaled \$154,259.

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2021 is as follows:

Fund	Description	Amount
General	Services	\$ 77,171
Special Revenue:		
Mental Health	Services	122
Rural Services	Services	6,926
Secondary Roads	Services	2,084
Lee County Economic Development Group	Services	418,676
Memorial Trust	Services	1,457
		<u>429,265</u>
Total for governmental funds		<u>\$ 506,436</u>
Custodial:		
County Assessor	Collections	\$ 42
Schools		342,585
Community Colleges		29,520
Corporations		248,072
Auto License and Use Tax		919,896
All other		631,768
Total for agency funds		<u>\$ 2,171,883</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2021 is as follows:

	General Obligation Jail Bonds	General Obligation Conservation Building Bonds	General Obligation 2016 Refunding Bonds	General Obligation Communication and Refunding Bonds 2021	General Obligation Maintenance Bonds 2020	Capital Lease Purchase Agreement	Direct Borrowing Promissory Note	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 210,000	270,000	3,485,000	-	-	175,263	29,932	502,162	5,216,581	1,258,648	11,147,586
Increases	-	-	-	9,245,000	1,025,000	1,133,549	-	1,222,193	1,671,289	43,681	14,340,712
Decreases	210,000	270,000	3,485,000	-	-	71,217	9,977	1,024,885	-	-	5,071,079
Balance end of year	\$ -	-	-	9,245,000	1,025,000	1,237,595	19,955	699,470	6,887,870	1,302,329	20,417,219
Due within one year	\$ -	-	-	857,000	96,000	216,030	9,977	589,980	-	69,940	1,838,927

General Obligation Jail Bonds

On July 1, 2013, the County issued \$650,000 of general obligation bonds with interest rate of 2% per annum. The bonds were issued to construct an addition to the County jail facility and upgrade utility systems to accommodate the larger facility population.

During the year ended June 30, 2021, the County paid principal of \$210,000 and interest of \$4,200 on the bonds.

General Obligation Conservation Building Bonds

On October 1, 2014, the County issued \$510,000 of general obligation bonds with an interest rate of 2.10% per annum. The bonds were issued for the construction of a new conservation building. During the year ended June 30, 2021, the County paid principal of \$270,000 and interest of \$5,670 on the bonds.

General Obligation Refunding Bonds

On April 1, 2016, the County issued \$5,885,000 of general obligation refunding bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued as an advance refunding to retire the outstanding balance of \$1,970,000 of the general obligation solid waste disposal bonds and \$3,785,000 of the general obligation jail bonds, series 2008. During the year ended June 30, 2021, the County paid principal of \$640,000 and interest of \$78,125 on the bonds.

General Obligation Maintenance Bonds

On October 29, 2020, the County issued \$1,025,000 of general obligation bonds with an interest rate of 1.37% per annum. The bonds were issued for boiler maintenance projects, improvements in the North Lee Courthouse, improvements to the jail building and for security cameras at the jail building. During the year ended June 30, 2021, the County paid interest of \$8,269 on the bonds.

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

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	1.37%	\$ 96,000	14,043	110,043
2023	1.37	98,000	12,728	110,728
2024	1.37	99,000	11,385	110,385
2025	1.37	100,000	10,028	110,028
2026	1.37	102,000	8,658	110,658
2027-2031	1.37	530,000	21,974	551,974
Total		<u>\$ 1,025,000</u>	<u>78,816</u>	<u>1,103,816</u>

General Obligation Communication and Refunding Bonds

On April 1, 2021, the County issued \$9,245,000 of general obligation communication and refunding bonds with an interest rate of 1.15% per annum. The bonds were issued to refund the outstanding balance of \$140,000 of the general obligation jail bonds, \$218,000 of general obligation conservation building bonds and \$2,830,000 of the general obligation refunding bonds series 2016 for a total refunding of \$3,188,000. The remaining bonds were issued to construct the emergency services communication system. During the year ended June 30, 2021, the County made no principal or interest payments on the bonds.

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2022	1.15%	\$ 857,000	124,037	981,037
2023	1.15	884,000	96,462	980,462
2024	1.15	894,000	86,296	980,296
2025	1.15	904,000	76,015	980,015
2026	1.15	914,000	65,619	979,619
2027-2031	1.15	3,599,000	180,859	3,779,859
2032-2033	1.15	1,193,000	20,620	1,213,620
Total		\$ 9,245,000	649,908	9,894,908

Capital Lease/Installment Purchase Agreements

During the year ended June 30, 2021, the County entered into a capital lease purchase agreement for ambulances for the Ambulance Department with interest at 1.635% per annum. The agreement is payable over 6 years with annual installments of \$199,882, with a final payment due March 2, 2027.

During the year ended June 30, 2019, the County entered into an interest free installment purchase agreement to purchase aerial photography for its Geographic Information System. The agreement is payable over 6 years, with annual installments ranging from \$34,132 to \$34,682, with a final payment of \$34,682 due by June 30, 2024.

The following is a schedule of the future minimum lease payments, including interest, and the present value of net minimum lease and installment purchase payments under the agreements in effect at June 30, 2021:

Year Ending June 30,	Installment Purchase Pictometry	Installment Purchase Ambulances	Grand Total
2022	\$ 34,682	199,882	234,564
2023	34,682	199,882	234,564
2024	34,682	199,882	234,564
2025	-	199,882	199,882
2026	-	199,882	199,882
2027	-	199,883	199,883
Total minimum payments	104,046	1,199,293	1,303,339
Less amount representing interest	-	(65,744)	(65,744)
Present value of net minimum payments	\$ 104,046	1,133,549	1,237,595

Payments under the capital lease and installment purchase agreements totaled \$73,852 for the year ended June 30, 2021.

Promissory Note – Direct Borrowing

On March 17, 2020, the County issued a \$29,932 interest free promissory note with the Iowa Secretary of State. The promissory note was issued to cover the costs of electronic poll books. The promissory note is due no later than March 1, 2023. In the event of a default, outstanding amounts become due immediately. During the year ended June 30, 2021, the County paid \$9,977 on the note.

(8) Loans Receivable

Economic Development Loan

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

In December 2020 Keokuk Mills, LLC paid \$100,000 of the loan back to the Lee County Economic Development Group, Inc. who in turn paid the funds over to the County in January 2021. Also, in December 2020 Keokuk Mills, LLC signed a promissory note agreeing to repay the remaining \$100,000 to the Lee County Economic Development Group, Inc. with an interest rate of 2.5%. Starting on January 31, 2021, and on the last day of each month thereafter, Keokuk Mill, LLC will repay \$4,276 of principal and interest. On, or before, January 1, 2023 (the maturity date) the entire balance of the note, including principal and interest shall be paid in full. The maturity date may be extended for up to two years with approval from the Lee County Economic Development Group Inc. The Lee County Economic Development Group Inc. will repay the County as they receive each payment from Keokuk Mills, LLC.

The note receivable of \$75,473 is reported in the County's General Fund.

(9) Endowment

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

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

(10) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.26% of covered payroll, for a total rate of 18.52%. Protection occupation members contributed 6.41% of covered payroll and the County contributed 9.61% of covered payroll, for a total rate of 16.02%.

The County's contributions to IPERS for the year ended June 30, 2021 totaled \$954,570.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the County reported a liability of \$6,887,870 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the County's proportion was 0.098051%, which was an increase of 0.007965% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$1,299,642. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,906	175,760
Changes of assumptions	439,922	110,814
Net difference between projected and actual earnings on IPERS' investments	525,805	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	218,816	128,897
County contributions subsequent to the measurement date	954,570	-
Total	<u>\$ 2,166,019</u>	<u>415,471</u>

\$954,570 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2022	\$ 118,605
2023	156,382
2024	178,721
2025	325,512
2026	16,758
Total	<u>\$ 795,978</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 12,822,301	6,887,870	1,913,010

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2021.

(11) Other Postemployment Benefits (OPEB)

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

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

Retired participants must be age 55 or older at retirement. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	<u>160</u>
Total	<u><u>165</u></u>

Total OPEB Liability – The County's total OPEB liability of \$1,302,329 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2021)	2.60% per annum.
Rates of salary increase (effective June 30, 2021)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2021)	2.19% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2021)	7.50% initial rate decreasing by .5% annually to an ultimate rate of 4.50%.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.19% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA Pub-2010 general headcount weighted mortality table fully generational using Scale MP-2019. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 1,258,648
Changes for the year:	
Service cost	116,235
Interest	35,945
Difference between expected and actual experiences	(104,066)
Changes in assumptions	43,012
Benefit payments	<u>(47,445)</u>
Net changes	<u>43,681</u>
Total OPEB liability end of year	<u>\$ 1,302,329</u>

Changes of assumptions reflect a change in the discount rate from 2.66% in fiscal year 2020 to 2.19% in fiscal year 2021.

Sensitivity of the County’s Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.19%) or 1% higher (3.19%) than the current discount rate.

	1% Decrease (1.19%)	Discount Rate (2.19%)	1% Increase (3.19%)
Total OPEB liability	\$ 1,397,295	1,302,329	1,212,127

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.50%) or 1% higher (8.50%) than the current healthcare cost trend rates.

	1% Decrease (6.50%)	Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 1,135,815	1,302,329	1,501,780

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the County recognized OPEB expense of \$121,407. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96,238	113,717
Changes in assumptions	132,274	-
Total	<u>\$ 228,512</u>	<u>113,717</u>

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

Year ending June 30,	Amount
2022	\$ 16,672
2023	16,672
2024	16,672
2025	16,672
2026	16,672
Thereafter	31,435
	<u>\$ 114,795</u>

(12) Risk Management

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

(13) Employee Health Insurance Plan

The County has a fully insured health insurance plan with Wellmark. The deductibles have been set at \$6,000 for single coverage and \$12,000 for family coverage.

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

Monthly payments of service fees and plan contributions to the Employee Health Plan Trust Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Midwest Group Benefits and health insurance premiums are paid to Wellmark from the Employee Health Plan Trust Fund. The County's contribution for the year ended June 30, 2021 was \$3,187,770.

Amounts payable from the Employee Health Plan Fund at June 30, 2021 total \$181,643, 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 \$2,042,372 at June 30, 2021 and is reported as a designation of the Internal Service, Employee Health Plan Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 48,119
Incurred claims (including claims incurred but not reported at June 30, 2021)	3,634,259
Payments:	
Payments on claims during the year	<u>(3,500,735)</u>
Unpaid claims end of year	<u>\$ 181,643</u>

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

Lee County EMS Ambulance, Inc. (EMS) provides ambulance service for Lee County. EMS reports its financial activity using a calendar year end. As permitted by GASB Statement No. 34, the County has opted to present condensed financial information for its discretely presented component unit. Following is the condensed financial information for EMS for the year ended December 31, 2020.

Condensed Statement of Net Position	
December 31, 2020	
Assets	
Cash	\$ 80,517
Accounts receivable, net of allowance	23,524
Capital assets, net of accumulated depreciation	<u>331,495</u>
Total assets	<u>435,536</u>
Liabilities	
Accounts payable	26,427
Salaries and benefits payable	66,677
Notes payable	<u>176,318</u>
Total liabilities	<u>269,422</u>
Net position	
Net investment in capital assets	271,195
Unrestricted	<u>(105,081)</u>
Total net position	<u>\$ 166,114</u>

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position	
Year ended December 31, 2020	
Operating revenues:	
Patient income	\$ 1,503,640
Operating expenses:	
Salaries and benefits	\$ 1,436,772
Insurance	262,101
Other	<u>813,693</u>
	<u>2,512,566</u>
Operating loss	(1,008,926)
Non-operating revenues:	
County subsidy	602,895
Intergovernmental revenue	389,519
Miscellaneous	<u>14,591</u>
Non-operating revenues	<u>1,007,005</u>
Net loss	(1,921)
Net position beginning of year	<u>168,035</u>
Net position end of year	<u>\$ 166,114</u>

(15) Ambulance Subsidy Agreement

On June 6, 2017, the County entered into an agreement with Lee County EMS Ambulance Inc. (EMS). As part of this agreement, the County agreed to continue to subsidize EMS to provide ambulance service to the County. The County's obligation under this agreement commenced on July 1, 2017 and terminated on June 30, 2020. Pursuant to the agreement, the County is to pay \$429,624 per year for three years at \$35,802 per month. On June 16, 2020, the County entered into a new agreement with EMS to provide ambulance service from July 1, 2020 through June 30, 2021. Pursuant to the agreement, the County is to pay \$900,000 at \$75,000 per month.

(16) Lee County EMS Ambulance, Inc. Going Concern

At June 30, 2021, the Lee County EMS Ambulance, Inc. (EMS) has had net losses each of the last five years. EMS has been delinquent on payment of federal payroll taxes. At July 1, 2021, EMS will cease operations and the County will assume responsibility for ambulance service.

(17) Tax Abatements

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

County Tax Abatements

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

For the year ended June 30, 2021, the County abated \$473,787 of property tax under the agreement. The County received \$540,000 of payment in lieu of tax from the Company, of which \$322,701 was provided to other affected governments and \$217,299 was retained by the County.

In addition, the County provides tax abatements to certain property owners who make qualified improvements to eligible property through the Lee County Revitalization Plan, as provided for in Chapter 404.1 of the Code of Iowa. Under this Plan, the Board of Supervisors shall approve applications from property owners, subject to review by the local Assessor, if the improvement project is in conformance with the plan for revitalization developed by the County, is located within a designated Revitalization Area, and if the improvements were made during the time the area was so designated. All qualified real estate is eligible to receive a two-year one hundred percent exemption from the taxation on the actual value added by the improvements. For the year ended June 30, 2021, \$84,881 of property tax was diverted from the County under these agreements.

Tax Abatements of Other Entities

Other entities within the County also provided tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2021 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Fort Madison	Urban renewal and economic development projects	\$ 44,519
City of Keokuk	Urban renewal and economic development projects	250,753
	Total	<u>\$ 295,272</u>

(18) Jointly Governed Organization

The County participates in the Lee County Public Safety Answering Point Association, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County’s financial statements as part of Other Custodial Funds because of the County’s fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2021:

Additions:		
Contributions from governmental units:		
Member contributions		\$ 1,071,532
Interest on investments		2,396
Miscellaneous		<u>829</u>
Total additions		1,074,757
Deductions:		
Salaries	\$ 634,940	
Benefits	318,870	
Office supplies	1,493	
Legal representation and publications	617	
Telephone	4,671	
Travel	341	
Training	4,456	
Equipment	2,768	
Labor relation services	1,192	
Insurance	5,673	
Maintenance and improvements	16,372	
Professional and technical services	7,250	
Data processing services	9,672	
Miscellaneous	<u>130</u>	<u>1,008,445</u>
Net		66,312
Balance beginning of year		<u>625,933</u>
Balance end of year		<u>\$ 692,245</u>

(19) Early Childhood Iowa Area Board

The County is the fiscal agent for Children First, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of Other Custodial Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2021 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 85,956	-	85,956
Quality improvement	-	46,554	46,554
Allocation for administration	4,524	10,727	15,251
School ready general use	-	300,479	300,479
Total state grants	90,480	357,760	448,240
Interest on investments	217	533	750
Total revenues	90,697	358,293	448,990
Expenditures:			
Program services:			
Early childhood	97,748	-	97,748
Quality improvement	-	47,889	47,889
School ready general use	-	307,741	307,741
Total program services	97,748	355,630	453,378
Administration	4,158	9,451	13,609
Total expenditures	101,906	365,081	466,987
Change in fund balance	(11,209)	(6,788)	(17,997)
Fund balance beginning of year	28,906	74,718	103,624
Fund balance end of year	\$ 17,697	67,930	85,627

(20) Drainage Bond Payable

In December 2012, the Green Bay Levee and Drainage District No. 2 issued a drainage bond for \$1,450,000. The bond requires semi-annual payments on June 1 and December 1 of \$84,323 including interest at 2.99% per annum. The balance of the bond at June 30, 2021 is \$245,588.

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

Southeast Iowa Link, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Des Moines County, Henry County, Jefferson County, Keokuk County, Lee County, Louisa County, Van Buren County and Washington County. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Southeast Iowa Link Mental Health Region for the year ended June 30, 2021, as follows:

Revenues:		
Property and other county tax		\$ 1,370,020
Intergovernmental revenues:		
Payments from regional fiscal agent		141,076
Charges for service		<u>4,380</u>
Total revenues		<u>1,515,476</u>
Expenditures:		
Services to persons with:		
Mental illness		28,485
General administration:		
Direct administration	\$ 158,836	
Distribution to regional fiscal agent	<u>1,250,349</u>	<u>1,409,185</u>
Total expenditures		<u>1,437,670</u>
Excess of expenditures over revenues		77,806
Fund balance beginning of year		<u>389,193</u>
Fund balance end of year		<u>\$ 466,999</u>

(22) Construction Commitment

The County has entered into contracts totaling \$5,083,020 for communications equipment. As of June 30, 2021, costs of \$1,935,460 on the project have been incurred. The \$3,147,560 balance remaining on the project at June 30, 2021 will be paid as work on the project progresses.

(23) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Lee County, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Lee County. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Lee County.

(24) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement will require reporting of certain potentially significant lease liabilities that are not currently reported.

Lee County

Required Supplementary Information

Lee County

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

Required Supplementary Information

Year ended June 30, 2021

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 16,313,736	-	16,313,736
Interest and penalty on property tax	241,464	-	241,464
Intergovernmental	14,276,374	249,998	14,026,376
Licenses and permits	357,023	-	357,023
Charges for service	1,099,438	-	1,099,438
Use of money and property	546,796	53,799	492,997
Miscellaneous	896,618	421,687	474,931
Total receipts	<u>33,731,449</u>	<u>725,484</u>	<u>33,005,965</u>
Disbursements:			
Public safety and legal services	8,089,655	-	8,089,655
Physical health and social services	4,383,538	26,724	4,356,814
Mental health	1,437,469	-	1,437,469
County environment and education	2,606,751	626,099	1,980,652
Roads and transportation	6,247,511	-	6,247,511
Governmental services to residents	1,332,093	-	1,332,093
Administration	2,467,570	-	2,467,570
Non-program	29,432	-	29,432
Debt service	4,062,265	-	4,062,265
Capital projects	2,086,084	-	2,086,084
Total disbursements	<u>32,742,368</u>	<u>652,823</u>	<u>32,089,545</u>
Excess (deficiency) of receipts over (under) disbursements	989,081	72,661	916,420
Other financing sources (uses), net	10,270,000	-	10,270,000
Change in balances	11,259,081	72,661	11,186,420
Balance beginning of year	<u>12,983,843</u>	<u>737,828</u>	<u>12,246,015</u>
Balance end of year	<u>\$ 24,242,924</u>	<u>810,489</u>	<u>23,432,435</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	<u>Net</u>
		<u>Variance</u>
15,499,920	15,499,920	813,816
142,000	142,000	99,464
10,752,289	11,415,097	2,611,279
302,100	302,100	54,923
1,168,062	1,168,062	(68,624)
577,924	577,924	(84,927)
476,508	542,282	(67,351)
<u>28,918,803</u>	<u>29,647,385</u>	<u>3,358,580</u>
7,252,087	8,333,336	243,681
4,742,397	4,742,397	385,583
1,623,165	1,623,165	185,696
2,219,244	2,219,244	238,592
6,907,795	7,057,795	810,284
1,431,737	1,449,672	117,579
2,539,265	2,577,813	110,243
45,840	45,840	16,408
866,995	4,072,995	10,730
<u>2,138,788</u>	<u>4,380,126</u>	<u>2,294,042</u>
<u>29,767,313</u>	<u>36,502,383</u>	<u>4,412,838</u>
(848,510)	(6,854,998)	7,771,418
-	10,320,000	(50,000)
(848,510)	3,465,002	7,721,418
<u>9,804,950</u>	<u>9,804,950</u>	<u>2,441,065</u>
<u>8,956,440</u>	<u>13,269,952</u>	<u>10,162,483</u>

Lee County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2021

	<u>Governmental Funds</u>		
	Cash	Accrual	Modified
	Basis	Adjustments	Accrual
			Basis
Revenues	\$ 33,731,449	(3,563,328)	30,168,121
Expenditures	32,742,368	1,853,356	34,595,724
Net	989,081	(5,416,684)	(4,427,603)
Other financing sources, net	10,270,000	1,133,549	11,403,549
Beginning fund balances	12,983,843	1,906,306	14,890,149
Ending fund balances	\$ 24,242,924	(2,376,829)	21,866,095

See accompanying independent auditor's report.

Lee County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2021

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Permanent Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$6,735,070. 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 Assessor by the County Conference Board, for the 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2021, disbursements did not exceed the amounts budgeted.

Lee County

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

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

Required Supplementary Information

	2021	2020	2019	2018
County's proportion of the net pension liability	0.098051%	0.090086%	0.095661%	0.100564%
County's proportionate share of the net pension liability	\$ 6,888	5,217	6,054	6,699
County's covered payroll	\$ 9,659	9,055	9,043	8,809
County's proportionate share of the net pension liability as a percentage of its covered payroll	71.31%	57.61%	66.95%	76.05%
IPERS' net position as a percentage of the total liability pension	82.90%	85.45%	83.62%	82.21%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

2017	2016	2015
0.097016%	0.092265%	0.085462%
6,106	4,558	3,389
8,228	7,867	7,415
74.21%	57.94%	45.70%
81.82%	85.19%	87.61%

Lee County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 955	916	862	820
Contributions in relation to the statutorily required contribution	<u>(955)</u>	<u>(916)</u>	<u>(862)</u>	<u>(820)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 10,113	9,659	9,055	9,043
Contributions as a percentage of covered payroll	9.44%	9.48%	9.52%	9.07%

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
799	742	710	669	630	571
(799)	(742)	(710)	(669)	(630)	(571)
-	-	-	-	-	-
8,809	8,228	7,867	7,415	7,135	6,858
9.07%	9.02%	9.03%	9.02%	8.83%	8.33%

Lee County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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

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

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

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

Lee County

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

For the Last Four Years
Required Supplementary Information

	2021	2020	2019	2018
Service cost	\$ 116,235	89,917	82,135	63,552
Interest cost	35,945	37,620	36,992	30,518
Difference between expected and actual experiences	(104,066)	120,298	-	(31,852)
Changes in assumptions	43,012	49,988	29,052	54,741
Benefit payments	(47,445)	(41,762)	(38,272)	(26,155)
Net change in total OPEB liability	43,681	256,061	109,907	90,804
Total OPEB liability beginning of year	1,258,648	1,002,587	892,680	801,876
Total OPEB liability end of year	\$ 1,302,329	1,258,648	1,002,587	892,680
Covered-employee payroll	\$ 8,231,659	8,135,252	7,259,202	7,711,045
Total OPEB liability as a percentage of covered-employee payroll	15.8%	15.5%	13.8%	11.6%

See accompanying independent auditor's report.

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

The 2021 valuation implemented the following refinements as a result of a new actuarial opinion dated June 30, 2021:

- Changed mortality assumptions to the SOA Public Plan 2010 tables.

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

Year ended June 30, 2021	2.19%
Year ended June 30, 2020	2.66%
Year ended June 30, 2019	3.51%
Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

Lee County

Supplementary Information

Lee County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Great River Progressive Housing Corporation	Special Lee County Economic Development Group
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ 49,663	54,940	6,923	-	-
Component units	-	-	-	8,956	448,904
Receivables:					
Accounts	-	-	-	-	451,793
Accrued interest	15	17	-	-	-
Total assets	49,678	54,957	6,923	8,956	900,697
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	-	100	-	19,459
Salaries and benefits payable	-	-	-	-	2,856
Due to other governments	-	-	-	-	418,676
Total liabilities	-	-	100	-	440,991
Fund balances:					
Nonspendable:					
Hospice care	-	-	-	-	-
Restricted for:					
Hospice care	-	-	-	-	-
Other purposes	49,678	54,957	6,823	8,956	459,706
Total fund balances	49,678	54,957	6,823	8,956	459,706
Total liabilities and fund balances	\$ 49,678	54,957	6,923	8,956	900,697

See accompanying independent auditor's report.

Revenue							
Three Rivers Conservation Foundation	Friends of Public Health	Sheriff's Forfeiture	Memorial Trust	Neff Memorial	Permanent Neff Memorial		Total
-	-	7,818	185,342	25,677	82,500		412,863
191,010	161,619	-	-	-	-		810,489
-	-	-	-	-	-		451,793
-	-	-	58	8	-		98
191,010	161,619	7,818	185,400	25,685	82,500		1,675,243
-	-	-	1,651	-	-		21,210
-	-	-	-	-	-		2,856
-	-	-	1,457	-	-		420,133
-	-	-	3,108	-	-		444,199
-	-	-	-	-	82,500		82,500
-	-	-	182,292	25,685	-		207,977
191,010	161,619	7,818	-	-	-		940,567
191,010	161,619	7,818	182,292	25,685	82,500		1,231,044
191,010	161,619	7,818	185,400	25,685	82,500		1,675,243

Lee County

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

Year ended June 30, 2021

	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Special Great River Progressive Housing Corporation
Revenues:				
Intergovernmental	\$ 15,763	-	-	-
Charges for service	-	5,542	-	-
Use of money and property	180	212	-	-
Miscellaneous	-	-	1,795	21,729
Total revenues	15,943	5,754	1,795	21,729
Expenditures:				
Operating:				
Public safety and legal services	-	-	2,249	-
Physical health and social services	-	-	-	26,639
County environment and education	-	-	-	-
Total expenditures	-	-	2,249	26,639
Change in fund balances	15,943	5,754	(454)	(4,910)
Fund balances beginning of year	33,735	49,203	7,277	13,866
Fund balances end of year	\$ 49,678	54,957	6,823	8,956

See accompanying independent auditor's report.

Revenue							
Lee County Economic Development Group	Three Rivers Conservation Foundation	Friends of Public Health	Sheriff's Forfeiture	Memorial Trust	Neff Memorial	<u>Permanent Neff Memorial</u>	Total
236,700	-	-	-	-	-	-	252,463
-	-	-	-	-	-	-	5,542
13,765	61,403	1,929	-	786	107	-	78,382
283,541	-	-	-	18,844	-	-	325,909
534,006	61,403	1,929	-	19,630	107	-	662,296
-	-	-	-	-	-	-	2,249
-	-	85	-	29,189	-	-	55,913
440,595	58,856	-	-	-	-	-	499,451
440,595	58,856	85	-	29,189	-	-	557,613
93,411	2,547	1,844	-	(9,559)	107	-	104,683
366,295	188,463	159,775	7,818	191,851	25,578	82,500	1,126,361
459,706	191,010	161,619	7,818	182,292	25,685	82,500	1,231,044

Schedule 3

Lee County
Combining Schedule of Net Position
Internal Service Funds

June 30, 2021

	Supplies	Employee Health Plan Trust	Information Technology	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 15,478	2,223,773	289,815	2,529,066
Receivables:				
Accrued interest	-	695	-	695
Due from other funds	6,231	-	-	6,231
Due from other governments	263	-	-	263
Inventories	6,513	-	-	6,513
Noncurrent assets:				
Capital assets, net of accumulated depreciation/amortization	-	-	122,168	122,168
Total assets	28,485	2,224,468	411,983	2,664,936
Deferred Outflows of Resources				
OPEB-related deferred outflows	-	-	2,285	2,285
Pension-related deferred outflows	-	-	21,660	21,660
Total deferred outflows of resources	-	-	23,945	23,945
Liabilities				
Current liabilities:				
Accounts payable	8,067	181,643	10,412	200,122
Salaries and benefits payable	-	-	4,055	4,055
Due to other funds	-	6	47	53
Due to other governments	-	447	-	447
Installment purchase agreement payable	-	-	34,682	34,682
Compensated absences	-	-	2,061	2,061
Non-current liabilities:				
Installment purchase agreement payable	-	-	69,364	69,364
Total OPEB liability	-	-	13,023	13,023
Net pension liability	-	-	68,879	68,879
Total liabilities	8,067	182,096	202,523	392,686
Deferred Inflows of Resources				
OPEB-related deferred inflows	-	-	1,137	1,137
Pension-related deferred inflows	-	-	4,155	4,155
Total deferred inflows of resources	-	-	5,292	5,292
Net Position				
Net investment in capital assets	-	-	18,122	18,122
Restricted for employee health	-	2,042,372	-	2,042,372
Unrestricted	20,418	-	209,991	230,409
Total net position	\$ 20,418	2,042,372	228,113	2,290,903

See accompanying independent auditor's report.

Lee County

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

Year ended June 30, 2021

	Supplies	Employee Health Plan Trust	Information Technology	Total
Operating revenues:				
Reimbursements from operating funds and other governmental units	\$ 80,240	3,187,770	375,329	3,643,339
Reimbursements from employees and others	-	412,366	-	412,366
Miscellaneous reimbursements	-	837	2,541	3,378
Total operating revenues	<u>80,240</u>	<u>3,600,973</u>	<u>377,870</u>	<u>4,059,083</u>
Operating expenses:				
Medical and health services	-	3,634,259	-	3,634,259
Salaries and benefits	-	-	190,716	190,716
Administrative fees, network access fees and stop-loss premium	-	66,921	-	66,921
Supplies, utilities and data processing	85,895	113	80,302	166,310
Maintenance agreements	-	-	39,667	39,667
Non-capitalized equipment	-	-	8,137	8,137
Depreciation/amortization	-	-	37,082	37,082
Total operating expenses	<u>85,895</u>	<u>3,701,293</u>	<u>355,904</u>	<u>4,143,092</u>
Operating income (loss)	(5,655)	(100,320)	21,966	(84,009)
Non-operating revenues:				
Interest income	-	7,902	-	7,902
Change in net position	(5,655)	(92,418)	21,966	(76,107)
Net position beginning of year	<u>26,073</u>	<u>2,134,790</u>	<u>206,147</u>	<u>2,367,010</u>
Net position end of year	<u>\$ 20,418</u>	<u>2,042,372</u>	<u>228,113</u>	<u>2,290,903</u>

See accompanying independent auditor's report.

Lee County

Lee County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2021

	Supplies	Employee Health Plan Trust	Information Technology	Total
Cash flows from operating activities:				
Cash received from operating funds and other governmental units	\$ 87,095	3,187,770	374,529	3,649,394
Cash received from employees and others	-	413,203	3,341	416,544
Cash paid to suppliers for services	(85,568)	(3,567,329)	(296,411)	(3,949,308)
Net cash provided (used) by operating activities	1,527	33,644	81,459	116,630
Cash flows from capital and related financing activities:				
Installment purchase agreement payment	-	-	(34,132)	(34,132)
Purchase of capital asset	-	-	(5,250)	(5,250)
Net cash provided (used) by capital and related financing activities	-	-	(39,382)	(39,382)
Cash flows from investing activities:				
Interest on investments	-	7,825	-	7,825
Net increase (decrease) in cash and cash equivalents	1,527	41,469	42,077	85,073
Cash and cash equivalents beginning of year	13,951	2,182,304	247,738	2,443,993
Cash and cash equivalents end of year	\$ 15,478	2,223,773	289,815	2,529,066
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (5,655)	(100,320)	21,966	(84,009)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation/amortization expense	-	-	37,082	37,082
Changes in assets and liabilities:				
Due from other governments	(44)	-	-	(44)
Due from other funds	6,899	-	-	6,899
Inventories	(2,894)	-	-	(2,894)
Accounts payable	3,221	133,524	9,458	146,203
Salaries and benefits payable	-	-	287	287
Due to other funds	-	(7)	11	4
Due to other governments	-	447	-	447
Prepaid expenses	-	-	14,643	14,643
Compensated absences	-	-	(6,653)	(6,653)
Pension liability	-	-	16,713	16,713
Deferred outflows of resources	-	-	(3,835)	(3,835)
Deferred inflows of resources	-	-	(8,650)	(8,650)
Total OPEB liability	-	-	437	437
Net cash provided (used) by operating activities	\$ 1,527	33,644	81,459	116,630

See accompanying independent auditor's report.

Lee County
Combining Schedule of Fiduciary Net Position
Custodial Funds

June 30, 2021

	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Schools
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	4,540	628,931	727,298	342,585
Other County officials	87,690	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	733	1,352	-	58,677
Succeeding year	-	256,000	473,000	-	19,320,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments	-	-	-	50,605	-
Due from other governments	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Total assets	87,690	261,273	1,103,283	777,903	19,721,262
Liabilities					
Accounts payable	-	-	6,388	21,445	-
Salaries and benefits payable	-	-	10,403	-	-
Due to other governments	43,237	4,540	42	390,605	342,585
Trusts payable	44,453	-	-	-	-
Compensated absences	-	-	31,543	-	-
Drainage bond payable	-	-	-	245,588	-
Total liabilities	87,690	4,540	48,376	657,638	342,585
Deferred Inflows of Resources					
Unavailable revenues	-	256,000	473,000	-	19,320,000
Net Position					
Restricted for individuals, organizations and other governments	\$ -	733	581,907	120,265	58,677

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drivers License Trust	Payee Accounts	Other	Total
29,520	248,072	18,500	919,896	802	-	1,748,067	4,668,211
-	-	-	-	-	208,866	-	296,556
5,397	50,805	1,214	-	-	-	11	118,189
1,882,000	12,542,000	562,000	-	-	-	3,900	35,038,900
-	-	-	-	-	-	18,529	18,529
-	-	-	-	-	-	299	299
-	-	-	-	-	-	343,743	343,743
-	-	-	-	-	-	-	50,605
-	-	-	-	-	-	73,919	73,919
-	-	-	-	-	-	75	75
1,916,917	12,840,877	581,714	919,896	802	208,866	2,188,543	40,609,026
-	-	-	-	-	-	85,103	112,936
-	-	-	-	-	-	35,369	45,772
29,520	248,072	18,500	919,896	802	-	174,084	2,171,883
-	-	-	-	-	208,866	74,434	327,753
-	-	-	-	-	-	42,596	74,139
-	-	-	-	-	-	-	245,588
29,520	248,072	18,500	919,896	802	208,866	411,586	2,978,071
1,882,000	12,542,000	562,000	-	-	-	3,900	35,038,900
5,397	50,805	1,214	-	-	-	1,773,057	2,592,055

Lee County

Combining Schedule of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2021

	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Schools
Additions:					
Property and other county tax	\$ -	267,064	576,184	-	19,355,144
911 surcharges	-	-	-	-	-
State tax credits	-	23,289	50,267	-	1,736,787
Drivers license fees	-	-	-	-	-
Office fees and collections	1,452,551	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	176,663	-
Trusts	1,021,740	-	-	-	-
Miscellaneous	63,024	-	9,825	509,306	-
Total additions	2,537,315	290,353	636,276	685,969	21,091,931
Deductions:					
Agency remittances:					
To other funds	1,101,602	-	-	-	-
To other governments	413,515	289,620	528,532	565,704	21,033,254
Trusts paid out	1,022,198	-	-	-	-
Total deductions	2,537,315	289,620	528,532	565,704	21,033,254
Changes in net position	-	733	107,744	120,265	58,677
Net position beginning of year	-	-	474,163	-	-
Net position end of year	\$ -	733	581,907	120,265	58,677

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drivers License Trust	Payee Accounts	Other	Total
1,744,522	11,765,476	585,675	-	-	-	3,953	34,298,018
-	-	-	-	-	-	114,767	114,767
152,152	1,375,476	31,221	-	-	-	346	3,369,538
-	-	-	-	70,389	-	-	70,389
-	-	-	-	-	-	-	1,452,551
-	-	-	11,755,263	-	-	-	11,755,263
-	-	-	-	-	-	212,600	389,263
-	-	-	-	-	1,247,736	621,366	2,890,842
-	-	-	-	-	-	3,526,310	4,108,465
1,896,674	13,140,952	616,896	11,755,263	70,389	1,247,736	4,479,342	58,449,096
-	-	-	394,736	-	-	-	1,496,338
1,891,277	13,090,147	615,682	11,360,527	70,389	-	3,991,316	53,849,963
-	-	-	-	-	1,247,736	621,366	2,891,300
1,891,277	13,090,147	615,682	11,755,263	70,389	1,247,736	4,612,682	58,237,601
5,397	50,805	1,214	-	-	-	(133,340)	211,495
-	-	-	-	-	-	1,906,397	2,380,560
5,397	50,805	1,214	-	-	-	1,773,057	2,592,055

Lee County

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

For the Last Ten Years

	2021	2020	2019	2018
Revenues:				
Property and other county tax	\$ 14,329,996	12,639,874	11,862,940	10,903,882
Local option sales tax	1,931,515	1,492,519	1,358,036	1,557,179
Interest and penalty on property tax	236,589	70,342	159,809	160,481
Intergovernmental	10,438,322	9,166,206	8,868,737	8,941,730
Licenses and permits	347,910	307,560	272,379	243,592
Charges for service	1,087,477	1,094,015	1,131,033	1,009,650
Use of money and property	437,018	342,886	291,487	326,001
Miscellaneous	1,359,294	955,446	1,049,972	660,400
Total	<u>\$ 30,168,121</u>	<u>26,068,848</u>	<u>24,994,393</u>	<u>23,802,915</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 8,655,988	7,069,060	6,701,060	6,280,673
Physical health and social services	4,390,725	4,416,032	4,241,339	4,630,114
Mental health	1,437,670	1,200,074	1,597,347	1,491,378
County environment and education	2,476,510	1,948,572	2,000,233	1,929,379
Roads and transportation	6,261,344	5,432,447	5,676,020	5,046,294
Governmental services to residents	1,337,050	1,326,980	1,197,568	1,181,467
Administration	2,445,927	2,379,676	2,152,793	2,922,850
Non-program	-	-	51,309	68,273
Debt service	4,063,515	871,646	856,374	1,018,024
Capital projects	3,526,995	403,469	859,503	254,199
Total	<u>\$ 34,595,724</u>	<u>25,047,956</u>	<u>25,333,546</u>	<u>24,822,651</u>

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
10,720,493	11,009,591	10,759,734	10,260,723	10,398,427	10,226,662
1,685,519	1,831,714	1,764,285	1,318,713	1,511,657	1,409,188
138,525	142,002	139,728	146,058	148,139	145,270
8,661,941	11,772,333	9,850,223	8,271,583	7,944,450	10,657,595
256,856	192,727	111,772	101,664	93,635	105,568
995,653	1,064,137	1,048,099	1,006,977	1,028,187	916,932
297,881	615,296	297,627	309,196	311,682	292,716
1,495,640	5,799,346	3,019,302	899,461	374,143	408,049
24,252,508	32,427,146	26,990,770	22,314,375	21,810,320	24,161,980
5,736,621	4,980,040	4,694,543	4,428,780	4,255,457	4,422,016
4,363,856	4,505,995	4,346,000	4,290,759	4,234,139	3,982,400
1,214,808	1,292,277	1,182,005	1,753,244	2,683,788	6,615,100
2,100,128	2,052,614	1,715,148	1,800,562	1,292,962	1,115,886
5,364,056	5,285,493	5,394,021	5,130,710	4,703,670	4,552,964
1,268,466	1,085,093	1,190,720	918,840	958,573	958,038
2,136,108	2,161,986	2,129,200	1,989,089	2,026,221	2,022,340
832,870	305,876	63,574	8,734	17,038	-
935,845	996,738	906,756	893,243	815,576	813,334
224,320	8,066,394	3,406,224	579,977	100,416	648,571
24,177,078	30,732,506	25,028,191	21,793,938	21,087,840	25,130,649

Lee County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

Grantor/Program	Assistance Listing Number	Pass-through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Emergency Watershed Protection Program	10.923	NR206114XXXXC048	\$ 176,549
OJP Bureau of Justice Assistance: COVID-19, Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1240	58,008
U.S. Department of Treasury: COVID-19, Provider Relief Fund	93.498	75-0140-0-1-550	54,012
Total direct			<u>288,569</u>
Indirect:			
U.S. Department of Agriculture: Iowa Department of Public Health: SNAP Cluster: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5880NU38	810
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5881NU38	3,645
Iowa Department of Human Services: Human Services Administrative Reimbursements: SNAP Cluster: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		29,260
			<u>33,715</u>
U.S. Department of Justice: Iowa Department of Justice: Crime Victim Assistance	16.575	VP-20-132-VWC	8,042
Crime Victim Assistance	16.575	VP-21-132-VWC	26,820
			<u>34,862</u>
Governor's Office of Drug Control Policy: Project Safe Neighborhoods	16.609	18-PSN-06	13,136
Public Safety Partnership and Community Policing Grants	16.710	18-CAMP-07	1,885
Public Safety Partnership and Community Policing Grants	16.710	19-CAMP-07	4,040
			5,925
Edward Byrne Memorial Justice Assistance Grant Program	16.738	18-JAG-348834	<u>34,800</u>
U.S. Department of Transportation: Iowa Department of Public Safety: Highway Safety Cluster: State and Community Highway Safety	20.600	PAP 20-402-MOPT, Task 22	8,324
State and Community Highway Safety	20.600	PAP 21-402-MOPT, Task 24	12,416
			<u>20,740</u>
Governor's Traffic Safety Bureau National Priority Safety Programs	20.616	PAP 21-405d-F24*SE, Task 03	498
			<u>21,238</u>
U.S. Department of the Treasury: Iowa Department of Revenue: COVID-19, Coronavirus Relief Fund	21.019	00074	613,606
Election Assistance Commission: Iowa Secretary of State: 2018 HAVA Election Security Grants	90.404	356-11320-HAVACARES	24,600
U.S. Department of Health and Human Services: Iowa Department of Public Health: Grants to States to Support Oral Health Workforce Activities	93.236	5880DH32	10,579
Grants to States to Support Oral Health Workforce Activities	93.236	5881DH32	18,685
			<u>29,264</u>
Immunization Cooperative Agreements	93.268	5881I452	16,661
Immunization Cooperative Agreements	93.268	5885BT456	70,393
			<u>87,054</u>
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	MOU-2020-ELC27	5,600
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	MOU-2021-ELC27	2,400
			<u>8,000</u>
State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	93.366	5881MH10	5,000
Iowa Department of Human Services: Promoting Safe and Stable Families	93.556	ACFS-21-034	76,000
Iowa Department of Public Health: CCDF Cluster: Child Care and Development Block Grant	93.575	5881MH10	3,612 *
Children's Health Insurance Program	93.767	5880MH10	3,494
Children's Health Insurance Program	93.767	5881MH10	11,425
			<u>14,919 **</u>
Medicaid Cluster: Medical Assistance Program	93.778	5880MH10	17,333
Medical Assistance Program	93.778	5881MH10	53,382
			<u>70,715 ***</u>

Lee County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2021

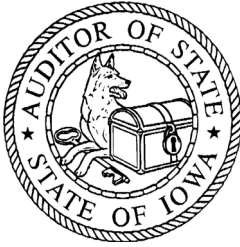
Grantor/Program	Assistance Listing Number	Pass-through Entity Identifying Number	Program Expenditures
Indirect (continued):			
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	5880CH06	234,393
Maternal and Child Health Services Block Grant to the States	93.994	5880MH10	16,712
Maternal and Child Health Services Block Grant to the States	93.994	5881MH10	45,834
			<u>62,546</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Title IV-E Prevention and Family Services and Programs (A)	93.472		1,526
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		6,420 *
Foster Care Title IV-E	93.658		7,670
Adoption Assistance	93.659		3,770
Social Services Block Grant	93.667		6,998
Children's Health Insurance Program	93.767		616 **
Medicaid Cluster:			
Medical Assistance Program	93.778		25,391 ***
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4421-DR-IA	32,482
Total indirect			<u>1,458,258</u>
Total			<u>\$ 1,746,827</u>
* Total CCDF Cluster \$10,032			
** Total Children's Health Insurance Program \$15,535			
*** Total Medicaid Cluster \$96,106			

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Lee County under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lee County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Lee County.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – Lee County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



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

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

To the Officials of Lee County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Lee County, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 15, 2022.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-21 through II-D-21 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-E-21 through II-J-21 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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 which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


Lee County's Responses to the Findings

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

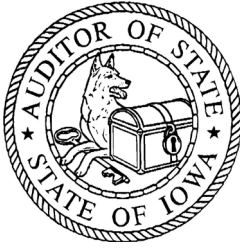
Purpose of this Report

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

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


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

February 15, 2022



**OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Officials of Lee County:

Report on Compliance for Each Major Federal Program

We have audited Lee County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal programs for the year ended June 30, 2021. Lee County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lee County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lee County's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

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

Opinion on the Major Federal Programs

In our opinion, Lee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

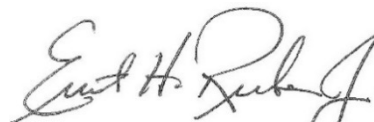
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-21 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-21 to be a significant deficiency.

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

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



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

February 15, 2022

Lee County
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency and a material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major programs were as follows:
 - Assistance Listing Number 21.019 – COVID 19, Coronavirus Relief Fund
 - Assistance Listing Number 93.870 – Maternal, Infant and Early Childhood Home Visiting Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Lee County did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-21 County Offices – Segregation of Duties
(2021-001)

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County’s financial statements. An effective internal control system also provides for internal controls related to ensuring proper accounting for all funds by reviewing reconciliations of bank and book balances and accounting for void receipts.

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

	<u>Applicable Offices</u>
1) Incoming mail is opened by an employee who is authorized to make entries to the accounting records.	Treasurer, Recorder
2) Generally, one individual may have control over collecting, depositing, posting and daily reconciling of receipts for which no compensating controls exist.	Recorder, Health Department, Conservation, Lee County Economic Development Group, Great River Progressive Housing
3) A listing of cash and checks received by mail is not regularly prepared by someone independent of cash and receipt functions or compared to cash receipt records or bank deposits.	Sheriff
4) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash.	Recorder
5) Bank reconciliations were not reviewed periodically by an independent person for propriety.	Recorder, Lee County Economic Development Group
6) Responsibilities for maintaining detailed accounts receivable records are not segregated from posting receipts.	Health Department

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

- | | |
|---|---|
| 7) A monthly report of voided receipts is not maintained and reviewed by someone independent of the receipts process for receipts voided in the Solutions system. | Treasurer |
| 8) The person who signs checks is not independent of the person preparing checks, approving disbursements and recording cash receipts. | Recorder, Conservation,
Great River Progressive
Housing |

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

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

Recommendation – Each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. In addition, all bank accounts should be reviewed by an independent person, and a monthly report of voided receipts should be maintained.

Responses –

- (a) Recorder – We will review our controls and try to make changes where possible given our limited staff. Now that we are back to being in the office all the time, we will have an independent person review bank reconciliations monthly.
- (b) Treasurer – We will work to have the mail opened by someone independent (who does not access the receipts system). We will start generating a monthly report of voided receipts in the Solutions system and have someone independent review this report.
- (c) Sheriff – We will have the mail opener prepare a listing of receipts, on a test basis.
- (d) Health Department Response and Corrective Action Planned – With limited staff, we will attempt to segregate duties as much as possible. We have hired new staff and will be able to segregate duties.
- (e) Conservation – With limited staff, we will attempt to segregate duties as much as possible.
- (f) Great River Progressive Housing – With limited staff, we will attempt to segregate duties as much as possible.
- (g) Lee County Economic Development Group – We will ask a Board member who does not sign checks to review the bank reconciliations, outside of our meetings.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Conclusions – Responses acknowledged. All offices should continue to review current operating procedures for the areas noted to obtain the maximum internal control possible. The officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

II-B-21 Ambulance Segregation of Duties
(2021-002)

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

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

Receipts – opening mail, collecting, recording, depositing, maintaining receivable records and posting.

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

Payroll – preparing, posting and distributing.

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

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

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

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

Conclusion – Response accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

II-C-21 Ambulance Financial Reporting
(2021-003)

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

Condition – Although Lee County EMS Ambulance, Inc. prepares an annual financial report, the financial report did not include patient billing receivables of \$23,524, accounts payable of \$26,427 and an additional \$46,849 of salaries payable at December 31, 2020. A listing of accounts payable of \$26,427 and a listing of accrued salaries payable of \$46,849 was not prepared at December 31, 2020. Adjustments were subsequently made to properly record these amounts in the financial statements.

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

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

Recommendation – Lee County EMS Ambulance, Inc. should implement procedures to ensure all receivables and payables are identified and recorded for inclusion in the County’s financial statements.

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

Conclusion – Response accepted.

II-D-21 Ambulance Billings, Collections and Delinquent Accounts
(2021-004)

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

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

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Schedule of Findings and Questioned Costs

Year ended June 30, 2021

A reconciliation of billings, collections and delinquent accounts was prepared for the test month of December. For the month of December, the total receivable balance (net of allowance for doubtful accounts) per the EMS records was \$184,641 which is \$161,117 more than the calculated receivable balance of \$23,524.

Cause – Policies have not been established and procedures have not been implemented to reconcile ambulance billings, collections and delinquent accounts or to compare receipts to deposits.

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

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

Response – We will try to develop written procedures to perform reconciliations of ambulance billings, collections and delinquent accounts. Receipts recorded in the billing system will be reconciled to deposits.

Conclusion – Response accepted.

II-E-21 Debit Card
(2021-005)

Criteria – Internal controls over safeguarding assets constitutes a process, effected by an entity's governing body, management and other personnel designated to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The County Attorney and the Three Rivers Conservation Foundation have a debit card available for use. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. In addition, there is no process for prior approval of purchases made with a debit card.

Cause – Officials have been unaware of the repercussions of allowing the use of debit cards.

Effect – Allowing the use of debit cards could result in unauthorized transactions and the opportunity for misappropriations.

Recommendation – The County Attorney and the Three Rivers Conservation Foundation should prohibit the use of debit cards for purchases.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Responses –

County Attorney – The recommendation is duly noted. The debit card purchases in the office are primarily limited to postage from the U.S. Post Office.

Three Rivers Conservation Foundation – We will research other options, such as a credit card.

Conclusions –

County Attorney – Response acknowledged. The County Attorney should prohibit the use of debit cards.

Three Rivers Conservation Foundation – Response accepted.

II-F-21 Ambulance Credit Card Policy
(2021-006)

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – Lee County EMS Ambulance, Inc. has credit cards for use by various employees while on EMS business. Lee County EMS Ambulance, Inc. has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Cause – Adoption of a formal policy to regulate the use of credit cards has not been prioritized by the EMS Board.

Effect – Lack of written policies and procedures to regulate the use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – Lee County EMS Ambulance, Inc. should adopt a formal written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – We will work to develop a written credit card policy.

Conclusion – Response accepted.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2021

II-G-21 Ambulance Capital Asset Policy
(2021-007)

Criteria – Internal controls over financial reporting includes establishing policies and procedures for reporting different types of account classes, including capital assets.

Condition – Lee County EMS Ambulance, Inc. has capitalized assets that will be used for an extended period of time. Lee County EMS Ambulance, Inc. has not adopted a formal policy to determine what should be capitalized as an asset, including a capitalization threshold and the types of assets to be capitalized.

Cause – Adoption of a formal policy to capitalize assets has not been prioritized by the EMS Board.

Effect – Lack of written policies and procedures to capitalize assets could result in a material amount of assets not being capitalized, which would result in materially misstating the condition of the EMS in the financial statements.

Recommendation – Lee County EMS Ambulance, Inc. should adopt a formal written policy for the capitalization of assets. The policy, at a minimum, should establish capitalization thresholds and what types of assets should be capitalized.

Response – We will work to develop a capital asset policy.

Conclusion – Response accepted.

II-H-21 Ambulance Internal Control
(2021-008)

Criteria – Internal controls over receipts, expenses, payroll and cash helps prevent losses from employee error or dishonesty and maximizes the accuracy of the financial statements.

Condition – Deficiencies in internal control were identified in the following areas:

Receipts – Checks are not restrictively endorsed immediately upon receipt, and undeposited cash receipts are not adequately protected.

Expenses – Voided checks are not retained.

Payroll – Timesheets are not prepared by salaried employees.

Cash – While bank reconciliations were prepared, they were not reviewed timely (within one month) for six months and there was no review for five months.

Cause – Procedures have not been designed and implemented to ensure necessary internal controls are in place to cover receipts, expenses, payroll and cash.

Effect – A lack internal control can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Recommendation – Lee County EMS Ambulance, Inc. should ensure necessary internal controls are in place to cover receipts, expenses, payroll and cash.

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

Conclusion – Response accepted.

II-I-21 Ambulance Surety Bond
(2021-009)

Criteria – Management is responsible for establishing and maintaining internal control. A key part of internal control is the safeguarding of assets and a part of this is to have surety bond coverage to protect against loss due to employee theft.

Condition – The Lee County EMS Ambulance, Inc. has surety bond coverage which specifically covers the employee 401K plan, but there is no coverage for employee theft of other assets.

Cause – Ambulance management has not considered this type of coverage to be necessary.

Effect – The Lee County EMS Ambulance Inc. is not currently covered for losses caused by employee theft.

Recommendation – The Lee County EMS Ambulance, Inc., should obtain surety bond coverage to protect against losses caused by employee theft.

Response – We will obtain sufficient insurance coverage.

Conclusion – Response accepted.

II-J-21 Bank Reconciliations
(2021-010)

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

Condition – Bank reconciliations were not prepared for the Conservation’s account and the Great River Progressive Housing’s accounts. Bank reconciliations for the Treasurer’s office were not prepared timely for three of twelve months.

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

Effect – A lack of bank to book reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Recommendation – Conservation and Great River Progressive Housing should prepare bank reconciliations and have an independent person review the reconciliations for propriety. The reviews should be documented by the signature or initials of the reviewer and the date of the review. The Treasurer’s Office should prepare bank reconciliations in a timely manner.

Responses –

Conservation – We will begin preparing monthly bank reconciliations and have an independent person review them.

Great River Progressive Housing – We will begin preparing monthly bank reconciliations and have an independent person review them.

Treasurer – We will prepare bank reconciliations in a timely manner.

Conclusions – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

**CFDA Number 93.870: Maternal, Infant and Early Childhood Home Visiting Grant
Pass-through Entity Identifying Number: 5880CH06
Federal Award Year: 2021
Prior Year Finding Number: 2020-001
U.S. Department of Health and Human Services
Passed through the Iowa Department of Public Health**

III-A-21 (2021-011) Segregation of Duties over Federal Revenues – The County Health Department did not properly segregate custody, record-keeping and reconciling functions for revenues, including those related to federal programs. See item II-A-21 (2021-001).

III-B-21 (2021-012) Expenditure Support Not Properly Approved
Criteria – Properly designed policies and procedures are an integral part of ensuring the reliability and accuracy of the County’s approval of expenditures. Approval of expenditures should be made by a supervisor to ensure the reliability and accuracy of the requests.

Condition – Monthly packets, with supporting documentation for claims and payroll, were submitted online to request reimbursement for grant expenditures. The claims and payroll included in the packets were not all approved by the Department Director.

Cause – Policies and procedures have not been implemented to help ensure claims for expenditures are reviewed and approved.

Effect – The lack of review and approval increases the risk for undetected errors in expenditure requests.

Recommendation – The County should implement procedures to ensure all expenditures are approved by the Department Director.

Response and Corrective Action Planned – We will ensure expenditures are properly approved by the Department Director and will initial invoices to evidence this approval. Claims will be signed before copied with backup paperwork.

Conclusion – Response accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 did not exceed the amounts budgeted.

IV-B-21 Questionable Expenditures – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain expenditures were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These expenditures are defined as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Flex Fitness Fort Madison	4 memberships for Lee County Public Safety Answering Point employees	\$ 1,736
Trophy Outlet	2 retirement plaques for Sheriff employees	380

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The County and PSAP board should determine and document the public purpose served by these types of expenditures prior to authorizing any further payments. If this practice is continued, the County and PSAP Board should establish written policies and procedures, including requirements for proper public purpose documentation.

Responses –

PSAP – A policy will be drafted.

County – We will work on getting a policy added to the personnel policy and provide training.

Conclusions – Responses accepted.

IV-C-21 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

IV-D-21 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Sherry Hartson, County Engineer's office son-in-law owns Helliege Lawn Care	Dirt purchases	\$ 520
Tammy Wilson, Financial Director of Public Health, husband is a shareholder in Agrineed, Inc.	Supplies and maintenance other County departments	8,272
Denise Fraise, County Auditor, brother	Equipment repair for Green Bay Drainage District	207
Sarah Helenthal, Auditor's office, husband works at Headco	Installation of County drop boxes and COVID guards	5,898

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

The transactions with Helliege Lawn Care, the County Auditor's brother and Headco do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since total transactions were less than \$6,000 during the fiscal year.

IV-E-21 Restricted Donor Activity – Per Chapter 68B of the Code of Iowa, County officials are prohibited from receiving or soliciting gifts from a restricted donor. A restricted donor per Chapter 68B.2(24)(a) is a “party to any one or any combination of sales, purchases, leases or contract to, from, or with the agency in which the donee holds office or is employed.” The County bid the purchase of ambulances and Osage-North Central received the bid. The company provided a tour of the plant where the ambulances were constructed to four County employees. These County employees received hotel accommodations, meals, drinks and fuel provided by Osage-North Central.

Recommendation – The County should consult legal counsel to determine the disposition of this matter. Also, the County should ensure the Iowa gift law is adequately communicated and understood by all staff. Additional oversight should be performed to monitor compliance.

Response – We will consult legal counsel and communicate the Iowa gift law through staff training.

Conclusion – Response accepted.

IV-F-21 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be periodically reviewed to ensure the coverage is adequate for current operations.

IV-G-21 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

- IV-H-21 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-I-21 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-21 Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Custodial Funds because of the County’s fiduciary relationship with the organization.
- No instances of non-compliance were noted as a result of the audit procedures performed.
- IV-K-21 Lee County Public Safety Answering Point Association – The Lee County Public Safety Answering Point Association is operated under the authority of Chapter 28E of the Code of Iowa. Chapter 28E(6)(3) of the Code of Iowa requires the Lee County Public Safety Answering Point Association to publish a summary of the proceedings of each regular, adjourned, or special meeting. For two meetings tested, the minutes were not published within 20 days following the meeting’s adjournment, as required by Chapter 28E(6)(3).
- Recommendation – The Lee County Public Safety Answering Point Association should ensure minutes are published timely, as required.
- Response – We will begin publishing minutes within 20 days after the meeting has adjourned as required.
- Conclusion – Response accepted.
- IV-L-21 Sheriff Unclaimed Property – Chapter 556.11 of the Code of Iowa requires checks outstanding for more than two years at June 30 be reported and remitted to the Office of Treasurer of State. The County Sheriff did not report and remit these obligations as required.
- Recommendation – Outstanding checks should be reviewed annually and items over two years should be reported and remitted to the Office of Treasurer of State as required.
- Response – The County Sheriff will research the outstanding checks and remit to the Treasurer of State, as required.
- Conclusion – Response accepted.

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IV-M-21 Ambulance Annual Report – The contract between Lee County and Lee County EMS Ambulance, Inc., requires the EMS provide an annual financial report to the “Administrator”, who is identified as the Lee County Board Chair, within 30 days after the close of the EMS year of December 31. The annual financial report was not provided to the County.

Recommendation – The Lee County EMS should provide the annual financial report, as required.

Response – We will submit the annual financial report to the County timely, as required.

Conclusion – Response accepted.

Lee County

Staff

This audit was performed by:

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