

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

March 31, 2023

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 \$37,215,382 for the year ended June 30, 2022, a 17.5% increase over the prior year. Expenses for County operations for the year ended June 30, 2022 totaled \$31,859,481, a 5.1% increase over the prior year. The significant increase in the revenues is due primarily to the County providing and billing for ambulance services in fiscal year 2022 and an increase in infrastructure assets contributed by the Iowa Department of Transportation. The significant increase in expenses is due primarily to the County providing ambulance service during fiscal year 2022.

AUDIT FINDINGS:

Sand reported twelve findings related to the receipt and expenditure of taxpayer funds. They are found on pages 94 through 103 of this report. The findings address issues such as lack of segregation of duties, the lack of bank reconciliations for certain accounts and commingling County Health Department operations with a nonprofit organization. Sand provided the County with recommendations to address each of these findings.

Six findings are repeated from the prior year. The County Board of Supervisors and other elected officials have a fiduciary responsibility to provide oversight of the County's 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 website at [Audit Reports – Auditor of State](#).

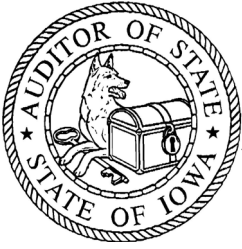
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LEE COUNTY

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

JUNE 30, 2022

Lee County



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

Rob Sand
Auditor of State

March 28, 2023

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, 2022. 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".

Rob Sand
Auditor of State

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Lee County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rich Harlow	Board of Supervisors	Resigned May 2022
Charles Holmes (Appointed Jun 2022)	Board of Supervisors	Nov 2022
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	Resigned Jan 2023
Patricia Meierotto (Appointed Jan 2023)	County Assessor	Jan 2028



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Independent Auditor's Report

To the Officials of Lee County:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lee County, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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 and the aggregate remaining fund information of Lee County as of June 30, 2022 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Lee County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 21 to the financial statements, Lee County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lee County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lee County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lee County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset), 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 60 through 69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 auditing standards generally accepted in the United States of America, 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.

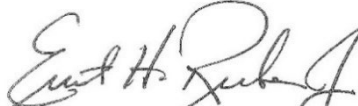
Supplementary Information

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, 2021 (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.

Such 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. The 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 through 9 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2023 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

March 28, 2023

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, 2022. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2022 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 87, Leases, during fiscal year 2022. The implementation of this standard revised certain asset and liability accounts related to leases, however had no effect on the beginning net position for governmental activities.
- Revenues of the County's governmental activities increased 17.5%, or approximately \$5,546,000, from fiscal year 2021 to fiscal year 2022. The County received approximately \$920,000 of federal grants for the American Rescue Plan Act (ARPA). Charges for services revenues increased approximately \$1,961,000 and capital grants, contributions and restricted interest increased approximately \$2,784,000.
- Program expenses of the County's governmental activities were 5.1%, or approximately \$1,538,000, more in fiscal year 2022 than in fiscal year 2021. Public safety and legal services and administration expenses increased approximately \$1,674,000 and \$1,082,000, respectively, while roads and transportation, county environment and education and mental health expenses decreased approximately \$437,000, \$317,000 and \$314,000.
- The County's net position increased 9.9%, or approximately \$5,356,000, over the June 30, 2021 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 (asset) 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. 4) the Capital Projects Fund and 5) the Permanent Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

3) Fiduciary funds are used to report assets held in a trust or 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,	
	2022	2021
Current and other assets	\$ 46,886	44,478
Capital assets	51,998	48,110
Total assets	<u>98,884</u>	<u>92,588</u>
Deferred outflows of resources	1,841	2,394
Long-term liabilities	12,189	20,417
Other liabilities	7,312	6,209
Total liabilities	<u>19,501</u>	<u>26,626</u>
Deferred inflows of resources	21,875	14,362
Net position:		
Net investment in capital assets	50,702	44,269
Restricted	14,955	13,121
Unrestricted	<u>(6,307)</u>	<u>(3,396)</u>
Total net position	<u>\$ 59,350</u>	<u>53,994</u>

Lee County’s total net position increased 9.9% (from approximately \$54 million compared to approximately \$59 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 \$6,433,000, or 14.5%, over the prior year.

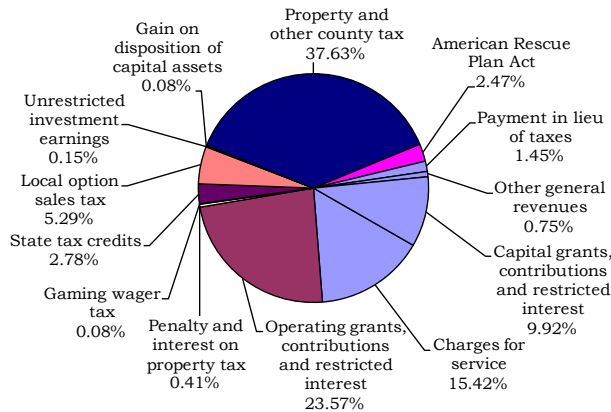
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$1,834,000, or 14.0%, over the prior year. This increase is primarily due to an increase in the amount held at year end in the Special Revenue, Secondary Roads Fund and Opioid Abatement 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 \$3,396,000 at June 30, 2021 to a deficit of approximately \$6,307,000 at the end of this year, a decrease of approximately \$2,911,000. The change in the unrestricted net position is due in part to a decrease in the general fund balance and the net effect of the net pension asset and pension related deferred inflows and outflows on the unrestricted net position.

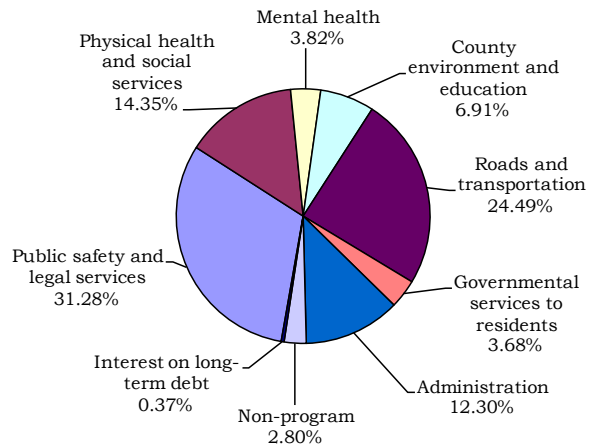
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2022	2021
Revenues:		
Program revenues:		
Charges for service	\$ 5,740	3,779
Operating grants, contributions and restricted interest	8,772	8,496
Capital grants, contributions and restricted interest	3,690	906
General revenues:		
Property and other county tax	14,004	14,078
Penalty and interest on property tax	152	238
Gaming wager tax	29	28
State tax credits	1,033	1,163
Local option sales tax	1,967	1,932
American Rescue Plan Act	920	-
Payment in lieu of taxes	540	540
Unrestricted investment earnings	55	85
Gain on disposition of capital assets	30	70
Other general revenues	283	354
Total revenues	37,215	31,669
Program expenses:		
Public safety and legal services	9,961	8,287
Physical health and social services	4,573	4,534
Mental health	1,217	1,531
County environment and education	2,203	2,520
Roads and transportation	7,802	8,239
Governmental services to residents	1,173	1,373
Administration	3,920	2,838
Non-program	891	880
Interest on long-term debt	119	119
Total expenses	31,859	30,321
Change in net position	5,356	1,348
Net position beginning of year	53,994	52,646
Net position end of year	\$ 59,350	53,994

Revenue by Source



Expenses by Program



Lee County's governmental activities net position increased approximately \$5,356,000 during the year. Revenues for governmental activities increased approximately \$5,546,000 over the prior year. Charges for services increased approximately \$1,961,000 due to the County providing and billing for ambulance services in fiscal year 2022. Capital grants, contributions and restricted interest increased approximately \$2,784,000 due to an increase in infrastructure assets contributed by the Iowa Department of Transportation.

For fiscal year 2022, taxable property valuation increased approximately \$36,349,000 and the tax levy rate decreased from \$10.67038 to \$10.25869 per \$1,000 of taxable valuation. As a result, property tax revenue decreased approximately \$74,000. The total Lee County assessed taxable property valuation for property tax payable in fiscal year 2023 increased approximately \$41,824,000. The tax levy rate is set to increase to \$10.32445 per \$1,000 of taxable valuation. Property tax revenue is budgeted to increase approximately \$544,000 next year.

The cost of all governmental activities this year was approximately \$31.8 million compared to approximately \$30.3 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$13.7 million because some of the cost was paid by those who directly benefited from the programs (approximately \$5.7 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$12.5 million). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased from approximately \$13.2 million in fiscal year 2021 to approximately \$18.2 million in fiscal year 2022. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$19 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 \$19,019,147, a decrease of \$2,846,948 below last year's total of \$21,866,095. 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 2022 with an ending balance of \$5,407,912, compared to the prior year ending balance of \$7,509,588, a decrease of \$2,101,676. Revenues increased \$1,891,203 or 10.5%, primarily due to the County providing and billing for ambulance services during the fiscal year. Expenditures increased \$3,910,197, or 21.5%, to \$22,066,493. The public safety and legal services function increased \$2,019,326 due to providing ambulance services.

The Special Revenue, Mental Health Fund balance at year end decreased \$466,999 from the prior year end. For the year, expenditures totaled \$1,197,350 a decrease of 16.7% from the prior year, primarily due to the elimination of this fund at June 30, 2022. The County was required by Senate File 619 to transfer the remaining fund balance to the Southeast Iowa Link Mental Health Region prior to June 30, 2022.

The Special Revenue, Rural Services Fund ended fiscal year 2022 with a balance of \$1,663,740, an increase of \$142,322 over the prior year ending balance. There were no significant changes in revenues or expenditures.

The Special Revenue, Secondary Roads Fund ended fiscal year 2022 with a balance of \$7,880,880 compared to the prior year ending balance of \$6,514,939, an increase of \$1,365,941. Revenues decreased \$336,138 or 6.1% due primarily to a decrease in road use tax revenues. Expenditures decreased \$566,069 or 8.1%, due primarily to less capital projects being completed during the fiscal year.

The Capital Projects Fund ended fiscal year 2022 with a balance of \$2,291,682 compared to the prior year ending balance of \$4,520,137, a decrease of \$2,228,455. Revenues increased \$4,994. Expenditures decreased \$307,914, or 12.1% primarily due to less construction costs in the current year. The decrease in the end of year fund balance is primarily due to the County spending down debt proceeds which were received in the prior year.

The Debt Service Fund ended fiscal year 2022 with a balance of \$71,259 compared to the prior year ending balance of \$101,970, a decrease of \$30,711. Revenues increased \$163,251 due to an increase in property tax revenues. Expenditures decreased \$2,972,435 primarily due to the County issuing and refunding debt in the prior year.

BUDGETARY HIGHLIGHTS

During the year, Lee County amended its budget two times. The first amendment was made in October 2021 to increase budgeted disbursement for a new Safety and Risk Management department and for American Rescue Plan Act funds. The second amendment was made in May 2022 to increase budgeted receipts for American Rescue Plan Act funds and to increase budgeted disbursement for repairs and equipment purchases.

The County's receipts were \$1,457,728 less than budgeted, a variance of 4.26%. The County received \$1,053,328 less in miscellaneous receipts than anticipated in fiscal year 2022. This was primarily due to ambulance receipts received in fiscal year 2022 being \$1,233,153 less than expected. Fiscal year 2022 was the first year the County provided and billed for ambulance services. There was an unanticipated delay between billing services and the timing of insurance reimbursements.

Total disbursements were \$7,124,428 less than the amended budget, a variance of 17.2%. Actual disbursements for capital projects, administration, and roads and transportation were \$2,406,882, \$2,246,406 and \$884,850, respectively, less than budgeted. This was primarily due to budgeting for capital projects which were not started during the fiscal year, a delay in the timing of work on the Countywide Radio Project, not spending American Rescue Plan Act funds as budgeted, and gravel and equipment purchases less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the County had invested approximately \$52 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 \$3,703,024 over June 30, 2021.

Lee County had depreciation/amortization expense of approximately \$3.8 million in fiscal year 2022 and total accumulated depreciation/amortization of approximately \$54.9 million at June 30, 2022. Additional information about the County's capital assets is included in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2022, the County had approximately \$10,495,000 of long-term debt outstanding. This represents a decrease of approximately \$1,217,000 from June 30, 2021, as restated.

Debt decreased from the prior year due to scheduled payments of \$953,000 on general obligation bonds, \$9,977 on promissory notes, \$94,898 on lease agreements and \$216,030 equipment purchase agreements during the current year.

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 \$127.3 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 2023 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 4.7% versus 6.6% a year ago. This compares with the State's unemployment rate of 2.6% and the national rate of 3.6%.

These indicators were taken into account when adopting the budget for fiscal year 2023. Amounts available for appropriation (i.e., beginning balance plus revenues) in the operating budget are approximately \$50 million, a decrease of approximately \$400,000 from the final fiscal year 2022 budget. Budgeted disbursements are expected to decrease approximately \$2,508,000 from the final fiscal year 2022 budget, primarily in the Capital Projects and Mental Health Functions. The County has added no major new programs or initiatives to the fiscal year 2023 budget.

If these estimates are realized, the County's budgetary operating balance is expected to increase approximately \$2,198,000, or 24.8%, by the close of fiscal year 2023.

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, 2022

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 25,105,865
Receivables:	
Property tax:	
Delinquent	42,606
Succeeding year	14,305,500
Interest and penalty on property tax	65,348
Accounts	910,692
Opioid settlement	1,124,343
Accrued interest	5,332
Loans receivable	25,472
Due from other governments	1,867,656
Inventories	1,221,442
Prepaid expense	50,868
Capital assets not being depreciated	5,710,259
Capital assets, net of accumulated depreciation/amortization	46,287,436
Net pension asset	2,161,586
Total assets	98,884,405
Deferred Outflows of Resources	
Pension related deferred outflows	1,642,267
OPEB related deferred outflows	199,194
Total deferred outflows of resources	1,841,461
Liabilities	
Accounts payable	767,619
Accrued interest payable	8,651
Salaries and benefits payable	439,870
Due to other governments	479,064
Unearned revenues	5,616,995
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	982,000
Lease agreements	98,736
Equipment purchase agreement	218,996
Promissory note	9,978
Compensated absences	581,964
Total OPEB liability	22,480
Portion due or payable after one year:	
General obligation bonds	8,335,000
Lease agreements	47,922
Equipment purchase agreement	802,569
Compensated absences	121,232
Total OPEB liability	967,559
Total liabilities	19,500,635
Deferred Inflows of Resources	
Unavailable property tax revenue	14,305,500
Pension related deferred inflows	7,106,058
OPEB related deferred inflows	463,675
Total deferred inflows of resources	21,875,233

Lee County
Statement of Net Position
June 30, 2022

	Governmental Activities
Net Position	
Net investment in capital assets	50,701,533
Restricted for:	
Nonexpendable:	
Permanent Fund - hospice care	82,500
Expendable:	
Supplemental levy purposes	1,890,083
Rural services purposes	1,647,421
Secondary roads purposes	7,747,533
Conservation land acquisition	392,255
Debt service	74,197
Building repair and maintenance	377,933
Hospice care purposes	227,655
Opioid abatement	1,124,343
Other purposes	1,391,681
Unrestricted	(6,307,136)
Total net position	\$ 59,349,998

See notes to financial statements.

Lee County

Lee County
Statement of Activities
Year ended June 30, 2022

	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	\$ 9,960,636	2,567,336	364,716	-	(7,028,584)
Physical health and social services	4,572,711	1,343,810	2,832,533	-	(396,368)
Mental health	1,217,071	-	62,816	-	(1,154,255)
County environment and education	2,203,170	134,793	981,498	-	(1,086,879)
Roads and transportation	7,802,423	182,108	4,475,361	3,689,952	544,998
Governmental services to residents	1,172,770	586,796	23,568	-	(562,406)
Administration	3,920,385	55,588	26,726	-	(3,838,071)
Non-program	890,841	869,315	2,204	-	(19,322)
Interest on long-term debt	119,474	-	2,306	-	(117,168)
Total	\$ 31,859,481	5,739,746	8,771,728	3,689,952	(13,658,055)
General Revenues:					
Property and other county tax levied for:					
General purposes					13,025,582
Debt service					978,492
Penalty and interest on property tax					151,603
Gaming wager tax					28,879
Hotel/motel tax					7,275
State tax credits and replacements					1,033,381
Rents					174,011
Local option sales tax					1,966,921
American Rescue Plan Act					920,483
Payment in lieu of taxes					540,000
Unrestricted investment earnings					55,314
Gain on disposition of capital assets					29,683
Miscellaneous					102,332
Total general revenues					19,013,956
Change in net position					5,355,901
Net position beginning of year					53,994,097
Net position end of year					\$ 59,349,998

See notes to financial statements.

Lee County
Balance Sheet
Governmental Funds

June 30, 2022

	Special			
	General	Rural Services	Secondary Roads	Capital Projects
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ 10,994,485	1,580,388	6,446,617	2,293,696
Component units	-	-	-	-
Receivables:				
Property tax:				
Delinquent	35,320	4,177	-	-
Succeeding year	11,357,500	1,979,000	-	-
Interest and penalty on property tax	65,348	-	-	-
Accounts, net of allowance for doubtful ambulance accounts of \$419,031	152,559	-	2,761	-
Opioid settlement	-	-	-	-
Economic development loan	25,472	-	-	-
Accrued interest	4,226	-	-	526
Due from other governments	1,357,359	117,282	392,375	-
Inventories	-	-	1,217,722	-
Prepaid items	40,337	-	4,350	-
Total assets	\$ 24,032,606	3,680,847	8,063,825	2,294,222
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 456,863	15,016	68,882	2,540
Salaries and benefits payable	344,617	11,706	72,979	-
Due to other funds	7,327	-	89	-
Due to other governments	125,965	7,730	2,817	-
Unearned revenue	5,616,995	-	-	-
Total liabilities	6,551,767	34,452	144,767	2,540
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	11,357,500	1,979,000	-	-
Other	715,427	3,655	38,178	-
Total deferred inflows of resources	12,072,927	1,982,655	38,178	-
Fund balances:				
Nonspendable:				
Inventories	-	-	1,217,722	-
Hospice care	-	-	-	-
Prepaid items	40,337	-	4,350	-
Loans receivable	25,472	-	-	-
Restricted for:				
Supplemental levy purposes	1,944,575	-	-	-
Rural services purposes	-	1,663,740	-	-
Secondary roads purposes	-	-	6,658,808	-
Conservation land acquisition	392,255	-	-	-
Capital projects	-	-	-	2,291,682
Debt service	-	-	-	-
Hospice care	-	-	-	-
Building repair and maintenance (local option sales tax)	377,933	-	-	-
Opioid abatement	-	-	-	-
Other purposes	37,403	-	-	-
Unassigned	2,589,937	-	-	-
Total fund balances	5,407,912	1,663,740	7,880,880	2,291,682
Total liabilities, deferred inflows of resources and fund balances	\$ 24,032,606	3,680,847	8,063,825	2,294,222

See notes to financial statements.

Revenue		
Debt Service	Nonmajor	Total
71,071	437,624	21,823,881
-	842,552	842,552
3,109	-	42,606
969,000	-	14,305,500
-	-	65,348
-	755,242	910,562
-	1,124,343	1,124,343
-	-	25,472
17	78	4,847
-	-	1,867,016
-	-	1,217,722
-	-	44,687
<u>1,043,197</u>	<u>3,159,839</u>	<u>42,274,536</u>
-	24,319	567,620
-	4,449	433,751
-	-	7,416
-	342,077	478,589
-	-	5,616,995
-	370,845	7,104,371
969,000	-	14,305,500
<u>2,938</u>	<u>1,085,320</u>	<u>1,845,518</u>
<u>971,938</u>	<u>1,085,320</u>	<u>16,151,018</u>
-	-	1,217,722
-	82,500	82,500
-	-	44,687
-	-	25,472
-	-	1,944,575
-	-	1,663,740
-	-	6,658,808
-	-	392,255
-	-	2,291,682
71,259	-	71,259
-	227,655	227,655
-	-	377,933
-	39,023	39,023
-	1,354,496	1,391,899
-	-	2,589,937
<u>71,259</u>	<u>1,703,674</u>	<u>19,019,147</u>
<u>1,043,197</u>	<u>3,159,839</u>	<u>42,274,536</u>

Lee County

Lee County

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

June 30, 2022

Total governmental fund balances (page 21) \$ 19,019,147

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 \$106,354,159 and the accumulated depreciation/amortization is \$54,448,090. 51,906,069

Other long-term assets are not available to pay current year expenditures, as follows:

Deferred inflows of resources	\$ 1,845,518	
Net pension asset	<u>2,139,970</u>	3,985,488

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 \$506,004	91,626	
Equipment purchase agreement payable	(69,364)	
Compensated absences	(8,881)	
Total OPEB liability	(9,900)	
Net pension asset	21,616	
Pension and OPEB related deferred outflows	18,415	
Pension and OPEB related deferred inflows	(75,698)	
Other net position	<u>2,251,411</u>	2,219,225

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	1,823,046	
Deferred inflows of resources	<u>(7,494,035)</u>	(5,670,989)

Long-term liabilities, including general obligation bonds payable, lease agreements payable, equipment purchase agreements payable, promissory note, 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. (12,108,942)

Net position of governmental activities (page 17) \$ 59,349,998

See notes to financial statements.

Lee County

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

Year ended June 30, 2022

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 10,359,430	674,678	2,024,581
Local option sales tax	491,730	-	1,475,191
Interest and penalty on property tax	140,817	-	-
Intergovernmental	5,822,488	55,673	111,949
Licenses and permits	274,984	-	-
Charges for service	1,742,463	-	-
Use of money and property	228,306	-	-
Miscellaneous	847,821	-	6,468
Total revenues	19,908,039	730,351	3,618,189
Expenditures:			
Operating:			
Public safety and legal services	10,036,520	-	665,584
Physical health and social services	4,844,994	-	-
Mental health	-	1,197,350	-
County environment and education	1,702,069	-	195,402
Roads and transportation	-	-	-
Governmental services to residents	1,267,661	-	3,123
Administration	4,002,380	-	-
Debt service	-	-	-
Capital projects	212,869	-	-
Total expenditures	22,066,493	1,197,350	864,109
Excess (deficiency) of revenues over (under) expenditures	(2,158,454)	(466,999)	2,754,080
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	(2,611,758)
Lease agreements	56,778	-	-
Total other financing sources (uses)	56,778	-	(2,611,758)
Change in fund balances	(2,101,676)	(466,999)	142,322
Fund balances beginning of year	7,509,588	466,999	1,521,418
Fund balances end of year	\$ 5,407,912	-	1,663,740

See notes to financial statements.

Revenue				
Secondary Roads	Capital Projects	Debt Service	Nonmajor	Total
-	-	978,247	-	14,036,936
-	-	-	-	1,966,921
-	-	-	-	140,817
5,011,819	-	79,816	251,202	11,332,947
33,448	-	-	-	308,432
87	-	-	5,256	1,747,806
-	10,657	2,306	17,884	259,153
148,573	-	-	796,759	1,799,621
5,193,927	10,657	1,060,369	1,071,101	31,592,633
-	-	-	1,280	10,703,384
-	-	-	52,142	4,897,136
-	-	-	-	1,197,350
-	-	-	545,049	2,442,520
6,006,221	-	-	-	6,006,221
-	-	-	-	1,270,784
-	-	-	-	4,002,380
-	-	1,091,080	-	1,091,080
433,523	2,239,112	-	-	2,885,504
6,439,744	2,239,112	1,091,080	598,471	34,496,359
(1,245,817)	(2,228,455)	(30,711)	472,630	(2,903,726)
2,611,758	-	-	-	2,611,758
-	-	-	-	(2,611,758)
-	-	-	-	56,778
2,611,758	-	-	-	56,778
1,365,941	(2,228,455)	(30,711)	472,630	(2,846,948)
6,514,939	4,520,137	101,970	1,231,044	21,866,095
7,880,880	2,291,682	71,259	1,703,674	19,019,147

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, 2022

Change in fund balances - Total governmental funds (page 25) \$ (2,846,948)

**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	\$ 4,313,691	
Capital assets contributed by the Iowa Department of Transportation	3,128,917	
Right-to-use leased capital assets	56,778	
Depreciation/amortization expense	<u>(3,795,503)</u>	3,703,883

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. 29,683

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	3,292	
Other	<u>1,583,075</u>	1,586,367

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 repayments exceeded issuances, as follows:

Issued	(56,778)	
Repaid	<u>1,239,223</u>	1,182,445

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. 1,081,859

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	3,094	
Pension expense (reduction)	734,906	
OPEB expense	(66,316)	
Interest on long-term debt	<u>18,606</u>	690,290

The Internal Service Funds are used by management to charge the costs of various services to individual departments and funds. The change in net position of the Internal Service Funds is reported with governmental activities. (71,678)

Change in net position of governmental activities (page 19) \$ 5,355,901

See notes to financial statements.

Lee County
Statement of Net Position
Proprietary Funds

June 30, 2022

	Internal Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,439,432
Receivables:	
Accounts	130
Accrued interest	485
Due from other funds	7,416
Due from other governments	640
Inventories	3,720
Prepaid expenses	6,181
Noncurrent assets:	
Capital assets, net of accumulated depreciation/amortization	91,626
Net pension asset	21,616
Total assets	2,571,246
Deferred Outflows of Resources	
OPEB related deferred outflows	1,992
Pension related deferred outflows	16,423
Total Deferred Outflows of Resources	18,415
Liabilities	
Current liabilities:	
Accounts payable	199,999
Salaries and benefits payable	6,119
Due to other governments	475
Equipment purchase agreement payable	34,682
Compensated absences	8,881
Non-current liabilities:	
Equipment purchase agreement payable	34,682
Total OPEB liability	9,900
Total liabilities	294,738
Deferred Inflows of Resources	
OPEB related deferred inflows	4,637
Pension related deferred inflows	71,061
Total Deferred Inflows of Resources	75,698
Net Position	
Net investment in capital assets	22,262
Restricted for employee health	1,937,918
Unrestricted	259,045
Total net position	\$ 2,219,225

See notes to financial statements.

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

Year ended June 30, 2022

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds and other governmental units		\$ 3,886,094
Reimbursements from employees and others		464,150
Miscellaneous reimbursements		<u>3,205</u>
Total operating revenues		4,353,449
Operating expenses:		
Medical and health services	\$ 3,941,343	
Salaries and benefits	156,120	
Administrative fees, network access fees and stop-loss premium	66,044	
Supplies, utilities and data processing	205,859	
Maintenance agreements	13,149	
Non-capitalized equipment	19,287	
Depreciation/amortization	<u>30,542</u>	<u>4,432,344</u>
Operating loss		(78,895)
Non-operating revenues:		
Interest income		<u>7,217</u>
Change in net position		(71,678)
Net position beginning of year		<u>2,290,903</u>
Net position end of year		<u>\$ 2,219,225</u>

See notes to financial statements.

Lee County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2022

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds and other governmental units	\$ 3,884,532
Cash received from employees and others	467,225
Cash paid to suppliers for services	(4,414,136)
Net cash used by operating activities	(62,379)
Cash flows from capital and related financing activities:	
Equipment purchase agreement payable	(34,682)
Cash flows from investing activities:	
Interest on investments	7,427
Net decrease in cash and cash equivalents	(89,634)
Cash and cash equivalents beginning of year	2,529,066
Cash and cash equivalents end of year	\$ 2,439,432
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (78,895)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation/amortization expense	30,542
Changes in assets and liabilities:	
Accounts receivable	(130)
Due from other funds	(1,185)
Due from other governments	(377)
Inventories	2,793
Prepaid expenses	(6,181)
Pension asset	(90,495)
Deferred outflows of resources	5,530
Accounts payable	(123)
Salaries and benefits payable	2,064
Due to other funds	(53)
Due to other governments	28
Compensated absences	6,820
Total OPEB liability	(3,123)
Deferred inflows of resources	70,406
Net cash used by operating activities	\$ (62,379)

See notes to financial statements.

Lee County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2022

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 4,258,198
Other County officials	229,531
Property tax receivable:	
Delinquent	137,521
Succeeding year	34,976,700
Accounts receivable	17,202
Accrued interest	426
Special assessments	505,068
Drainage Assessment	43,538
Due from other governments	279,021
Prepaid insurance	8,587
	<hr/>
Total assets	40,455,792

Liabilities

Accounts payable	112,702
Salaries and benefits payable	55,110
Due to other governments	1,585,908
Trusts payable	254,465
Compensated absences	65,587
Drainage bond payable	83,080
	<hr/>
Total liabilities	2,156,852

Deferred Inflows of Resources

Unavailable revenues	34,976,700
	<hr/>
Total net position	\$ 3,322,240

See notes to financial statements.

Lee County
Statement of Changes in Fiduciary Net Position
Custodial Funds

Year Ended June 30, 2022

Additions:	
Property and other county tax	\$ 34,930,369
911 surcharge	112,717
State tax credits	3,289,911
Drivers license fees	66,277
Office fees and collections	1,272,888
Auto licenses, use tax and postage	11,090,182
Assessments	434,117
Trusts	3,281,603
Miscellaneous	<u>4,168,132</u>
Total additions	<u>58,646,196</u>
Deductions:	
Agency remittances:	
To other funds	1,158,871
To other governments	53,475,537
Trusts paid out	<u>3,281,603</u>
Total deductions	<u>57,916,011</u>
Change in net position	730,185
Net position beginning of year	<u>2,592,055</u>
Net position end of year	<u>\$ 3,322,240</u>

See notes to financial statements.

Lee County

Notes to Financial Statements

June 30, 2022

(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. Ownership of the remaining assets has been transferred to the County during the fiscal year ended June 30, 2022. Capital assets held by the Great River Progressive Housing Corporation were previously included in the beginning balance on Note 5 and will be reported as County assets.

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.

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, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2021.

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, 2022, 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 (except for intangible right-to-use lease assets, the measurement of which is discussed under “Leases” below) 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 an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles	50,000
Equipment and vehicles	5,000
Right-to-use leased assets	5,000

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

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

Leases – County as Lessee: Lee County is the lessee for a noncancellable lease of equipment, buildings and leased improvements. The County has recognized a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payment expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payment made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Lee County determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

Lee County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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.

Unearned Revenue – 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. Unearned revenue in the government-wide and governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the County has not made a qualifying expenditure. Unearned revenue consists of unspent American Rescue Plan Act proceeds.

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, 2022. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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 asset, 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 asset attributable to the governmental activities will be recognized primarily by the General Fund and the Special Revenue, 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, 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, 2022, disbursements did not exceed the amounts budgeted.

(2) Cash, Cash Equivalents and Pooled Investments

The County’s deposits in banks at June 30, 2022 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, 2022 consist of stocks, mutual funds, exchange-traded funds and closed-ended funds with a fair value of \$155,547. 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, 2022 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 \$155,547 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, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service:		
Supplies	General	\$ 7,327
	Special Revenue:	
	Secondary Roads	89
Total		<u>\$ 7,416</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, 2022 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Basic	<u>\$ 2,611,758</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, 2022 was as follows:

	<u>Restated 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	\$ 1,107,136	-	-	1,107,136
Land, road network	1,585,584	-	-	1,585,584
Construction in progress	1,799,795	5,570,105	(4,352,361)	3,017,539
Total capital assets not being depreciated/amortized	4,492,515	5,570,105	(4,352,361)	5,710,259
Capital assets being depreciated/amortized:				
Buildings	17,694,588	587,616	-	18,282,204
Improvements other than buildings	1,582,491	253,369	-	1,835,860
Equipment and vehicles	10,903,442	4,622,383	(171,684)	15,354,141
Equipment, internal service	129,380	-	-	129,380
Intangibles	125,420	-	-	125,420
Intangibles, internal service	468,250	-	-	468,250
Infrastructure, road network	64,010,523	794,196	-	64,804,719
Right-to-use leased buildings	165,626	49,903	-	215,529
Right-to-use leased improvements other than buildings	7,529	-	-	7,529
Right-to-use leased equipment	11,623	6,875	-	18,498
Total capital assets being depreciated/amortized	95,098,872	6,314,342	(171,684)	101,241,530
Less accumulated depreciation/amortization for:				
Buildings	8,163,484	418,957	-	8,582,441
Improvements other than buildings	925,734	53,101	-	978,835
Equipment and vehicles	7,119,553	1,312,917	(168,667)	8,263,803
Equipment, internal service	125,180	1,050	-	126,230
Intangibles	125,420	-	-	125,420
Intangibles, internal service	350,282	29,492	-	379,774
Infrastructure, road network	34,487,063	1,914,593	-	36,401,656
Right-to-use leased buildings	-	90,298	-	90,298
Right-to-use leased improvements other than buildings	-	941	-	941
Right-to-use leased equipment	-	4,696	-	4,696
Total accumulated depreciation/amortization	51,296,716	3,826,045	(168,667)	54,954,094
Total capital assets being depreciated/amortized, net	43,802,156	2,488,297	(3,017)	46,287,436
Governmental activities capital assets, net	<u>\$ 48,294,671</u>	<u>8,058,402</u>	<u>(4,355,378)</u>	<u>51,997,695</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 712,530
Physical health and social services	164,891
Mental health	34,299
County environment and education	138,059
Roads and transportation	2,393,535
Government services to residents	13,765
Administration	<u>368,966</u>
Total depreciation/amortization expense - government activities	<u>\$ 3,826,045</u>

Equipment costing \$1,146,637 was purchased under equipment purchase agreements. Accumulated depreciation on these assets totaled \$368,047.

(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, 2022 is as follows:

Fund	Description	Amount
General	Services	\$ 125,965
Special Revenue:		
Rural Services	Services	7,730
Secondary Roads	Services	2,817
Lee County Economic Development Group	Services	<u>342,077</u>
		<u>352,624</u>
Total for governmental funds		<u>\$ 478,589</u>
Custodial:		
County Assessor	Collections	\$ 42
Schools		274,627
Community Colleges		25,915
Corporations		195,034
Auto License and Use Tax		917,000
All other		<u>173,290</u>
Total for agency funds		<u>\$ 1,585,908</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	General Obligation Communication and Refunding Bonds 2021	General Obligation Maintenance Bonds 2020	Direct Borrowing Promissory Note	Lease Agreements	Direct Borrowing Equipment Purchase Agreements	Compen- sated Absences	Net Pension Liability (asset)	Total OPEB Liability	Total
Balance beginning of year, as restated	\$ 9,245,000	1,025,000	19,955	184,778	1,237,595	699,470	6,887,870	1,302,329	20,601,997
Increases	-	-	-	56,778	-	1,293,531	-	151,260	1,501,569
Decreases	<u>857,000</u>	<u>96,000</u>	<u>9,977</u>	<u>94,898</u>	<u>216,030</u>	<u>1,289,805</u>	<u>9,049,456</u>	<u>463,550</u>	<u>12,076,716</u>
Balance end of year	\$ 8,388,000	929,000	9,978	146,658	1,021,565	703,196	(2,161,586)	990,039	10,026,850
Due within one year	<u>\$ 884,000</u>	<u>98,000</u>	<u>9,978</u>	<u>98,736</u>	<u>218,996</u>	<u>581,964</u>	<u>-</u>	<u>22,480</u>	<u>1,914,154</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, 2022, the County made principal payments of \$857,000 and interest of \$124,037 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
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	1.15	925,000	55,108	980,108
2028-2032	1.15	3,267,000	139,471	3,406,471
2033	1.15	600,000	6,900	606,900
Total		\$ 8,388,000	525,871	8,913,871

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, 2022, the County made principal payments of \$96,000 and paid interest of \$14,043 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
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	1.37	103,000	7,261	110,261
2028-2031	1.37	427,000	14,713	441,713
Total		\$ 929,000	64,773	993,773

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, 2022, the County paid \$9,977 on the note.

Lease Agreements

On April 1, 2020, the County entered into a lease agreement for a parking lot. An initial lease liability was recorded in the amount of \$7,529. The agreement requires annual payments of \$1,000 over 10 years with an implicit interest rate of 1.37% and final payment due March 31, 2029. During the year ended June 30, 2022, the County paid principal of \$897 and interest of \$103.

On July 1, 2020, the County entered into a lease agreement for an administration building for the Public Health department. An initial lease liability was recorded in the amount of \$165,626. The agreement requires monthly payments of \$7,000 over 3 years with an implicit interest rate of 1.37% and final payment due June 30, 2023. During the year ended June 30, 2022, the County paid principal of \$82,246 and interest of \$1,754.

On October 1, 2021, the County entered into a lease agreement for office space for the Public Health department. An initial lease liability was recorded in the amount of \$49,903. The agreement requires monthly payments of \$861 over 5 years with an implicit interest rate of 1.37% and final payment due September 30, 2026. During the year ended June 30, 2022, the County paid principal of \$7,269 and interest of \$480.

On January 15, 2020, the County entered into a lease agreement for a postage machine in the Auditor's Office. An initial lease liability was recorded in the amount of \$11,623. The agreement requires monthly payments of \$297 over 5 years with an implicit interest rate of 1.37% and final payment due December 15, 2024. During the year ended June 30, 2022, the County paid principal of \$3,152 and interest of \$418.

On July 2, 2021, the County entered into a lease agreement for a printer in the EMS department. An initial lease liability was recorded in the amount of \$6,875. The agreement requires monthly payments of \$119 over 5 years with an implicit interest rate of 1.37% and final payment due June 2, 2026. During the year ended June 30, 2022, the County paid principal of \$1,334 and interest of \$94.

Year Ending June 30,	Parking Lot			Postage Meter		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 909	91	1,000	\$ 3,284	287	3,571
2024	922	78	1,000	3,422	149	3,571
2025	934	66	1,000	1,765	21	1,786
2026	947	53	1,000	-	-	-
2027	960	40	1,000	-	-	-
2028-2029	1,960	40	2,000	-	-	-
Total	\$ 6,632	368	7,000	\$ 8,471	457	8,928

Year Ending June 30,	Administration Building			Office Space		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 83,380	620	84,000	\$ 9,809	523	10,332
2024	-	-	-	9,945	387	10,332
2025	-	-	-	10,082	250	10,332
2026	-	-	-	10,221	111	10,332
2027	-	-	-	2,577	7	2,584
2028-2029	-	-	-	-	-	-
Total	\$ 83,380	620	84,000	\$ 42,634	1,278	43,912

Year Ending June 30,	Printer			Total		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 1,354	74	1,428	\$ 98,736	1,595	100,331
2024	1,375	53	1,428	15,664	667	16,331
2025	1,395	33	1,428	14,176	370	14,546
2026	1,417	12	1,429	12,585	176	12,761
2027	-	-	-	3,537	47	3,584
2028-2029	-	-	-	1,960	40	2,000
Total	\$ 5,541	172	5,713	\$ 146,658	2,895	149,553

Equipment Purchase Agreements – Direct Borrowing

During the year ended June 30, 2021, the County entered into an equipment 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, 2022, principal and interest paid were \$181,348 and \$18,534, respectively.

During the year ended June 30, 2019, the County entered into an interest free equipment 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. During the year ended June 30, 2022, principal paid was \$34,682.

Future principal and interest equipment purchase payments as of June 30, 2022 are as follows:

Year Ending June 30,	Pictometry		Ambulance		Total	
	Principal		Principal	Interest	Principal	Interest
2023	\$ 34,682		\$ 184,314	15,568	\$ 218,996	15,568
2024	34,682		187,327	12,555	222,009	12,555
2025	-		190,390	9,492	190,390	9,492
2026	-		193,503	6,379	193,503	6,379
2027	-		196,667	3,216	196,667	3,216
Total	\$ 69,364		\$ 952,201	47,210	\$ 1,021,565	47,210

(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. During the year ended June 30, 2022, principal and interest paid by the Lee County Economic Development Group Inc. were \$50,001 and \$1,316, respectively.

The note receivable of \$25,472 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 2022, 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 9.01% of covered payroll, for a total rate of 18.02%. Protection occupation members contributed 6.21% of covered payroll and the County contributed 9.31% of covered payroll, for a total rate of 15.52%.

The County's contributions to IPERS for the year ended June 30, 2022 totaled \$1,092,787.

Net Pension Asset, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the County had an asset of \$2,161,586 for its proportionate share of the overall plan net pension asset. The overall plan net pension asset was measured as of June 30, 2021. The total plan pension liability used in its calculation of the overall plan net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the overall plan net pension asset was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the County's proportion of the overall plan net pension asset was 0.626135%, which was an increase of 0.528084% over its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the County recognized pension expense (reduction) of \$(742,326). At June 30, 2022, 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	\$ 266,250	112,074
Changes of assumptions	111,528	61,022
Net difference between projected and actual earnings on IPERS' investments	-	6,838,546
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	171,702	94,416
County contributions subsequent to the measurement date	1,092,787	-
Total	<u>\$ 1,642,267</u>	<u>7,106,058</u>

\$1,092,787 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 (asset) in the year ending June 30, 2023. 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
2023	\$ (1,656,967)
2024	(1,635,276)
2025	(1,487,178)
2026	(1,801,140)
2027	23,983
Total	<u>\$ (6,556,578)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension asset in the June 30, 2021 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, 2021 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 2021 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	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension asset 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 asset.

Sensitivity of the County's Proportionate Share of the Net Pension liability (Asset) to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability (asset) 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 (asset)	\$ 4,120,811	(2,161,586)	(7,424,525)

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, 2022.

(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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>191</u>
Total	<u>193</u>

Total OPEB Liability – The County’s total OPEB liability of \$990,039 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2022 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, 2022)	2.60% per annum.
Rates of salary increase (effective June 30, 2022)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2022)	4.09% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2022)	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 4.09% which reflects the highest 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 Public Plan 2010 tables. 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	<u>\$ 1,302,329</u>
Changes for the year:	
Service cost	120,798
Interest	30,462
Difference between expected and actual experiences	(269,456)
Changes in assumptions	(129,408)
Benefit payments	<u>(64,686)</u>
Net changes	<u>(312,290)</u>
Total OPEB liability end of year	<u>\$ 990,039</u>

Changes of assumptions reflect a change in the discount rate from 2.19% in fiscal year 2021 to 4.09% in fiscal year 2022.

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 (3.09%) or 1% higher (5.09%) than the current discount rate.

	1% Decrease (3.09%)	Discount Rate (4.09%)	1% Increase (5.09%)
Total OPEB liability	\$ 1,073,622	990,039	911,854

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	\$ 863,126	990,039	1,141,194

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the County recognized OPEB expense of \$66,986. At June 30, 2022, 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	\$ 84,208	346,031
Changes in assumptions	114,986	117,644
Total	<u>\$ 199,194</u>	<u>463,675</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
2023	\$ (19,588)
2024	(19,588)
2025	(19,588)
2026	(19,588)
2027	(19,589)
Thereafter	<u>(166,540)</u>
	<u>\$ (264,481)</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, 2022 was \$3,429,835.

Amounts payable from the Employee Health Plan Fund at June 30, 2022 total \$167,651, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$1,937,918 at June 30, 2022 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	\$ 181,643
Incurred claims (including claims incurred but not reported at June 30, 2022)	3,941,343
Payments:	
Payments on claims during the year	<u>(3,955,335)</u>
Unpaid claims end of year	<u>\$ 167,651</u>

(14) 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, 2022, the County abated \$456,548 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, 2022, \$31,073 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, 2022 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	\$ 62,111
City of Keokuk	Urban renewal and economic development projects	227,160
	Total	<u>\$ 289,271</u>

(15) Jointly Governed Organization

The County participates in the Lee County Public Safety Answering Point Association, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of Other Custodial Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2022:

Additions:		
Contributions from governmental units:		
Member contributions		\$ 1,108,237
Interest on investments		1,770
Miscellaneous		<u>1,920</u>
Total additions		1,111,927
Deductions:		
Salaries	\$ 685,030	
Benefits	315,781	
Office supplies	2,613	
Legal representation and publications	1,426	
Telephone	5,212	
Travel	1,594	
Training	4,359	
Equipment	8,963	
Labor relation services	1,300	
Insurance	6,552	
Maintenance and improvements	12,234	
Professional and technical services	7,250	
Data processing services	27,173	
Miscellaneous	<u>260</u>	<u>1,079,747</u>
Net		32,180
Balance beginning of year		<u>692,245</u>
Balance end of year		<u>\$ 724,425</u>

(16) 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, 2022 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 79,925	-	79,925
Quality improvement	-	46,482	46,482
Allocation for administration	4,207	18,269	22,476
School ready general use	-	300,624	300,624
Total state grants	84,132	365,375	449,507
Interest on investments	177	558	735
Total revenues	84,309	365,933	450,242
Expenditures:			
Program services:			
Early childhood	82,422	-	82,422
Quality improvement	-	46,222	46,222
School ready general use	-	295,048	295,048
Total program services	82,422	341,270	423,692
Administration	4,997	20,283	25,280
Total expenditures	87,419	361,553	448,972
Change in fund balance	(3,110)	4,380	1,270
Fund balance beginning of year	17,697	67,930	85,627
Fund balance end of year	\$ 14,587	72,310	86,897

(17) 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, 2022 is \$83,080.

(18) 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, 2022, as follows:

Revenues:		
Property and other county tax		\$ 674,678
Intergovernmental revenues:		
State tax credits		<u>55,673</u>
Total revenues		<u>730,351</u>
Expenditures:		
Services to persons with:		
Mental illness		29,405
General administration:		
Direct administration	\$ 154,743	
Distribution to regional fiscal agent	<u>1,013,202</u>	<u>1,167,945</u>
Total expenditures		<u>1,197,350</u>
Excess of expenditures over revenues		(466,999)
Fund balance beginning of year		<u>466,999</u>
Fund balance end of year		<u>\$ -</u>

(19) Construction Commitment

The County has entered into contracts totaling \$5,083,020 for communications equipment. As of June 30, 2022, costs of \$4,167,010 on the project have been incurred. The \$916,010 balance remaining on the project at June 30, 2022 will be paid as work on the project progresses.

(20) Opioid Litigation Settlement

The State of Iowa along with other states settled claims that certain prescription drug companies and pharmaceutical distributors engaged in misleading and fraudulent conduct in the marketing and sale of opioids and failed to monitor for, detect and prevent diversion of the drugs. The County also settled the same claims and related claims. Due to its settlement of these claims, the County will receive payments from the Defendant companies over the next seventeen years. The County is required to use these funds for activities to remediate the opioid crisis and treat or mitigate opioid use disorder and related disorders through prevention, harm reduction, and recovery services.

(21) Accounting Change

Governmental Accounting Standards Board Statement No. 87, Leases was implemented during fiscal year 2022. The new requirements require the reporting of certain lease assets and liabilities which were previously not reported. The result of these changes had no effect on the beginning net position.

	Capital Assets	Long-term Liabilities Lease Agreements
Balances June 30, 2021, as previously reported	\$ 48,109,893	-
Change to implement GASBS No. 87	184,778	184,778
Net position July 1, 2021, as restated	<u>\$ 48,294,671</u>	<u>184,778</u>

(22) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 96, Subscription-Based Information Technology Arrangements. This statement will be implemented for the fiscal year ending June 30, 2023. The revised requirements of this statements will require reporting of the right to use another party's information technology software alone or in combination with tangible capital assets that are not currently reported.

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, 2022

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 15,996,965	-	15,996,965
Interest and penalty on property tax	140,238	-	140,238
Intergovernmental	14,194,491	236,700	13,957,791
Licenses and permits	305,641	-	305,641
Charges for service	1,061,833	-	1,061,833
Use of money and property	299,218	6,621	292,597
Miscellaneous	1,529,688	563,262	966,426
Total receipts	33,528,074	806,583	32,721,491
Disbursements:			
Public safety and legal services	9,860,097	-	9,860,097
Physical health and social services	4,775,943	18,796	4,757,147
Mental health	1,196,890	-	1,196,890
County environment and education	2,595,497	755,724	1,839,773
Roads and transportation	6,112,907	-	6,112,907
Governmental services to residents	1,257,195	-	1,257,195
Administration	3,882,387	-	3,882,387
Non-program	27,207	-	27,207
Debt service	1,092,330	-	1,092,330
Capital projects	4,337,755	-	4,337,755
Total disbursements	35,138,208	774,520	34,363,688
Excess (deficiency) of receipts over (under) disbursements	(1,610,134)	32,063	(1,642,197)
Other financing sources (uses), net	33,643	-	33,643
Change in balances	(1,576,491)	32,063	(1,608,554)
Balance beginning of year	24,242,924	810,489	23,432,435
Balance end of year	\$ 22,666,433	842,552	21,823,881

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
15,283,941	15,283,941	713,024
144,000	144,000	(3,762)
11,655,814	14,924,553	(966,762)
313,350	313,350	(7,709)
1,084,139	1,084,139	(22,306)
409,482	409,482	(116,885)
2,019,754	2,019,754	(1,053,328)
30,910,480	34,179,219	(1,457,728)
10,282,537	10,396,073	535,976
5,083,879	5,105,229	348,082
1,456,267	1,456,267	259,377
1,910,803	2,079,924	240,151
6,897,757	6,997,757	884,850
1,458,246	1,458,246	201,051
2,671,507	6,128,793	2,246,406
28,510	28,510	1,303
1,092,380	1,092,680	350
6,844,637	6,744,637	2,406,882
37,726,523	41,488,116	7,124,428
(6,816,043)	(7,308,897)	5,666,700
-	-	33,643
(6,816,043)	(7,308,897)	5,700,343
16,170,784	16,170,784	7,261,651
9,354,741	8,861,887	12,961,994

Lee County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2022

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjustments	Basis
Revenues	\$ 33,528,074	(1,935,441)	31,592,633
Expenditures	35,138,208	(641,849)	34,496,359
Net	(1,610,134)	(1,293,592)	(2,903,726)
Other financing sources, net	33,643	23,135	56,778
Beginning fund balances	24,242,924	(2,376,829)	21,866,095
Ending fund balances	\$ 22,666,433	(3,647,286)	19,019,147

See accompanying independent auditor's report.

Lee County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2022

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, two budget amendments increased budgeted disbursements by \$3,761,593. 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, 2022, disbursements did not exceed the amounts budgeted.

Lee County

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

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

Required Supplementary Information

	2022	2021	2020	2019
County's proportion of the net pension liability/asset	0.626135% **	0.098051%	0.090086%	0.095661%
County's proportionate share of the net pension liability (asset)	\$ (2,162)	6,888	5,217	6,054
County's covered payroll	\$ 10,113	9,659	9,055	9,043
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-21.38%	71.31%	57.61%	66.95%
IPERS' net position as a percentage of the total liability pension (asset)	100.81%	82.90%	85.45%	83.62%

* 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.

** Overall plan net pension asset

See accompanying independent auditor's report.

2018	2017	2016	2015
0.100564%	0.097016%	0.092265%	0.085462%
6,699	6,106	4,558	3,389
8,809	8,228	7,867	7,415
76.05%	74.21%	57.94%	45.70%
82.21%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 1,093	955	916	862
Contributions in relation to the statutorily required contribution	<u>(1,093)</u>	<u>(955)</u>	<u>(916)</u>	<u>(862)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 11,754	10,113	9,659	9,055
Contributions as a percentage of covered payroll	9.30%	9.44%	9.48%	9.52%

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
820	799	742	710	669	630
(820)	(799)	(742)	(710)	(669)	(630)
-	-	-	-	-	-
9,043	8,809	8,228	7,867	7,415	7,135
9.07%	9.07%	9.02%	9.03%	9.02%	8.83%

Lee County

Notes to Required Supplementary Information – Pension Liability (Asset)

Year ended June 30, 2022

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 Five Years
Required Supplementary Information

	2022	2021	2020	2019	2018
Service cost	\$ 120,798	116,235	89,917	82,135	63,552
Interest cost	30,462	35,945	37,620	36,992	30,518
Difference between expected and actual experiences	(269,456)	(104,066)	120,298	-	(31,852)
Changes in assumptions	(129,408)	43,012	49,988	29,052	54,741
Benefit payments	(64,686)	(47,445)	(41,762)	(38,272)	(26,155)
Net change in total OPEB liability	(312,290)	43,681	256,061	109,907	90,804
Total OPEB liability beginning of year	1,302,329	1,258,648	1,002,587	892,680	801,876
Total OPEB liability end of year	\$ 990,039	1,302,329	1,258,648	1,002,587	892,680
Covered-employee payroll	\$ 9,538,270	8,231,659	8,135,252	7,259,202	7,711,045
Total OPEB liability as a percentage of covered-employee payroll	10.4%	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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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, 2022	4.09%
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, 2022

	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Special Local Government Opioid Abatement
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ 64,386	60,413	9,106	-
Component units	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Opioid settlement	-	-	-	1,124,343
Accrued interest	15	14	-	-
Total assets	64,401	60,427	9,106	1,124,343
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	49	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	-	-	49	-
Deferred inflows of resources:				
Deferred inflows - other	-	-	-	1,085,320
Fund balances:				
Nonspendable:				
Hospice care	-	-	-	-
Restricted for:				
Hospice care	-	-	-	-
Opioid abatement	-	-	-	39,023
Other purposes	64,401	60,427	9,057	-
Total fund balances	64,401	60,427	9,057	39,023
Total liabilities, deferred inflows of resources and fund balances	\$ 64,401	60,427	9,106	1,124,343

See accompanying independent auditor's report.

Revenue								
Great River Progressive Housing Corporation	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
-	-	-	-	7,818	187,625	25,776	82,500	437,624
-	458,646	224,828	159,078	-	-	-	-	842,552
-	736,677	-	-	-	18,565	-	-	755,242
-	-	-	-	-	-	-	-	1,124,343
-	-	-	-	-	43	6	-	78
-	1,195,323	224,828	159,078	7,818	206,233	25,782	82,500	3,159,839
-	19,910	-	-	-	4,360	-	-	24,319
-	4,449	-	-	-	-	-	-	4,449
-	342,077	-	-	-	-	-	-	342,077
-	366,436	-	-	-	4,360	-	-	370,845
-	-	-	-	-	-	-	-	1,085,320
-	-	-	-	-	-	-	82,500	82,500
-	-	-	-	-	201,873	25,782	-	227,655
-	-	-	-	-	-	-	-	39,023
-	828,887	224,828	159,078	7,818	-	-	-	1,354,496
-	828,887	224,828	159,078	7,818	201,873	25,782	82,500	1,703,674
-	1,195,323	224,828	159,078	7,818	206,233	25,782	82,500	3,159,839

Lee County

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

Year ended June 30, 2022

	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Special Local Government Opioid Abatement
Revenues:				
Intergovernmental	\$ 14,502	-	-	-
Charges for service	-	5,256	-	-
Use of money and property	221	214	-	-
Miscellaneous	-	-	3,514	39,023
Total revenues	14,723	5,470	3,514	39,023
Expenditures:				
Operating:				
Public safety and legal services	-	-	1,280	-
Physical health and social services	-	-	-	-
County environment and education	-	-	-	-
Total expenditures	-	-	1,280	-
Change in fund balances	14,723	5,470	2,234	39,023
Fund balances beginning of year	49,678	54,957	6,823	-
Fund balances end of year	\$ 64,401	60,427	9,057	39,023

See accompanying independent auditor's report.

Revenue								
Great River Progressive Housing Corporation	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	-	-	-	-	-	-	251,202
-	-	-	-	-	-	-	-	5,256
-	11,222	5,243	156	-	731	97	-	17,884
7,143	655,770	39,113	-	-	52,196	-	-	796,759
7,143	903,692	44,356	156	-	52,927	97	-	1,071,101
-	-	-	-	-	-	-	-	1,280
16,099	-	-	2,697	-	33,346	-	-	52,142
-	534,511	10,538	-	-	-	-	-	545,049
16,099	534,511	10,538	2,697	-	33,346	-	-	598,471
(8,956)	369,181	33,818	(2,541)	-	19,581	97	-	472,630
8,956	459,706	191,010	161,619	7,818	182,292	25,685	82,500	1,231,044
-	828,887	224,828	159,078	7,818	201,873	25,782	82,500	1,703,674

Schedule 3

Lee County
 Combining Schedule of Net Position
 Internal Service Funds

June 30, 2022

	Supplies	Employee Health Plan Trust	Information Technology	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 10,959	2,105,429	323,044	2,439,432
Receivables:				
Accounts	-	130	-	130
Accrued interest	-	485	-	485
Due from other funds	7,416	-	-	7,416
Due from other governments	640	-	-	640
Inventories	3,720	-	-	3,720
Prepaid expenses	-	-	6,181	6,181
Noncurrent assets:				
Capital assets, net of accumulated depreciation/amortization	-	-	91,626	91,626
Net pension asset	-	-	21,616	21,616
Total assets	22,735	2,106,044	442,467	2,571,246
Deferred Outflows of Resources				
OPEB-related deferred outflows	-	-	1,992	1,992
Pension-related deferred outflows	-	-	16,423	16,423
Total deferred outflows of resources	-	-	18,415	18,415
Liabilities				
Current liabilities:				
Accounts payable	3,542	167,651	28,806	199,999
Salaries and benefits payable	-	-	6,119	6,119
Due to other governments	-	475	-	475
Equipment purchase agreement payable	-	-	34,682	34,682
Compensated absences	-	-	8,881	8,881
Non-current liabilities:				
Equipment purchase agreement payable	-	-	34,682	34,682
Total OPEB liability	-	-	9,900	9,900
Total liabilities	3,542	168,126	123,070	294,738
Deferred Inflows of Resources				
OPEB-related deferred inflows	-	-	4,637	4,637
Pension-related deferred inflows	-	-	71,061	71,061
Total deferred inflows of resources	-	-	75,698	75,698
Net Position				
Net investment in capital assets	-	-	22,262	22,262
Restricted for employee health	-	1,937,918	-	1,937,918
Unrestricted	19,193	-	239,852	259,045
Total net position	\$ 19,193	1,937,918	262,114	2,219,225

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, 2022

	Employee			Total
	Supplies	Health Plan Trust	Information Technology	
Operating revenues:				
Reimbursements from operating funds and other governmental units	\$ 66,904	3,429,835	389,355	3,886,094
Reimbursements from employees and others	-	464,150	-	464,150
Miscellaneous reimbursements	-	1,955	1,250	3,205
Total operating revenues	66,904	3,895,940	390,605	4,353,449
Operating expenses:				
Medical and health services	-	3,941,343	-	3,941,343
Salaries and benefits	-	-	156,120	156,120
Administrative fees, network access fees and stop-loss premium	-	66,044	-	66,044
Supplies, utilities and data processing	68,129	224	137,506	205,859
Maintenance agreements	-	-	13,149	13,149
Non-capitalized equipment	-	-	19,287	19,287
Depreciation/amortization	-	-	30,542	30,542
Total operating expenses	68,129	4,007,611	356,604	4,432,344
Operating income (loss)	(1,225)	(111,671)	34,001	(78,895)
Non-operating revenues:				
Interest income	-	7,217	-	7,217
Change in net position	(1,225)	(104,454)	34,001	(71,678)
Net position beginning of year	20,418	2,042,372	228,113	2,290,903
Net position end of year	\$ 19,193	1,937,918	262,114	2,219,225

See accompanying independent auditor's report.

Lee County

Lee County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2022

	Supplies	Employee Health Plan Trust	Information Technology	Total
Cash flows from operating activities:				
Cash received from operating funds and other governmental units	\$ 65,342	3,429,835	389,355	3,884,532
Cash received from employees and others	-	465,975	1,250	467,225
Cash paid to suppliers for services	(69,861)	(4,021,581)	(322,694)	(4,414,136)
Net cash provided (used) by operating activities	(4,519)	(125,771)	67,911	(62,379)
Cash flows from capital and related financing activities:				
Equipment purchase agreement payment	-	-	(34,682)	(34,682)
Net cash provided (used) by capital and related financing activities	-	-	(34,682)	(34,682)
Cash flows from investing activities:				
Interest on investments	-	7,427	-	7,427
Net increase (decrease) in cash and cash equivalents	(4,519)	(118,344)	33,229	(89,634)
Cash and cash equivalents beginning of year	15,478	2,223,773	289,815	2,529,066
Cash and cash equivalents end of year	\$ 10,959	2,105,429	323,044	2,439,432
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,225)	(111,671)	34,001	(78,895)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation/amortization expense	-	-	30,542	30,542
Changes in assets and liabilities:				
Accounts receivable	-	(130)	-	(130)
Due from other funds	(1,185)	-	-	(1,185)
Due from other governments	(377)	-	-	(377)
Inventories	2,793	-	-	2,793
Prepaid expenses	-	-	(6,181)	(6,181)
Pension asset	-	-	(90,495)	(90,495)
Deferred outflows of resources	-	-	5,530	5,530
Accounts payable	(4,525)	(13,992)	18,394	(123)
Salaries and benefits payable	-	-	2,064	2,064
Due to other funds	-	(6)	(47)	(53)
Due to other governments	-	28	-	28
Compensated absences	-	-	6,820	6,820
Total OPEB liability	-	-	(3,123)	(3,123)
Deferred inflows of resources	-	-	70,406	70,406
Net cash provided (used) by operating activities	\$ (4,519)	(125,771)	67,911	(62,379)

See accompanying independent auditor's report.

Lee County
Combining Schedule of Fiduciary Net Position
Custodial Funds

June 30, 2022

	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Schools
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	3,541	644,751	216,426	274,627
Other County officials	90,993	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	857	1,868	-	63,835
Succeeding year	-	276,000	600,000	-	19,007,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments	-	-	-	43,538	-
Due from other governments	-	-	-	210,845	-
Prepaid expenses	-	-	8,587	-	-
Total assets	90,993	280,398	1,255,206	470,809	19,345,462
Liabilities					
Accounts payable	-	-	351	58,062	-
Salaries and benefits payable	-	-	13,950	360	-
Due to other governments	47,626	3,541	42	-	274,627
Trusts payable	43,367	-	-	-	-
Compensated absences	-	-	24,572	-	-
Drainage bond payable	-	-	-	83,080	-
Total liabilities	90,993	3,541	38,915	141,502	274,627
Deferred Inflows of Resources					
Unavailable revenues	-	276,000	600,000	-	19,007,000
Net Position					
Restricted for individuals, organizations and other governments	\$ -	857	616,291	329,307	63,835

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drivers License Trust	Payee Accounts	Other	Total
25,915	195,034	6,451	917,000	802	-	1,973,651	4,258,198
-	-	-	-	-	138,538	-	229,531
6,254	63,268	1,428	-	-	-	11	137,521
1,999,000	12,517,000	574,000	-	-	-	3,700	34,976,700
-	-	-	-	-	-	17,202	17,202
-	-	-	-	-	-	426	426
-	-	-	-	-	-	505,068	505,068
-	-	-	-	-	-	-	43,538
-	-	-	-	-	-	68,176	279,021
-	-	-	-	-	-	-	8,587
2,031,169	12,775,302	581,879	917,000	802	138,538	2,568,234	40,455,792
-	-	-	-	-	-	54,289	112,702
-	-	-	-	-	-	40,800	55,110
25,915	195,034	6,451	917,000	802	-	114,870	1,585,908
-	-	-	-	-	138,538	72,560	254,465
-	-	-	-	-	-	41,015	65,587
-	-	-	-	-	-	-	83,080
25,915	195,034	6,451	917,000	802	138,538	323,534	2,156,852
1,999,000	12,517,000	574,000	-	-	-	3,700	34,976,700
6,254	63,268	1,428	-	-	-	2,241,000	3,322,240

Lee County
Combining Schedule of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2022

	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Schools
Additions:					
Property and other county tax	\$ -	258,291	476,802	-	19,502,338
911 surcharges	-	-	-	-	-
State tax credits	-	21,301	39,300	-	1,659,607
Drivers license fees	-	-	-	-	-
Office fees and collections	1,272,888	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	149,103	-
Trusts	1,297,272	-	-	-	-
Miscellaneous	-	-	8,600	725,910	-
Total additions	<u>2,570,160</u>	<u>279,592</u>	<u>524,702</u>	<u>875,013</u>	<u>21,161,945</u>
Deductions:					
Agency remittances:					
To other funds	793,048	-	-	-	-
To other governments	479,840	279,468	490,318	665,971	21,156,787
Trusts paid out	1,297,272	-	-	-	-
Total deductions	<u>2,570,160</u>	<u>279,468</u>	<u>490,318</u>	<u>665,971</u>	<u>21,156,787</u>
Changes in net position	-	124	34,384	209,042	5,158
Net position beginning of year	-	733	581,907	120,265	58,677
Net position end of year	<u>\$ -</u>	<u>857</u>	<u>616,291</u>	<u>329,307</u>	<u>63,835</u>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drivers License Trust	Payee Accounts	Other	Total
1,896,174	12,169,308	623,514	-	-	-	3,942	34,930,369
-	-	-	-	-	-	112,717	112,717
156,534	1,381,932	30,910	-	-	-	327	3,289,911
-	-	-	-	66,277	-	-	66,277
-	-	-	-	-	-	-	1,272,888
-	-	-	11,090,182	-	-	-	11,090,182
-	-	-	-	-	-	285,014	434,117
-	-	-	-	-	1,098,700	885,631	3,281,603
-	-	-	-	-	-	3,433,622	4,168,132
2,052,708	13,551,240	654,424	11,090,182	66,277	1,098,700	4,721,253	58,646,196
-	-	-	365,823	-	-	-	1,158,871
2,051,851	13,538,777	654,210	10,724,359	66,277	-	3,367,679	53,475,537
-	-	-	-	-	1,098,700	885,631	3,281,603
2,051,851	13,538,777	654,210	11,090,182	66,277	1,098,700	4,253,310	57,916,011
857	12,463	214	-	-	-	467,943	730,185
5,397	50,805	1,214	-	-	-	1,773,057	2,592,055
6,254	63,268	1,428	-	-	-	2,241,000	3,322,240

Lee County

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

For the Last Ten Years

	2022	2021	2020	2019
Revenues:				
Property and other county tax	\$ 14,036,936	14,329,996	12,639,874	11,862,940
Local option sales tax	1,966,921	1,931,515	1,492,519	1,358,036
Interest and penalty on property tax	140,817	236,589	70,342	159,809
Intergovernmental	11,332,947	10,438,322	9,166,206	8,868,737
Licenses and permits	308,432	347,910	307,560	272,379
Charges for service	1,747,806	1,087,477	1,094,015	1,131,033
Use of money and property	259,153	437,018	342,886	291,487
Miscellaneous	1,799,621	1,359,294	955,446	1,049,972
Total	<u>\$ 31,592,633</u>	<u>30,168,121</u>	<u>26,068,848</u>	<u>24,994,393</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 10,703,384	8,655,988	7,069,060	6,701,060
Physical health and social services	4,897,136	4,390,725	4,416,032	4,241,339
Mental health	1,197,350	1,437,670	1,200,074	1,597,347
County environment and education	2,442,520	2,476,510	1,948,572	2,000,233
Roads and transportation	6,006,221	6,261,344	5,432,447	5,676,020
Governmental services to residents	1,270,784	1,337,050	1,326,980	1,197,568
Administration	4,002,380	2,445,927	2,379,676	2,152,793
Non-program	-	-	-	51,309
Debt service	1,091,080	4,063,515	871,646	856,374
Capital projects	2,885,504	3,526,995	403,469	859,503
Total	<u>\$ 34,496,359</u>	<u>34,595,724</u>	<u>25,047,956</u>	<u>25,333,546</u>

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
10,903,882	10,720,493	11,009,591	10,759,734	10,260,723	10,398,427
1,557,179	1,685,519	1,831,714	1,764,285	1,318,713	1,511,657
160,481	138,525	142,002	139,728	146,058	148,139
8,941,730	8,661,941	11,772,333	9,850,223	8,271,583	7,944,450
243,592	256,856	192,727	111,772	101,664	93,635
1,009,650	995,653	1,064,137	1,048,099	1,006,977	1,028,187
326,001	297,881	615,296	297,627	309,196	311,682
660,400	1,495,640	5,799,346	3,019,302	899,461	374,143
23,802,915	24,252,508	32,427,146	26,990,770	22,314,375	21,810,320
6,280,673	5,736,621	4,980,040	4,694,543	4,428,780	4,255,457
4,630,114	4,363,856	4,505,995	4,346,000	4,290,759	4,234,139
1,491,378	1,214,808	1,292,277	1,182,005	1,753,244	2,683,788
1,929,379	2,100,128	2,052,614	1,715,148	1,800,562	1,292,962
5,046,294	5,364,056	5,285,493	5,394,021	5,130,710	4,703,670
1,181,467	1,268,466	1,085,093	1,190,720	918,840	958,573
2,922,850	2,136,108	2,161,986	2,129,200	1,989,089	2,026,221
68,273	832,870	305,876	63,574	8,734	17,038
1,018,024	935,845	996,738	906,756	893,243	815,576
254,199	224,320	8,066,394	3,406,224	579,977	100,416
24,822,651	24,177,078	30,732,506	25,028,191	21,793,938	21,087,840

Schedule 9

Lee County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Passed through Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	00002128981	\$ 23,248
Passed through Iowa Department of Public Health:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5881NU38	1,355
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5882NU38	<u>2,827</u>
			<u>27,430</u>
Community Facilities Loans and Grants	10.766	0348-0004	<u>165,000</u>
Total U.S. Department of Agriculture			<u>192,430</u>
U.S. Department of Justice:			
Passed through Iowa Department of Justice:			
Crime Victim Assistance	16.575	VP-21-132-VWC	5,062
Crime Victim Assistance	16.575	VP-22-132-VWC	<u>25,479</u>
			<u>30,541</u>
Passed through Governor's Office of Drug Control Policy:			
Project Safe Neighborhoods	16.609	18-PSN-06	<u>7,189</u>
Public Safety Partnership and Community Policing Grants	16.710	19-CAMP-07	<u>3,032</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	19-JAG-39585	<u>34,000</u>
Total U.S. Department of Justice			<u>74,762</u>
U.S. Department of Transportation:			
Passed through Iowa Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	BROS-CBHP-CO56(107)-NC-56	<u>263,931</u>
Passed through Iowa Department of Public Safety - Governor's:			
Traffic Safety Bureau:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	PAP 21-402-M0PT, Task 24-00-00	6,168
State and Community Highway Safety	20.600	PAP 22-402-M0PT, Task 41-00-00	<u>3,814</u>
			<u>9,982</u>
National Priority Safety Programs	20.616	PAP 21-405d-F24*SE, Task 03-00-00	1,043
National Priority Safety Programs	20.616	PAP 22-405d-M6OT, Task 00-41-00	<u>1,856</u>
			<u>2,899</u>
			<u>12,881</u>
Total U.S. Department of Transportation			<u>276,812</u>
U.S. Department of the Treasury:			
COVID-19, Coronavirus State and Local Fiscal Recovery Funds	21.027	FY22	<u>920,483</u>
Total U.S. Department of the Treasury			<u>920,483</u>
U. S. Department of Health and Human Services:			
Passed through Iowa Department of Public Health:			
Grants to States to Support Oral Health Workforce Activities	93.236	5881DH32	27,921
Grants to States to Support Oral Health Workforce Activities	93.236	5882DH32	<u>51,507</u>
			<u>79,428</u>
Immunization Cooperative Agreements	93.268	5881I452E	8,580
Immunization Cooperative Agreements	93.268	5885BT456	<u>148,568</u>
			<u>157,148</u>
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	MOU-2021-ELC27	5,200
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	MOU-2022-ELC27	1,600
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	5885BT456	<u>466</u>
			<u>7,266</u>

Lee County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2022

Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	5885BT456	2,009
State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	93.366	5881MH10	1,000
State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	93.366	5881MH10E	5,000
			<u>6,000</u>
Passed through Iowa Department of Human Services: MaryLee Allen Promoting Safe and Stable Families Program	93.556	ACFS-21-0034	76,000
Passed through Iowa Department of Public Health: CCDF Cluster:			
Child Care and Development Block Grant	93.575	5881MH10E	2,140 *
Children's Health Insurance Program	93.767	5881MH10	3,808
Children's Health Insurance Program	93.767	5881MH10E	9,640
			<u>13,448 **</u>
Medicaid Cluster:			
Medical Assistance Program	93.778	5881MH108E	62,555
Medical Assistance Program	93.778	5881MH10	12,843
Medical Assistance Program	93.778	5881MH10E	50,771
			<u>126,169 ***</u>
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	5880CH06	101,543
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	5880CH06E	200,986
			<u>302,529</u>
Maternal and Child Health Services Block Grant to the States	93.994	5881MH10	21,128
Maternal and Child Health Services Block Grant to the States	93.994	5881MH10E	48,896
			<u>70,024</u>
Passed through Iowa Department of Human Services: Human Services Administrative Reimbursements:			
Title IV-E Prevention Program	93.472	00002128981	830
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	00002128981	27
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	00002128981	6,064 *
Foster Care Title IV-E	93.658	00002128981	6,205
Adoption Assistance	93.659	00002128981	3,393
Social Services Block Grant	93.667	00002128981	6,333
Children's Health Insurance Program	93.767	00002128981	480 **
Medicaid Cluster:			
Medical Assistance Program	93.778	00002128981	27,445 ***
Total U. S. Department of Health and Human Services			<u>892,938</u>
Total			<u>\$ 2,357,425</u>

* Total CCDF Cluster \$8,204

** Total Children's Health Insurance Program \$13,928

*** Total Medicaid Cluster \$153,614

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, 2022. 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 auditing standards generally accepted in the United States of America 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 and the aggregate remaining fund information of Lee County, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 28, 2023.

Report on 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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lee County's internal control. Accordingly, we do not express an opinion on the effectiveness of Lee County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Part II of the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that 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 that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 2022-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2022-002 and 2022-003 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lee County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance 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 Lee County's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Lee 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.

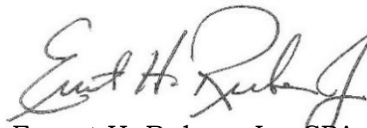
Lee County's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Lee County's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Lee County's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

March 28, 2023

Lee County



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

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

To the Officials of Lee County:

Report on Compliance for Each Major Federal Program

Opinion on each Major Federal Program

We have audited Lee County, Iowa's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on Lee County's major federal programs for the year ended June 30, 2022. Lee County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Lee County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lee County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lee County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Lee County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lee County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about Lee County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lee County's compliance with the compliance requirements referred to above and performing other such procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lee County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Lee County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance we identified during the audit.

Report on Internal Control Over Compliance

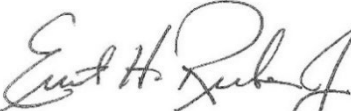
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-004 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Lee County's response to the internal control over compliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Lee County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

March 28, 2023

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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 a material weakness 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 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 21.027 – COVID-19, Coronavirus State and Local Fiscal Recovery Funds
 - Highway Planning and Construction Cluster –
 - Assistance Listing Number 20.205 – Highway Planning and Construction
- (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, 2022

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 County Offices – Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County’s financial statements. 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, Sheriff, Secondary Roads
(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, Secondary Roads, Lee County Economic Development Group, Great River Progressive Housing, Three Rivers Conservation Foundation
(3) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash.	Recorder, Treasurer, Three Rivers Conservation Foundation
(4) Bank reconciliations were not reviewed periodically by an independent person for propriety.	Recorder, Treasurer, Lee County Economic Development Group, Three Rivers Conservation Foundation
(5) Responsibilities for maintaining detailed accounts receivable records are not segregated from posting receipts.	Health Department
(6) 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

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

- (7) 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. We will ask an independent person to review the monthly bank reconciliations.
- (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. We will have an independent person in the auditor’s office review our bank reconciliations.
- (c) Sheriff – With limited staff, we will attempt to segregate duties as much as possible.
- (d) Health Department – With limited staff, we will attempt to segregate duties as much as possible. We have hired another staff person to help segregate duties.
- (e) Conservation – With limited staff, we will attempt to segregate duties as much as possible.
- (f) Great River Progressive Housing – Great River Progressive Housing has dissolved and turned over the remaining assets to the County.
- (g) Lee County Economic Development Group – We will ask our treasurer, who does not sign checks, to initial and date the bank reconciliations to document his review.
- (h) Three Rivers Conservation Foundation – With limited staff, we will attempt to segregate duties as much as possible.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

- (i) Secondary Roads Response and Corrective Action Planned – With limited staff, we will attempt to segregate duties as much as possible. We will explore having state reimbursements directly deposited at the County Treasurer.

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.

2022-002 Debit Card

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.

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.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

2022-003 Bank Reconciliations

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.

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.

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.

Responses –

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

Great River Progressive Housing – Great River Progressive Housing has dissolved and turned over the remaining assets to the County.

Conclusions – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

Assistance Listing Number 20.205: Highway Planning and Construction
Pass-through Entity Identifying Number: 56(107)-NC-56
Federal Award Year: 2022
Prior Year Finding Number: N/A
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

2022-004 Segregation of Duties over Federal Revenues – The County Secondary Roads Department did not properly segregate custody, record-keeping and reconciling functions for revenues, including those related to federal programs. See item 2022-001.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Part IV: Other Findings Related to Required Statutory Reporting:

- 2022-A Certified Budget – Disbursements during the year ended June 30, 2022 did not exceed the amounts budgeted.
- 2022-B Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion date April 25, 1979 were noted.
- 2022-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 2022-D 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	Landscaping and snow removal	\$ 7,973
Tammy Wilson, Financial Director of Public Health, husband is a shareholder in Agrineed, Inc.	Supplies, maintenance and erosion/dust control other County departments	11,527
Sarah Helenthal, Auditor's office, husband works at Headco	Installation of County drop boxes and COVID guards, fan part	8,138

The transactions with Helliege Lawn Care and 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 Headco may represent a conflict of interest as defined in Chapter 331.342(2)(j) of the Code of Iowa since the total transactions exceeded \$6,000 and were not competitively bid.

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

Response – We will consult the County Attorney to determine how to handle this matter.

Conclusion – Response accepted.

- 2022-E Restricted Donor Activity – No transactions were noted between the County, County officials, or County employers and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 2022-F 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.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

- 2022-G Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on December 20, 2021 and May 2, 2022 to discuss matters relating to the County. The minutes record did not document the vote of each member on the question of holding the closed session as required by Chapter 21.5(2) of the Code of Iowa.
- Recommendation – The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.
- Response – We will ensure from here on out, the Board will do a roll call when closing a public hearing.
- Conclusion – Response accepted.
- 2022-H Deposits and Investments – Except as noted below, 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.
- The Conservation Department has a mutual fund, which includes investments in stock, which do not appear to be an investment permitted by Article VIII of the Constitution of the State of Iowa and Chapter 12B.10 of the Code of Iowa. The mutual fund was donated to the Conservation Department and placed in the Conservation Director’s name.
- Recommendation – The County should comply with Chapter 12B.10 of the Code of Iowa and consult legal counsel to resolve the issue.
- Response – We will work with legal counsel to research how to handle the donated stock.
- Conclusion – Response accepted.
- 2022-I 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).
- 2022-J 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.
- 2022-K 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.

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Year ended June 30, 2022

Response – We will begin publishing minutes within 20 days after the meeting has adjourned as required.

Conclusion – Response accepted.

2022-L 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.

2022-M Separately Maintained Records – The Conservation Department maintains separate accounting records for its operation for the “MyCountyParks”. Monthly financial reports are not provided to the County and the activity of this outside bank account held by the Conservation Department is not included in the County’s computer system, the accounting records of the County’s financial reports.

The Conservation Director maintains separate accounting records for an investment account endowed to the Conservation Department in her name. This account consists of stocks donated to the Conservation Department.

Recommendation – Chapter 331.552 of the Code of Iowa states, in part, the County Treasurer shall “keep a true account of all receipt and disbursements of the county.” For better accountability, financial and budgetary control, the financial activity and balances of all County accounts should be reported in the County’s computer system, accounting records and financial reports.

Response – We will discuss how to turn the MyCountyParks account over to the County with the County Treasurer and County Auditor. We will consult with the County Attorney on the investment endowment.

Conclusion – Response accepted.

2022-N Commingling Funds – The Health Department commingles disbursements with the Friends of the Lee County Public Health (Friends), making it difficult to distinguish between County and Friends operations. During the year, the Friends reimbursed the Health Department \$1,785 for purchases made by the Health Department on behalf of Friends. As a County department, the Health Department is a tax-exempt entity. Purchases made on behalf of Friends allows Friends to avoid paying sales tax.

Recommendation – The Health Department should not commingle its government operations with the Friends of the Lee County Public Health, a private non-profit organization.

Responses –

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Year ended June 30, 2022

Health Department – The Health Department will not make purchases on behalf of Friends and allow Friends to use a reimbursement process. We will have Friends use its own checking account for approved purchases.

Friends – Friends will directly pay for all expenditures approved by the board instead of reimbursing the Health Department for purchases made on behalf of Friends.

Conclusion – Responses acknowledged. The County should establish policies and procedures to prohibit comingling funds and disbursements between these two legally separate entities.

2022-O Taxable Fringe Benefits – Certain County expenditures for clothing considered adaptable to general usage as ordinary clothing were not included in wages of employees in accordance with Internal Revenue Service (IRS) guidelines.

Recommendation – The County should properly include taxable fringe benefits in reported employee wages in accordance with IRS guidelines.

Response – We will work to report taxable fringe benefits as employee wages, in accordance with IRS guidelines.

Conclusion – Response accepted.

Lee County

Staff

This audit was performed by:

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