



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 12, 2009

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

The County had local tax revenue of \$36,297,939 for the year ended June 30, 2008, which included \$1,698,027 in tax credits from the state. The County forwarded \$26,874,083 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,423,856 of the local tax revenue to finance County operations, a 2.9 percent decrease from the prior year. Other revenues included charges for service of \$3,072,913, operating grants, contributions and restricted interest of \$7,829,626, capital grants, contributions and restricted interest of \$1,001,165, local option sales tax of \$1,448,841, unrestricted investment earnings of \$362,570 and other general revenues of \$245,240.

Expenses for County operations totaled \$26,025,447, a 21.4 percent increase over the prior year. Expenses included \$5,032,582 for roads and transportation, \$4,788,862 for mental health, \$4,608,612 for non-program and \$3,503,036 for public safety and legal services. The significant increase in expenditures is due primarily to \$3,900,000 in general obligation bonds issued by the County on behalf of the Great River Regional Waste Authority. The County remitted the proceeds of the bonds to the Great River Regional Waste Authority to pay for the County's share of the cost to expand the landfill to provide an additional fifteen years of use. The County also passed through a \$574,000 Community Development Block Grant forgivable loan to Siemens Power Generation, Inc.

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

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LEE COUNTY

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

JUNE 30, 2008

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Lee County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Kruse	Board of Supervisors	Jan 2009
George Morgan	Board of Supervisors	Jan 2009
Bob Woodruff	Board of Supervisors	Jan 2009
Rick Larkin	Board of Supervisors	Jan 2011
Ernest Schiller	Board of Supervisors	Jan 2011
Anne M. Pedersen	County Auditor	Jan 2009
Janet Strunk	County Treasurer	Jan 2011
Larry J. Holtkamp	County Recorder	Jan 2011
H.D. Buck Jones	County Sheriff	Jan 2009
Michael P. Short	County Attorney	Jan 2011
Janice C. Calvert	County Assessor	Jan 2010

Lee County



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Independent Auditor's Report

To the Officials of Lee County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lee County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Lee County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Lincoln Ridge Limited Partnership, a blended component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended component unit, is based solely on the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Lincoln Ridge Limited Partnership were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of the other auditors provide a reasonable basis for our opinions.

The financial statements of Lee County EMS Ambulance, Inc., the County's only discretely presented component unit, have not been audited, and we were not engaged to audit the financial statements of Lee County EMS Ambulance, Inc. as part of our audit of the County's basic financial statements. As described in Note 12, the County has chosen to present condensed financial information for Lee County EMS Ambulance, Inc. Because Lee County EMS Ambulance, Inc.'s financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the condensed financial information of the discretely presented component unit of the County as of and for the year ended December 31, 2007.

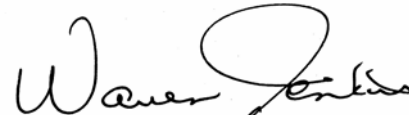
In addition, in our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lee County at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2009 on our consideration of Lee County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lee County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 12, 2009

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 of the County is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at June 30, 2008 by \$36.8 million.
- Lee County's net assets decreased \$2,642,000 from FY07 to FY08.
- Governmental fund revenues in FY08 increased .44%, or approximately \$98,000, from FY07. Property and other county tax decreased approximately \$247,000 in FY08 from FY07. The overall tax levy rate decreased \$.39942, from \$11.35218 to \$10.95276, per \$1,000 of taxable valuation. The countywide and the rural services taxable property valuations increased \$17.5 million and \$13.4 million, respectively.
- Governmental fund expenditures increased 24.7%, or approximately \$5,117,000, from FY07 to FY08. The significant increase in expenditures is due primarily to \$3,900,000 in general obligation bonds issued by the County to pay Great River Regional Waste Authority for the County's share of the cost to expand the landfill to provide an additional fifteen years of use. The County also passed through a \$574,000 Community Development Block Grant forgivable loan to Siemens Power Generation, Inc.
- The County is in the seventh year of implementation of the Lee County Economic Development Plan. The goal of this plan is to bring much needed jobs to the County, thus employing our citizens and increasing the County's tax base. The Lee County Board of Supervisors, other than budgetary, allows this department to function with considerable autonomy.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's fiscal activities.
- Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lee County as a whole and present an overall view of the County's finances.
- Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Lee County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lee County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental and the individual internal service and agency funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities 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 Assets includes all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets 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 periods.

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

FUND FINANCIAL STATEMENTS

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include the 1) General Fund, 2) the Special Revenue Funds, such as Mental Health 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 assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the County’s total net assets at June 30, 2008 and June 30, 2007.

Net Assets of Governmental Activities		
(Expressed in Thousands)		
	June 30,	
	2008	2007
Current and other assets	\$ 26,142	19,530
Capital assets	32,452	32,075
Total assets	<u>58,594</u>	<u>51,605</u>
Long-term liabilities	10,217	909
Other liabilities	11,553	11,230
Total liabilities	<u>21,770</u>	<u>12,139</u>
Net assets:		
Invested in capital assets, net of related debt	31,989	31,646
Restricted	3,996	3,838
Unrestricted	839	3,982
Total net assets	<u>\$ 36,824</u>	<u>39,466</u>

Lee County’s total net assets decreased approximately \$2,642,000, or 6.7%. The largest portion of the County’s net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. Debt related to capital assets is liquidated with resources other than capital assets. Comparatively, FY07 total net assets increased approximately \$5,075,000, or 14.8%, over FY06.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, decreased from approximately \$3,982,000 at June 30, 2007 to approximately \$839,000 at the end of this year, a decrease of 78.9%. This reduction of approximately \$3,143,000 in unrestricted net assets was primarily a result of the County issuing \$3,900,000 in general obligation bonds to pay the Great River Regional Waste Authority for the County’s share of the cost to expand the landfill to provide an additional fifteen years of use.

Changes in Net Assets of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 3,073	2,902
Operating grants, contributions and restricted interest	7,830	6,918
Capital grants, contributions and restricted interest	1,001	4,352
General revenues:		
Property and other county tax	8,942	9,189
Tax increment financing	-	393
Penalty and interest on property tax	26	165
Gaming wager tax	75	72
State tax credits	482	513
Local option sales tax	1,449	1,426
Unrestricted investment earnings	362	334
Gain on disposition of capital assets	62	42
Other general revenues	82	208
Total revenues	<u>23,384</u>	<u>26,514</u>
Program expenses:		
Public safety and legal services	3,503	3,464
Physical health and social services	3,377	3,286
Mental health	4,789	4,712
County environment and education	1,525	1,568
Roads and transportation	5,033	5,225
Governmental services to residents	853	866
Administration	2,206	2,039
Non-program	4,609	248
Interest on long-term debt	131	31
Total expenses	<u>26,026</u>	<u>21,439</u>
Increase (decrease) in net assets	(2,642)	5,075
Net assets beginning of year	<u>39,466</u>	<u>34,391</u>
Net assets end of year	<u>\$ 36,824</u>	<u>39,466</u>

For FY08, Lee County's property tax rates decreased to \$8.93676 per \$1,000 of taxable valuation in the countywide levy and decreased to \$2.01600 per \$1,000 of taxable valuation for the rural levy. The countywide taxable property valuation increased \$17,503,000 and the rural taxable property valuation increased \$13,362,000. The net effect of the increases in valuations and the decreases in tax rates was a net decrease in property and other county tax revenue of approximately \$247,000.

Capital grants, contributions, and restricted interest decreased \$3,351,000. This decrease was due primarily to a drop in the amount of capital assets contributed by the Iowa Department of Transportation, from \$4,275,000 in FY 07 to \$1,001,000 in FY 08.

Non-program expenses went from \$248,000 in FY 07 to \$4,609,000 in FY 08. This significant increase is due primarily to \$3,900,000 in general obligation bonds issued by the County to pay the Great River Regional Waste Authority for the County's share of the cost to expand the landfill to provide an additional fifteen years of use. The County also passed through a \$574,000 Community Development Block Grant forgivable loan to Siemens Power Generation, Inc.

INDIVIDUAL MAJOR FUND ANALYSIS

As Lee County completed the year, its governmental funds reported a combined fund balance of \$12,579,772, which is more than the \$6,859,871 combined fund balance at the end of FY07.

The General Fund, the operating fund for Lee County, ended FY08 with an ending balance of \$4,558,171, compared to the prior year ending balance of \$4,701,983, a decrease of \$143,812. Revenues increased \$442,494, primarily due to the \$574,000 Community Development Block Grant (CDBG) forgivable loan received which was passed through to Siemens Power Generation, Inc. and a decrease of \$137,929 in interest and penalty on property tax. Expenditures increased \$5,260,235 due primarily to the CDBG forgivable loan and \$3,900,000 paid to the Great River Regional Waste Authority for the County's share of the cost to expand the landfill to provide an additional fifteen years of use. Other financing sources also had a large increase of \$3,323,245, due primarily to the issuance of \$3,900,000 in general obligation bonds and a transfer out of \$472,193 to the Capital Projects Fund to help finance the jail project.

The Mental Health Fund ended FY08 with an ending balance of \$260,317, compared to the prior year deficit ending balance of \$(109,894), an increase of \$370,211. Revenues increased \$107,668, primarily due to an increase in State MHDD Community Formula Distribution/Allowed Growth Factor funding. Expenditures increased \$98,740.

The Secondary Roads Fund ended FY08 with an ending balance of \$1,000,092, compared to the prior year ending balance of \$1,282,247, a decrease of \$282,155. Revenues decreased slightly by \$33,459. Expenditures decreased \$156,365, primarily due to a decrease in capital projects.

The Capital Projects Fund was a new major fund for FY08. The County issued \$5,400,000 in general obligation jail bonds to pay the cost to construct, furnish and equip an addition to and renovate portions of the County Jail, including an area for centralized dispatch. The Capital Projects Fund ended FY08 with an ending balance of \$5,551,833.

BUDGETARY HIGHLIGHTS

Over the course of the year, Lee County amended its budget two times. The first amendment was made in November 2007 to allow for the issuance of \$3,900,000 in general obligation bonds to be paid to the Great River Regional Waste Authority for the County's share of the cost to expand the landfill to provide an additional fifteen years of use and to allow for passing through a \$574,000 Community Development Block Grant forgivable loan to Siemens Power Generation, Inc. The second amendment was made on May 27, 2008. This amendment was made to provide for additional disbursements in certain County departments.

The County's receipts were \$399,255 less than budgeted, a variance of 1.8%. Miscellaneous receipts were less than budgeted due primarily to Community Development Block Grant funds not yet collected for the Argyle Sanitary Sewer project and the Denmark Water project.

Total disbursements were \$1,635,700 less than the amended budget, a variance of 6.1%. Actual disbursements for the public safety and legal services, physical health and social services, county environment and education, administration, non-program and capital projects functions were \$288,463, \$259,940, \$215,996, \$211,171, \$385,120 and \$196,485, respectively, less than budgeted. The public safety and legal services function shortfall was primarily due to lower than expected payroll disbursements, computer software purchases and sheriff transportation fees for service of civil papers. The physical health and social services function shortfall was primarily due to the timing of general relief bills. The county environment and education function shortfall was primarily due to decreased landfill fees and less economic development disbursements. The administration function shortfall was primarily due to lower insurance package premiums and the delay in permanent county-owned building improvements. The non-program function shortfall

was due to delays in the Argyle Sanitary Sewer project, delays in the Denmark Water project, and lower administrative fees for issuance of general obligation bonds on behalf of the Great River Regional Waste Authority. The capital projects function shortfall was primarily due to the jail project not fully starting up until later in fiscal year 2008 than was originally planned.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the County had invested \$32.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment, transportation equipment and administrative offices. This amount is a net increase of approximately \$376,000 over FY07. The most significant change to capital assets during FY08 was the decrease in construction in progress of \$4,969,833 due to placing various infrastructure projects in service during FY08.

Lee County had depreciation expense of \$1.9 million in FY08 and total accumulated depreciation of \$22.2 million at June 30, 2008. Additional information about the County's capital assets is included in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2008, the County had approximately \$9,713,000 in long-term debt outstanding. This represents a significant increase from the FY07 total of \$429,000.

Outstanding debt increased as a result of two general obligation bond issuances. The first was \$3,900,000 in general obligation bonds issued by the County to pay Great River Regional Waste Authority for the County's share of the cost to expand the landfill to provide an additional fifteen years of use. The second was \$5,400,000 in general obligation jail bonds to pay the cost to construct, furnish and equip an addition to and renovate portions of the County Jail, including an area for centralized dispatch. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Lee County's outstanding general obligation debt is significantly below its constitutional debt limit of \$77.2 million. Additional information about the County's long-term debt is included in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

From FY07 to FY08, the countywide and the rural services property taxable valuations increased \$17.5 million and \$13.4 million, respectively. In FY09, the countywide and the rural services property taxable valuations increased approximately \$4.4 million and \$8.9 million, respectively.

Amounts budgeted for disbursements in the FY09 operating budget are approximately \$26.3 million, an increase of 3.5% over the FY08 actual disbursements of \$25.4 million. The County's ending fund balances are expected to end FY09 with a budgeted ending cash balance of \$7.9 million, compared to the June 30, 2008 actual cash balance of \$12.9 million.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the County's citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lee County Board of Supervisors at P.O. Box 488, Fort Madison, IA 52627-0488.

Basic Financial Statements

Exhibit A

Lee County
Statement of Net Assets
June 30, 2008

	<u>Governmental</u> <u>Activities</u>
Assets	
Cash and pooled investments	\$ 15,155,469
Receivables:	
Property tax:	
Delinquent	32,021
Succeeding year	9,319,000
Interest and penalty on property tax	33,519
Accounts	76,845
Accrued interest	70,674
Due from other governments	1,164,386
Inventories	290,330
Capital assets (net of accumulated depreciation)	32,451,663
	<u>58,593,907</u>
Liabilities	
Accounts payable	998,381
Accrued interest payable	40,697
Salaries and benefits payable	169,965
Due to other governments	1,024,416
Deferred revenue:	
Succeeding year property tax	9,319,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	370,000
Bank loans	41,280
Capital lease purchase agreements	27,127
Compensated absences	290,244
Portion due or payable after one year:	
General obligation bonds	8,930,000
Bank loans	330,222
Capital lease purchase agreements	14,153
Compensated absences	214,074
	<u>21,769,559</u>

Lee County
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	31,988,937
Restricted for:	
Supplemental levy purposes	879,422
Secondary roads purposes	869,761
Capital projects	173,355
Hospice care:	
Expendable	22,066
Nonexpendable	82,500
Building repair and maintenance	1,099,999
Other purposes	869,497
Unrestricted	<u>838,811</u>
Total net assets	<u><u>\$ 36,824,348</u></u>

See notes to financial statements.

Lee County

Lee County
Statement of Activities
Year ended June 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 3,503,036	202,258	220,745	-	(3,080,033)
Physical health and social services	3,376,956	1,914,349	853,008	-	(609,599)
Mental health	4,788,862	134,317	2,821,272	-	(1,833,273)
County environment and education	1,524,533	20,188	410,729	-	(1,093,616)
Roads and transportation	5,032,582	23,418	2,840,047	1,001,165	(1,167,952)
Governmental services to residents	852,906	521,158	41,031	-	(290,717)
Administration	2,206,494	52,237	30,660	-	(2,123,597)
Non-program	4,608,612	204,988	612,134	-	(3,791,490)
Interest on long-term debt	131,466	-	-	-	(131,466)
Total	\$ 26,025,447	3,072,913	7,829,626	1,001,165	(14,121,743)
General Revenues:					
Property and other county tax levied for general purposes					8,941,691
Penalty and interest on property tax					26,652
Gaming wager tax					74,768
State tax credits					482,165
Local option sales tax					1,448,841
Unrestricted investment earnings					362,570
Gain on disposition of capital assets					62,021
Miscellaneous					81,799
Total general revenues					11,480,507
Change in net assets					(2,641,236)
Net assets beginning of year					39,465,584
Net assets end of year					\$ 36,824,348

See notes to financial statements.

Lee County
Balance Sheet
Governmental Funds

June 30, 2008

	Special Revenue		
	General	Mental Health	Secondary Roads
Assets			
Cash and pooled investments:			
County Treasurer	\$ 4,626,937	1,369,032	556,528
Component units	-	-	-
Receivables:			
Property tax:			
Delinquent	20,478	7,199	-
Succeeding year	5,895,000	2,073,000	-
Interest and penalty on property tax	33,519	-	-
Accounts	64,042	1,338	192
Accrued interest	55,411	-	-
Due from other governments	668,987	21,274	234,462
Inventories	-	-	286,773
	<u>\$ 11,364,374</u>	<u>3,471,843</u>	<u>1,077,955</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 340,469	275,610	44,193
Salaries and benefits payable	116,359	2,516	33,229
Due to other funds	2,647	401	33
Due to other governments	184,689	831,271	220
Deferred revenue:			
Succeeding year property tax	5,895,000	2,073,000	-
Other	267,039	28,728	188
Total liabilities	<u>6,806,203</u>	<u>3,211,526</u>	<u>77,863</u>
Fund balances:			
Reserved for:			
Inventories	-	-	286,773
Supplemental levy purposes	875,027	-	-
Debt service	-	-	-
Capital projects	-	-	-
Hospice care	-	-	-
Building repair and maintenance (local option sales tax)	1,099,999	-	-
Medicaid administrative reimbursements	13,540	-	-
Specific purposes	-	-	-
Unreserved:			
Designated for future capital projects	344,305	-	-
Undesignated, reported in:			
General fund	2,225,300	-	-
Special revenue funds	-	260,317	713,319
Capital projects fund	-	-	-
Total fund balances	<u>4,558,171</u>	<u>260,317</u>	<u>1,000,092</u>
	<u>\$ 11,364,374</u>	<u>3,471,843</u>	<u>1,077,955</u>
Total liabilities and fund balances			

See notes to financial statements.

Capital Projects	Nonmajor	Total
5,590,929	806,789	12,950,215
-	296,067	296,067
-	4,344	32,021
-	1,351,000	9,319,000
-	-	33,519
-	11,232	76,804
8,523	730	64,664
-	239,663	1,164,386
-	-	286,773
5,599,452	2,709,825	24,223,449
44,517	68,996	773,785
-	16,484	168,588
-	-	3,081
3,102	5,134	1,024,416
-	1,351,000	9,319,000
-	58,852	354,807
47,619	1,500,466	11,643,677
-	-	286,773
-	-	875,027
-	14,633	14,633
5,378,478	-	5,378,478
-	104,566	104,566
-	-	1,099,999
-	-	13,540
-	35,635	35,635
-	-	344,305
-	-	2,225,300
-	1,054,525	2,028,161
173,355	-	173,355
5,551,833	1,209,359	12,579,772
5,599,452	2,709,825	24,223,449

Lee County

Lee County

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

June 30, 2008

Total governmental fund balances (page 19) \$ 12,579,772

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$54,543,828 and the accumulated depreciation is \$22,134,193. 32,409,635

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 354,807

The Internal Service Funds are used by management to charge the costs of various services to individual departments and funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets, as follows:

Capital assets of \$154,420 less accumulated depreciation of \$112,392	\$ 42,028	
Compensated absences	(2,357)	
Other net assets	1,695,903	1,735,574
		<u>1,735,574</u>

Long-term liabilities, including general obligation bonds payable, loans payable, capital lease purchase agreements payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (10,255,440)

Net assets of governmental activities (page 15) \$ 36,824,348

See notes to financial statements.

Lee County

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

Year ended June 30, 2008

	Special Revenue		
	General	Mental Health	Secondary Roads
Revenues:			
Property and other county tax	\$ 6,559,249	2,062,670	-
Interest and penalty on property tax	132,804	-	-
Intergovernmental	3,625,600	2,886,864	2,901,945
Licenses and permits	68,558	-	3,465
Charges for service	923,411	-	76
Use of money and property	330,541	68,001	-
Miscellaneous	92,890	5,466	42,264
Total revenues	<u>11,733,053</u>	<u>5,023,001</u>	<u>2,947,750</u>
Expenditures:			
Operating:			
Public safety and legal services	3,172,065	-	-
Physical health and social services	3,477,261	-	-
Mental health	-	4,652,790	-
County environment and education	996,621	-	-
Roads and transportation	-	-	4,000,044
Governmental services to residents	915,159	-	-
Administration	2,203,781	-	-
Non-program	4,465,490	-	-
Debt service	-	-	-
Capital projects	65,038	-	289,861
Total expenditures	<u>15,295,415</u>	<u>4,652,790</u>	<u>4,289,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,562,362)</u>	<u>370,211</u>	<u>(1,342,155)</u>
Other financing sources (uses):			
Capital lease purchase agreement proceeds	42,522	-	-
Operating transfers in	-	-	1,060,000
Operating transfers out	(472,193)	-	-
General obligation bond proceeds	3,809,231	-	-
Premium on bonds sold	38,990	-	-
Total other financing sources (uses)	<u>3,418,550</u>	<u>-</u>	<u>1,060,000</u>
Net change in fund balances	(143,812)	370,211	(282,155)
Fund balances beginning of year	<u>4,701,983</u>	<u>(109,894)</u>	<u>1,282,247</u>
Fund balances end of year	<u>\$ 4,558,171</u>	<u>260,317</u>	<u>1,000,092</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	1,867,194	10,489,113
-	-	132,804
-	344,272	9,758,681
-	-	72,023
-	11,152	934,639
8,523	87,480	494,545
-	99,734	240,354
8,523	2,409,832	22,122,159
-	446,605	3,618,670
-	57,881	3,535,142
-	79,229	4,732,019
-	540,499	1,537,120
-	113	4,000,157
-	1,681	916,840
-	-	2,203,781
-	-	4,465,490
-	90,769	90,769
419,544	-	774,443
419,544	1,216,777	25,874,431
(411,021)	1,193,055	(3,752,272)
-	-	42,522
472,193	-	1,532,193
-	(1,060,000)	(1,532,193)
5,400,000	90,769	9,300,000
90,661	-	129,651
5,962,854	(969,231)	9,472,173
5,551,833	223,824	5,719,901
-	985,535	6,859,871
5,551,833	1,209,359	12,579,772

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, 2008

Net change in fund balances - Total governmental funds (page 23) \$ 5,719,901

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

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

Expenditures for capital assets	\$ 1,181,010	
Capital assets contributed by the Iowa Department of Transportation	1,001,165	
Depreciation expense	<u>(1,882,647)</u>	299,528

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the proceeds from the disposition increase financial resources in the governmental funds. 61,021

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

Property tax	(19,844)	
Other	<u>(132,043)</u>	(151,887)

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 Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year debt issues exceeded debt repayments, as follows:

Issued	(9,342,522)	
Repaid	<u>58,650</u>	(9,283,872)

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 governmental funds, as follows:

Compensated absences	(24,743)	
Interest on long-term debt	<u>(40,697)</u>	(65,440)

The Internal Service Funds are used by management to charge the costs of various services to individual departments and funds. The change in net assets of the Internal Service Funds is reported with governmental activities. 779,513

Change in net assets of governmental activities (page 17) \$ (2,641,236)

See notes to financial statements.

Lee County
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Internal Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,909,187
Accounts receivable	41
Accrued interest receivable	6,010
Due from other funds	3,430
Inventories	3,557
Noncurrent assets:	
Capital assets, net of accumulated depreciation	42,028
Total assets	1,964,253
Liabilities	
Current liabilities:	
Accounts payable	224,596
Salaries and benefits payable	1,377
Due to other funds	349
Compensated absences	2,357
Total liabilities	228,679
Net Assets	
Invested in capital assets	42,028
Unrestricted	1,693,546
Total net assets	\$ 1,735,574

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2008

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds and other governmental units	\$ 2,364,854
Reimbursements from employees and others	61,550
Miscellaneous	191
Total operating revenues	<u>2,426,595</u>
Operating expenses:	
Medical and health services	\$ 1,268,461
Supplemental insurance	8,258
Salaries and benefits	75,530
Administrative fees, network access fees and stop-loss premium	185,721
Supplies, utilities and data processing	88,495
Maintenance agreements	5,838
Non-capitalized equipment	21,940
Depreciation	11,471
Operating income	<u>1,665,714</u>
	<u>760,881</u>
Non-operating revenues:	
Interest income	17,632
Gain on disposition of capital assets	1,000
Total non-operating revenues	<u>18,632</u>
Net income	<u>779,513</u>
Net assets beginning of year	<u>956,061</u>
Net assets end of year	<u>\$ 1,735,574</u>

See notes to financial statements.

Lee County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2008

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds and other governmental units	\$ 2,364,411
Cash received from employees and others	62,430
Cash paid to suppliers for services	(1,739,761)
Net cash provided by operating activities	687,080
Cash flows from capital and related financing activities:	
Purchase of equipment	(26,282)
Cash flows from investing activities:	
Interest on investments	17,070
Net increase in cash and cash equivalents	677,868
Cash and cash equivalents beginning of year	1,231,319
Cash and cash equivalents end of year	\$ 1,909,187
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 760,881
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	11,471
Changes in assets and liabilities:	
Decrease in accounts receivable	743
(Increase) in due from other funds	(495)
(Increase) in inventories	(1,886)
(Decrease) in accounts payable and due to other governments	(83,489)
Increase in salaries and benefits payable	262
Increase in due to other funds	187
(Decrease) in compensated absences	(594)
Net cash provided by operating activities	\$ 687,080

See notes to financial statements.

Lee County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2008

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,094,749
Other County officials	201,279
Receivables:	
Property tax:	
Delinquent	87,721
Succeeding year	25,511,200
Accounts	34,270
Accrued interest	346
Special assessments	79,460
Drainage assessments:	
Current	51,938
Future	167,243
Due from other governments	24,945
Total assets	<u>28,253,151</u>

Liabilities

Accounts payable	408,222
Salaries and benefits payable	6,842
Due to other governments	27,455,476
Trusts payable	366,853
Compensated absences	15,758
Total liabilities	<u>28,253,151</u>

Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Lee County

Notes to Financial Statements

June 30, 2008

(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 that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

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

The Lincoln Ridge Limited Partnership is an agreement between the Great River Progressive Housing Corporation (General Partner) and Lee County Development Corporation (Limited Partner) pursuant to the provisions of the Iowa Uniform Limited Partnership Act. The Partnership is established for the sole purpose of engaging in the business of constructing, acquiring, developing, owning, renting, leasing and disposing of a residential multi-dwelling housing project of up to 16

units for hard to house persons of low income. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Lincoln Ridge Limited Partnership meets the definition of a component unit that should be blended. The partnership's financial report for the year ended December 31, 2007 was used to provide the financial activity included in this report. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

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

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

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

Discretely Presented Component Unit

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

In accordance with criteria set forth by the Governmental Accounting Standards Board, EMS meets the definition of a component unit that should be discretely presented. Condensed financial statements for the year ended December 31, 2007 presented in Note 12 were prepared on the accrual basis of accounting. Unaudited financial statements may be obtained from Lee County EMS Ambulance, Inc., 314 South Main Street, Donnellson, IA. 50265.

Jointly Governed Organizations

The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representative to the following boards and commissions: Lee County Assessor's Conference Board, Lee County Emergency Management Commission and Lee County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent

of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Great River Regional Waste Authority, South Iowa Area Crime Commission, South Iowa Detention Service Agency, Lee County Narcotics Task Force and Southeast Iowa Regional Planning Commission.

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary funds of the County apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements:

Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation 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, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the year ended June 30, 2008 disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board

of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. At June 30, 2008, the County had the following investments:

Type	Fair Value
Fidelity Treasury Fund - Daily Money Class -	
Fannie Mae	\$ 13,596
Federal Home Loan Bank	27,830
Freddie Mac	6,798
Repurchase Agreements	57,784
U.S. Treasury Obligatons	212
	<hr/>
Total	<u>\$ 106,221</u>

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

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

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer. The County's investment in the Fidelity Treasury Fund – Daily Money Class is 1.3 percent of the County's total investments.

Interest rate risk. At June 30, 2008, the effective duration of the Fidelity Treasury Fund – Daily Money Class was less than 1 month.

The Three Rivers Conservation Foundation's investments at June 30, 2008 consist of stocks and stock mutual funds with a fair value of \$95,615. Disclosure of concentration of credit risk and interest rate risk do not apply to these investments.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Internal Service:		
Supplies	General	\$ 2,647
	Special Revenue:	
	Mental Health	401
	Secondary Roads	33
	Internal Service:	
	Employee Health Plan Trust	69
	Information Technology	280
		<hr/>
Total		<u>\$ 3,430</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	General	\$ 472,193
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>1,060,000</u>
Total		<u>\$ 1,532,193</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, 2008 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 656,307	-	-	656,307
Land, road network	976,085	-	-	976,085
Construction in progress	4,280,403	1,640,903	(4,969,833)	951,473
Total capital assets not being depreciated	<u>5,912,795</u>	<u>1,640,903</u>	<u>(4,969,833)</u>	<u>2,583,865</u>
Capital assets being depreciated:				
Buildings	7,678,318	-	-	7,678,318
Improvements other than buildings	697,056	-	-	697,056
Equipment and vehicles	5,874,366	602,293	(197,487)	6,279,172
Equipment - internal service	206,302	27,282	(79,164)	154,420
Infrastructure, road network	32,335,584	4,969,833	-	37,305,417
Total capital assets being depreciated	<u>46,791,626</u>	<u>5,599,408</u>	<u>(276,651)</u>	<u>52,114,383</u>
Less accumulated depreciation for:				
Buildings	3,524,813	212,018	-	3,736,831
Improvements other than buildings	489,739	20,529	-	510,268
Equipment and vehicles	3,645,630	509,791	(197,487)	3,957,934
Equipment, internal service	180,085	11,471	(79,164)	112,392
Infrastructure, road network	12,788,851	1,140,309	-	13,929,160
Total accumulated depreciation	<u>20,629,118</u>	<u>1,894,118</u>	<u>(276,651)</u>	<u>22,246,585</u>
Total capital assets being depreciated, net	<u>26,162,508</u>	<u>3,705,290</u>	<u>-</u>	<u>29,867,798</u>
Governmental activities capital assets, net	<u>\$ 32,075,303</u>	<u>5,346,193</u>	<u>(4,969,833)</u>	<u>32,451,663</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 60,918
Physical health and social services	12,411
Mental health	82,837
County environment and education	18,307
Roads and transportation	1,549,834
Governmental services to residents	1,452
Administration	<u>168,359</u>
Total depreciation expense - governmental activities	<u>\$ 1,894,118</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 184,689
Special Revenue:		
Mental Health	Services	831,271
Secondary Roads	Services	220
Rural Services	Services	5,134
		<u>836,625</u>
Capital Projects	Services	3,102
Total for governmental funds		<u>\$ 1,024,416</u>
Agency:		
County Assessor	Collections	\$ 619,818
Schools		14,923,420
Community Colleges		936,729
Corporations		9,338,675
Auto License and Use Tax		480,283
All other		1,156,551
Total for agency funds		<u>\$ 27,455,476</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	General Obligation	General Solid Waste Disposal Bonds	County Bank Loan	Great River Progressive Housing Corporation Bank Loan	Capital Lease Purchase Agreements	Compen- sated Absences	Total
Balance beginning of year	\$ -	-	78,056	310,231	40,623	480,169	909,079
Increases	5,400,000	3,900,000	-	-	42,522	455,454	9,797,976
Decreases	-	-	5,645	11,140	41,865	431,305	489,955
Balance end of year	<u>\$ 5,400,000</u>	<u>3,900,000</u>	<u>72,411</u>	<u>299,091</u>	<u>41,280</u>	<u>504,318</u>	<u>10,217,100</u>
Due within one year	<u>\$ 170,000</u>	<u>200,000</u>	<u>5,974</u>	<u>35,306</u>	<u>27,127</u>	<u>290,244</u>	<u>728,651</u>

General Obligation Jail Bonds

The County sold \$5,400,000 of general obligation bonds dated June 1, 2008 to pay the cost to construct, furnish and equip an addition to and renovate portions of the County Jail, including an area for centralized dispatch.

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

Year ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.50%	\$ 170,000	210,620	380,620
2010	3.50	180,000	204,670	384,670
2011	3.50	190,000	198,370	388,370
2012	3.50	195,000	191,720	386,720
2013	3.50	205,000	184,895	389,895
2014-2018	3.50-5.00	1,175,000	803,825	1,978,825
2019-2023	3.70-3.90	1,460,000	535,670	1,995,670
2024-2028	3.90-4.00	1,825,000	224,665	2,049,665
Total		\$ 5,400,000	2,554,435	7,954,435

General Obligation Solid Waste Disposal Bonds

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

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

Year ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.25%	\$ 200,000	154,918	354,918
2010	4.25	215,000	146,418	361,418
2011	4.25	225,000	137,282	362,282
2012	4.25	235,000	127,718	362,718
2013	4.20	245,000	117,732	362,732
2014-2018	3.73-4.00	1,410,000	429,806	1,839,806
2019-2022	3.80-3.90	1,370,000	134,986	1,504,986
Total		\$ 3,900,000	1,248,860	5,148,860

County Bank Loan

In January 2002, the County entered into a loan agreement with a bank to borrow \$100,000 for the construction of apartments to house persons with disabilities. In October 2002, the County modified the loan agreement, extending the maturity date to October 15, 2017 and requiring semi-annual payments, including interest at 5.55% per annum. The balance of the loan at June 30, 2008 was \$72,411.

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

Year ending June 30,	Interest Rates	Principal	Interest	Total
2009	5.55%	\$ 5,974	3,937	9,911
2010	5.55	6,310	3,601	9,911
2011	5.55	6,666	3,246	9,912
2012	5.55	7,033	2,878	9,911
2013	5.55	7,436	2,476	9,912
2014-2018	5.55	38,992	5,612	44,604
Total		\$ 72,411	21,750	94,161

During the year ended June 30, 2008, the County paid principal of \$5,645 on the loan.

Great River Progressive Housing Corporation Bank Loan

On January 13, 2003, the Great River Progressive Housing Corporation (GRPHC), general partner to Lincoln Ridge Limited Partnership (LRLP), entered into a loan agreement with a bank to borrow \$400,000 for the construction of a low-income housing project for persons with mental disabilities. The loan bears interest at 5.41% per annum and requires semi-annual payments on December 15 and June 15 of \$19,555, including interest, with the final payment due on December 15, 2017. The amount of each principal and interest payment is equivalent to Lee County's payment to the GRPHC pursuant to a service agreement. During the year ended June 30, 2008, the GRPHC paid principal of \$11,140 and interest of \$8,413 on the loan. The balance owed on the loan at June 30, 2008 was \$299,091.

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

Year ending June 30,	Interest Rates	Principal	Interest	Total
2009	5.41%	35,306	23,358	58,664
2010	5.41	25,173	13,936	39,109
2011	5.41	26,553	12,556	39,109
2012	5.41	27,980	11,129	39,109
2013	5.41	29,543	9,566	39,109
2014-2018	5.41	154,536	21,686	176,222
Total		\$ 299,091	92,231	391,322

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease six sheriff's vehicles.

The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.65% to 6.90% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2008:

<u>Year ending June 30,</u>	<u>Sheriff's Vehicles</u>
2009	\$ 29,961
2010	15,130
Total minimum lease payments	45,091
Less amount representing interest	(3,811)
Present value of net minimum lease payments	<u>\$ 41,280</u>

The book value of assets acquired under capital leases totaled \$124,435. Payments under capital lease purchase agreements for the year ended June 30, 2008 totaled \$44,470.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$374,395, \$348,881 and \$361,923, respectively, equal to the required contributions for each year.

(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 balances in these funds are reported as net assets restricted for hospice care.

(10) Risk Management

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

(11) Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Employee Health Plan Trust Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Health Plan Trust Fund. The County's contribution for the year ended June 30, 2008 was \$2,142,923.

Amounts payable from the Employee Health Plan Trust Fund at June 30, 2008 total \$220,450, 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 \$1,328,202 at June 30, 2008 and is reported as a designation of the Internal Service, Employee Health Plan Trust Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2007	\$ 300,597
Incurred claims (including claims incurred but not reported as of June 30, 2008)	1,268,461
Payments on claims during the fiscal year	<u>1,348,608</u>
Unpaid claims at June 30, 2008	<u><u>\$ 220,450</u></u>

(12) Lee County EMS Ambulance, Inc.

Lee County EMS Ambulance, Inc. (EMS) provides ambulance service for Lee County. EMS reports its financial activity using a calendar year end. As permitted by GASB Statement No. 34, the County has opted to present condensed financial information for its discretely presented component unit. Following is the unaudited condensed financial information for EMS for the year ended December 31, 2007.

Condensed Statement of Net Assets	
December 31, 2007	
(Unaudited)	
Assets	
Capital assets, net of accumulated depreciation	\$ 183,343
Other	419,702
Total assets	603,045
Liabilities	
Long-term liabilities	18,275
Other	103,066
Total liabilities	121,341
Net assets:	
Invested in capital assets, net of related debt	125,486
Unrestricted	356,218
Total net assets	\$ 481,704

Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets	
Year ended December 31, 2007	
(Unaudited)	
Operating revenues:	
Patient income	\$ 1,313,659
County subsidy	390,000
Other	3,600
Total operating revenues	1,707,259
Operating expenses:	
Salaries and benefits	\$ 1,066,584
Insurance	174,595
Other	358,605
Operating income	107,475
Non-operating revenues (expenses):	
Interest income	18,523
Interest expense	(9,038)
Net non-operating revenues	9,485
Net income	116,960
Net assets beginning of year	364,744
Net assets end of year	\$ 481,704

(13) Community Development Block Grant (CDBG)

The County entered into a forgivable loan agreement dated June 20, 2006 with the Iowa Department of Economic Development for \$574,000. The proceeds were received during the year ended June 30, 2008 and were loaned to a local business to assist with economic development. The local business agreed to carry out a project totaling \$23,334,650, create at least 261 full time positions by June 20, 2009 with an average wage of \$15.75 and at least 51% of the positions created will be filled by persons from low and moderate income households.

The local business agreed, in the event the total job creation/retention requirement is not met, funds will be returned to the County based on the difference between actual jobs created/retained and the requirement multiplied by \$2,199. If the average wage of all the project jobs is not met, jobs not meeting the starting wages per the agreement will not be counted toward the job obligation requirements. If the local business does not meet the project investment requirement, the amount to be repaid shall be the difference between the actual total project investment and the total project budget. Federal funds shall be disallowed based upon the ratio of \$1 of federal funds per each \$39.65 to total project budget. Should the benefit to low and moderate income persons not meet or exceed fifty-one percent, all federal funds shall be disallowed.

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, 2008

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 10,452,812	-	10,452,812
Interest and penalty on property tax	133,706	-	133,706
Intergovernmental	9,658,865	269,554	9,389,311
Licenses and permits	70,493	-	70,493
Charges for service	943,883	-	943,883
Use of money and property	501,455	76,072	425,383
Miscellaneous	344,962	65,652	279,310
Total receipts	<u>22,106,176</u>	<u>411,278</u>	<u>21,694,898</u>
Disbursements:			
Public safety and legal services	3,584,485	-	3,584,485
Physical health and social services	3,398,241	-	3,398,241
Mental health	4,987,443	56,861	4,930,582
County environment and education	1,449,026	309,265	1,139,761
Roads and transportation	3,999,955	-	3,999,955
Governmental services to residents	922,586	-	922,586
Administration	2,277,268	-	2,277,268
Non-program	4,442,500	-	4,442,500
Debt service	90,769	-	90,769
Capital projects	583,400	-	583,400
Total disbursements	<u>25,735,673</u>	<u>366,126</u>	<u>25,369,547</u>
Excess (deficiency) of receipts over (under) disbursements	(3,629,497)	45,152	(3,674,649)
Other financing sources, net	<u>9,312,333</u>	-	<u>9,312,333</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	5,682,836	45,152	5,637,684
Balance beginning of year	<u>7,563,446</u>	<u>250,915</u>	<u>7,312,531</u>
Balance end of year	<u>\$ 13,246,282</u>	<u>296,067</u>	<u>12,950,215</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
10,486,086	10,486,086	(33,274)
114,020	114,020	19,686
8,892,670	9,805,063	(415,752)
68,850	68,850	1,643
899,153	899,153	44,730
276,885	276,885	148,498
400,688	444,096	(164,786)
<u>21,138,352</u>	<u>22,094,153</u>	<u>(399,255)</u>
3,872,948	3,872,948	288,463
3,658,181	3,658,181	259,940
4,936,309	4,936,309	5,727
1,312,349	1,355,757	215,996
3,750,136	4,042,136	42,181
934,902	953,202	30,616
2,436,746	2,488,439	211,171
-	4,827,620	385,120
-	90,770	1
1,058,885	779,885	196,485
<u>21,960,456</u>	<u>27,005,247</u>	<u>1,635,700</u>
(822,104)	(4,911,094)	1,236,445
-	3,938,990	(5,373,343)
(822,104)	(972,104)	6,609,788
<u>6,127,623</u>	<u>6,127,623</u>	<u>1,184,908</u>
<u>5,305,519</u>	<u>5,155,519</u>	<u>7,794,696</u>

Lee County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 22,106,176	15,983	22,122,159
Expenditures	25,735,673	138,758	25,874,431
Net	(3,629,497)	(122,775)	(3,752,272)
Other financing sources, net	9,312,333	159,840	9,472,173
Beginning fund balances	7,563,446	(703,575)	6,859,871
Ending fund balances	\$ 13,246,282	(666,510)	12,579,772

See accompanying independent auditor's report.

Lee County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects 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 \$5,044,791. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

Lee County

Other Supplementary Information

Lee County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

	Rural Services	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Great River Progressive Housing Corp	Lincoln Ridge Limited Partnership
Assets						
Cash and pooled investments						
County Treasurer	\$ 366,112	9,416	56,700	5,215	-	-
Component units	-	-	-	-	16	85,031
Receivables:						
Property tax:						
Delinquent	1,940	-	-	-	-	-
Succeeding year	630,000	-	-	-	-	-
Accounts	5	15	84	-	-	11,101
Accrued interest	-	-	-	-	-	-
Due from other governments	239,663	-	-	-	-	-
Total assets	\$ 1,237,720	9,431	56,784	5,215	16	96,132
Liabilities and Fund Equity						
Liabilities:						
Accounts payable	\$ 4	-	-	-	-	50,950
Salaries and benefits payable	9,881	752	-	-	-	-
Due to other governments	5,134	-	-	-	-	-
Deferred revenue:						
Succeeding year property tax	630,000	-	-	-	-	-
Other	56,222	-	-	-	-	-
Total liabilities	701,241	752	-	-	-	50,950
Fund equity:						
Fund balances:						
Reserved for:						
Debt service	-	-	-	-	-	-
Hospice care	-	-	-	-	-	-
Specific purposes	-	-	-	-	-	35,635
Unreserved:						
Undesignated	536,479	8,679	56,784	5,215	16	9,547
Total fund equity	536,479	8,679	56,784	5,215	16	45,182
Total liabilities and fund equity	\$ 1,237,720	9,431	56,784	5,215	16	96,132

See accompanying independent auditor's report.

Special Revenue										
Lee County Economic Development Group	Three Rivers Conservation Foundation	Friends of Public Health	Sheriff's Forfeiture	Electronic Transaction	Conservation Land Acquisition	Memorial Trust	Neff Memorial	Debt Service	Permanent Neff Memorial	Total
-	-	-	6,263	4	24,944	219,084	22,033	14,518	82,500	806,789
53,341	138,296	19,383	-	-	-	-	-	-	-	296,067
-	-	-	-	-	-	-	-	2,404	-	4,344
-	-	-	-	-	-	-	-	721,000	-	1,351,000
-	-	-	-	-	5	-	-	22	-	11,232
-	-	-	-	-	38	659	33	-	-	730
-	-	-	-	-	-	-	-	-	-	239,663
53,341	138,296	19,383	6,263	4	24,987	219,743	22,066	737,944	82,500	2,709,825
-	-	-	-	-	-	18,042	-	-	-	68,996
5,851	-	-	-	-	-	-	-	-	-	16,484
-	-	-	-	-	-	-	-	-	-	5,134
-	-	-	-	-	-	-	-	721,000	-	1,351,000
-	-	-	-	-	-	319	-	2,311	-	58,852
5,851	-	-	-	-	-	18,361	-	723,311	-	1,500,466
-	-	-	-	-	-	-	-	14,633	-	14,633
-	-	-	-	-	-	-	22,066	-	82,500	104,566
-	-	-	-	-	-	-	-	-	-	35,635
47,490	138,296	19,383	6,263	4	24,987	201,382	-	-	-	1,054,525
47,490	138,296	19,383	6,263	4	24,987	201,382	22,066	14,633	82,500	1,209,359
53,341	138,296	19,383	6,263	4	24,987	219,743	22,066	737,944	82,500	2,709,825

Lee County

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

Year ended June 30, 2008

	Rural Services	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Great River Progressive Housing Corp	Lincoln Ridge Limited Partnership
Revenues:						
Property and other county tax	\$ 1,867,100	-	-	-	-	-
Intergovernmental	47,991	26,726	-	-	19,555	-
Charges for service	-	-	6,413	-	-	-
Use of money and property	-	322	1,079	-	-	66,191
Miscellaneous	5	-	-	3,847	-	2,671
Total revenues	<u>1,915,096</u>	<u>27,048</u>	<u>7,492</u>	<u>3,847</u>	<u>19,555</u>	<u>68,862</u>
Expenditures:						
Operating:						
Public safety and legal services	445,591	-	-	322	-	-
Physical health and social services	-	-	-	-	-	-
Mental health	-	-	-	-	19,570	59,659
County environment and education	232,378	21,742	-	-	-	-
Roads and transportation	113	-	-	-	-	-
Governmental services to residents	1,681	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>679,763</u>	<u>21,742</u>	<u>-</u>	<u>322</u>	<u>19,570</u>	<u>59,659</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,235,333</u>	<u>5,306</u>	<u>7,492</u>	<u>3,525</u>	<u>(15)</u>	<u>9,203</u>
Other financing sources (uses):						
Operating transfers out	(1,060,000)	-	-	-	-	-
General obligation bond proceeds	-	-	-	-	-	-
Total other financing sources (uses)	<u>(1,060,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	<u>175,333</u>	<u>5,306</u>	<u>7,492</u>	<u>3,525</u>	<u>(15)</u>	<u>9,203</u>
Fund balances beginning of year	<u>361,146</u>	<u>3,373</u>	<u>49,292</u>	<u>1,690</u>	<u>31</u>	<u>35,979</u>
Fund balances end of year	<u>\$ 536,479</u>	<u>8,679</u>	<u>56,784</u>	<u>5,215</u>	<u>16</u>	<u>45,182</u>

See accompanying independent auditor's report.

Special Revenue										
Lee County Economic Development Group	Three Rivers Conservation Foundation	Friends of Public Health	Sheriffs Forfeiture	Electronic Transaction	Conservation Land Acquisition	Memorial Trust	Neff Memorial	Debt Service	Permanent Neff Memorial	Total
-	-	-	-	-	-	-	-	94	-	1,867,194
250,000	-	-	-	-	-	-	-	-	-	344,272
-	-	-	-	-	4,739	-	-	-	-	11,152
768	8,594	520	-	-	474	5,045	1,312	3,175	-	87,480
38,890	22,838	-	350	-	64	31,069	-	-	-	99,734
289,658	31,432	520	350	-	5,277	36,114	1,312	3,269	-	2,409,832
-	-	-	692	-	-	-	-	-	-	446,605
-	-	-	-	-	-	57,881	-	-	-	57,881
-	-	-	-	-	-	-	-	-	-	79,229
277,759	8,620	-	-	-	-	-	-	-	-	540,499
-	-	-	-	-	-	-	-	-	-	113
-	-	-	-	-	-	-	-	-	-	1,681
-	-	-	-	-	-	-	-	90,769	-	90,769
277,759	8,620	-	692	-	-	57,881	-	90,769	-	1,216,777
11,899	22,812	520	(342)	-	5,277	(21,767)	1,312	(87,500)	-	1,193,055
-	-	-	-	-	-	-	-	-	-	(1,060,000)
-	-	-	-	-	-	-	-	90,769	-	90,769
-	-	-	-	-	-	-	-	90,769	-	(969,231)
11,899	22,812	520	(342)	-	5,277	(21,767)	1,312	3,269	-	223,824
35,591	115,484	18,863	6,605	4	19,710	223,149	20,754	11,364	82,500	985,535
47,490	138,296	19,383	6,263	4	24,987	201,382	22,066	14,633	82,500	1,209,359

Schedule 3

Lee County
Combining Schedule of Net Assets
Internal Service Funds

June 30, 2008

	Supplies	Employee Health Plan Trust	Information Technology	Total
Assets				
Current assets:				
Cash and pooled investments	\$ 20,400	1,542,711	346,076	1,909,187
Accounts receivable	41	-	-	41
Accrued interest receivable	-	6,010	-	6,010
Due from other funds	3,430	-	-	3,430
Inventories	3,557	-	-	3,557
Noncurrent assets:				
Capital assets, net of accumulated depreciation	-	-	42,028	42,028
Total assets	27,428	1,548,721	388,104	1,964,253
Liabilities				
Current liabilities:				
Accounts payable	362	220,450	3,784	224,596
Salaries and benefits payable	-	-	1,377	1,377
Due to other funds	-	69	280	349
Compensated absences	-	-	2,357	2,357
Total liabilities	362	220,519	7,798	228,679
Net Assets				
Invested in capital assets	-	-	42,028	42,028
Unrestricted	27,066	1,328,202	338,278	1,693,546
Total net assets	\$ 27,066	1,328,202	380,306	1,735,574

See accompanying independent auditor's report.

Lee County

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

Year ended June 30, 2008

	Supplies	Employee Health Plan Trust	Information Technology	Total
Operating revenues:				
Reimbursements from operating funds and other governmental units	\$ 41,012	2,142,923	180,919	2,364,854
Reimbursements from employees and others	-	58,827	2,723	61,550
Miscellaneous	-	-	191	191
Total operating revenues	41,012	2,201,750	183,833	2,426,595
Operating expenses:				
Medical and health services	-	1,268,461	-	1,268,461
Supplemental insurance	-	8,258	-	8,258
Salaries and benefits	-	-	75,530	75,530
Administrative fees, network access fees and stop-loss premium	-	185,721	-	185,721
Supplies, utilities and data processing	40,572	1,451	46,472	88,495
Maintenance agreements	-	-	5,838	5,838
Non-capitalized equipment	-	-	21,940	21,940
Depreciation	-	-	11,471	11,471
Total operating expenses	40,572	1,463,891	161,251	1,665,714
Operating income	440	737,859	22,582	760,881
Non-operating revenues:				
Interest income	-	17,632	-	17,632
Gain on disposition of capital assets	-	-	1,000	1,000
Total non-operating revenues	-	17,632	1,000	18,632
Net income	440	755,491	23,582	779,513
Net assets beginning of year	26,626	572,711	356,724	956,061
Net assets end of year	\$ 27,066	1,328,202	380,306	1,735,574

See accompanying independent auditor's report.

Lee County

Lee County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2008

	Supplies	Employee Health Plan Trust	Information Technology	Total
Cash flows from operating activities:				
Cash received from operating funds and other governmental units	\$ 40,570	2,142,923	180,918	2,364,411
Cash received from employees and others	-	59,516	2,914	62,430
Cash paid to suppliers for services	(42,239)	(1,543,979)	(153,543)	(1,739,761)
Net cash provided (used) by operating activities	(1,669)	658,460	30,289	687,080
Cash flows from capital and related financing activities:				
Purchase of equipment	-	-	(26,282)	(26,282)
Cash flows from investing activities:				
Interest on investments	-	17,070	-	17,070
Net increase (decrease) in cash and cash equivalents	(1,669)	675,530	4,007	677,868
Cash and cash equivalents beginning of year	22,069	867,181	342,069	1,231,319
Cash and cash equivalents end of year	\$ 20,400	1,542,711	346,076	1,909,187
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 440	737,859	22,582	760,881
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	-	11,471	11,471
Changes in assets and liabilities:				
Decrease in accounts receivable	54	689	-	743
(Increase) in due from other funds	(495)	-	-	(495)
(Increase) in inventories	(1,886)	-	-	(1,886)
Increase (decrease) in accounts payable and due to other governments	218	(80,147)	(3,560)	(83,489)
Increase in salaries and benefits payable	-	-	262	262
Increase in due to other funds	-	59	128	187
(Decrease) in compensated absences	-	-	(594)	(594)
Net cash provided (used) by operating activities	\$ (1,669)	658,460	30,289	687,080

See accompanying independent auditor's report.

Lee County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Solid Waste Debt Service
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	3,573	253,804	18,873	5,822
Other County officials	201,279	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	651	1,342	-	-
Succeeding year	-	187,000	387,000	-	-
Accounts	1,154	-	-	10,000	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments:					
Current	-	-	-	51,938	-
Future	-	-	-	167,243	-
Due from other governments	-	-	-	-	-
Total assets	\$ 202,433	191,224	642,146	248,054	5,822
Liabilities					
Accounts payable	\$ -	-	463	248,054	-
Salaries and benefits payable	-	-	6,107	-	-
Due to other governments	25,234	191,224	619,818	-	5,822
Trusts payable	177,199	-	-	-	-
Compensated absences	-	-	15,758	-	-
Total liabilities	\$ 202,433	191,224	642,146	248,054	5,822

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Drivers License Trust	Payee Accounts	Other	Total
277,607	17,575	173,878	5,501	480,283	161	189,654	668,018	2,094,749
-	-	-	-	-	-	-	-	201,279
52,813	3,154	28,797	953	-	-	-	11	87,721
14,593,000	916,000	9,136,000	289,000	-	-	-	3,200	25,511,200
-	-	-	-	-	-	-	23,116	34,270
-	-	-	-	-	-	-	346	346
-	-	-	-	-	-	-	79,460	79,460
-	-	-	-	-	-	-	-	51,938
-	-	-	-	-	-	-	-	167,243
-	-	-	-	-	-	-	24,945	24,945
14,923,420	936,729	9,338,675	295,454	480,283	161	189,654	799,096	28,253,151
-	-	-	-	-	-	-	159,705	408,222
-	-	-	-	-	-	-	735	6,842
14,923,420	936,729	9,338,675	295,454	480,283	161	-	638,656	27,455,476
-	-	-	-	-	-	189,654	-	366,853
-	-	-	-	-	-	-	-	15,758
14,923,420	936,729	9,338,675	295,454	480,283	161	189,654	799,096	28,253,151

Lee County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Solid Waste Debt Service
Assets and Liabilities					
Balances beginning of year	\$ 208,327	191,471	669,409	74,658	5,822
Additions:					
Property and other county tax	-	185,713	384,268	-	-
E911 surcharges	-	-	-	-	-
State tax credits	-	9,833	21,632	-	-
Drivers license fees	-	-	-	-	-
Office fees and collections	773,652	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	281,862	-
Trusts	1,346,780	-	-	-	-
Miscellaneous	-	-	602	69,603	-
Total additions	<u>2,120,432</u>	<u>195,546</u>	<u>406,502</u>	<u>351,465</u>	<u>-</u>
Deductions:					
Agency remittances:					
To other funds	554,548	-	-	-	-
To other governments	236,507	195,793	433,765	178,069	-
Trusts paid out	1,335,271	-	-	-	-
Total deductions	<u>2,126,326</u>	<u>195,793</u>	<u>433,765</u>	<u>178,069</u>	<u>-</u>
Balances end of year	<u>\$ 202,433</u>	<u>191,224</u>	<u>642,146</u>	<u>248,054</u>	<u>5,822</u>

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Drivers License Trust	Payee Accounts	Other	Total
14,927,090	941,764	9,206,767	280,872	530,780	161	223,775	397,349	27,658,245
14,619,635	910,763	9,278,837	275,935	-	-	-	3,070	25,658,221
-	-	-	-	-	-	-	86,893	86,893
758,864	47,872	361,153	16,264	-	-	-	244	1,215,862
-	-	-	-	-	128,786	-	-	128,786
-	-	-	-	-	-	-	6,224	779,876
-	-	-	-	6,766,650	-	-	-	6,766,650
-	-	-	-	-	-	-	22,358	304,220
-	-	-	-	-	-	868,608	526,558	2,741,946
-	-	-	-	-	-	-	920,250	990,455
15,378,499	958,635	9,639,990	292,199	6,766,650	128,786	868,608	1,565,597	38,672,909
-	-	-	-	248,395	60,529	-	-	863,472
15,382,169	963,670	9,508,082	277,617	6,568,752	68,257	-	645,908	34,458,589
-	-	-	-	-	-	902,729	517,942	2,755,942
15,382,169	963,670	9,508,082	277,617	6,817,147	128,786	902,729	1,163,850	38,078,003
14,923,420	936,729	9,338,675	295,454	480,283	161	189,654	799,096	28,253,151

Lee County

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

For the Last Nine Years

	2008	2007	2006	Modified 2005
Revenues:				
Property and other county tax	\$ 10,489,113	10,746,281	10,766,774	8,052,382
Tax increment financing	-	393,163	750,066	693,545
Interest and penalty on property tax	132,804	270,733	136,627	119,478
Intergovernmental	9,758,681	8,719,573	8,732,583	7,459,664
Licenses and permits	72,023	55,974	62,265	53,283
Charges for service	934,639	873,083	892,849	822,513
Use of money and property	494,545	471,460	364,782	298,128
Miscellaneous	240,354	494,190	1,123,788	1,962,381
Total	\$ 22,122,159	22,024,457	22,829,734	19,461,374
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,618,670	3,512,938	3,332,940	3,105,607
Physical health and social services	3,535,142	3,275,224	3,134,004	3,385,130
Mental health	4,732,019	4,662,962	4,396,349	4,741,619
County environment and education	1,537,120	1,617,237	1,675,269	1,625,156
Roads and transportation	4,000,157	3,862,651	3,928,318	3,897,439
Governmental services to residents	916,840	878,334	1,144,205	902,033
Administration	2,203,781	1,912,371	1,842,355	1,816,882
Non-program	4,465,490	16,000	-	-
Debt service	90,769	416,396	1,373,528	2,461,854
Capital projects	774,443	603,521	361,224	591,036
Total	\$ 25,874,431	20,757,634	21,188,192	22,526,756

See accompanying independent auditor's report.

Accrual Basis				
2004	2003	2002	2001	2000
8,750,034	8,642,457	8,433,268	7,983,602	7,464,452
-	-	-	573,982	579,791
135,959	139,706	150,239	123,622	110,114
7,962,245	8,783,384	8,261,606	7,525,424	7,127,774
61,716	77,062	71,271	91,232	105,994
855,211	768,099	880,739	802,788	771,701
279,467	258,595	388,840	588,654	575,235
1,987,823	2,588,161	1,673,160	1,457,648	1,778,115
20,032,455	21,257,464	19,859,123	19,146,952	18,513,176
3,049,182	2,773,197	2,722,325	2,531,644	2,510,998
3,514,564	3,767,970	3,630,793	3,426,169	3,044,325
4,070,197	5,825,118	4,734,145	4,099,546	4,280,737
1,608,790	1,219,746	1,072,142	897,378	824,012
3,578,306	3,441,171	3,576,503	3,225,883	3,071,800
853,197	812,745	788,302	743,819	650,298
1,695,306	2,263,147	2,051,982	2,306,705	2,464,100
-	-	-	100,000	-
1,438,510	1,428,737	1,427,498	1,577,169	1,547,987
611,245	770,797	275,207	577,356	138,207
20,419,297	22,302,628	20,278,897	19,485,669	18,532,464

Schedule 9

Lee County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 22,289
Iowa Department of Public Health:			
State Administrative Matching Grants for Food Stamp Program	10.561	5887NU53	329
			22,618
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii			
	14.228	07-WS-038	39,695
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii			
	14.228	06-ED-004	579,000
			618,695
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 07-04 Task 25	4,830
State and Community Highway Safety	20.600	PAP 08-04 Task 25	11,161
			15,991
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 07-163 Task 38	15,335
U.S. Department of Health and Human Services:			
Iowa Department of Elder Affairs:			
Southeast Iowa Area Agency on Aging, Inc: National Family Caregiver Support, Title III, Part E			
	93.052	IIIE Hospice Respite-2FY08	7,171
Iowa Department of Public Health:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		775
Immunization Grants	93.268	5887I453	2,595
Immunization Grants	93.268	5888I447	5,337
			7,932
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5886EHC21	442
Iowa Secretary of State:			
Voting Access for Individuals with Disabilities - Grants to States	93.617		2,100

Lee County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Maternal and Child Health Services Block Grant to the States	93.994	5887MH15	18,436
Maternal and Child Health Services Block Grant to the States	93.994	5888MH15	55,931
Maternal and Child Health Services Block Grant to the States	93.994	5886DH06	12,000
			<u>86,367</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.558		24,090
Foster Care - Title IV-E	93.596		5,878
Adoption Assistance	93.658		14,130
State Children's Insurance Program	93.659		3,369
Medical Assistance Program	93.767		199
Social Services Block Grant	93.778		30,649
	93.667		15,801
Social Services Block Grant	93.667		181,681
			<u>197,482</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1688-DR-IA	5,873
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763-DR-IA	4,420
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		2,526
			<u>12,819</u>
Emergency Management Performance Grants	97.042		12,176
			<u>12,176</u>
Total			<u>\$ 1,078,218</u>

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

See accompanying independent auditor's report.

Lee County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

To the Officials of Lee County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lee County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 12, 2009. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Lincoln Ridge Limited Partnership, a blended component unit, as described in our report on Lee County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lee County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Lee County's financial statements that is more than inconsequential will not be prevented or detected by Lee County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Lee County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-08 and II-H-08 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

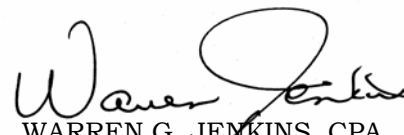
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lee County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Lee County's responses and, accordingly, we express no opinion on them.

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

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 12, 2009

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

Lee County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Lee County:

Compliance

We have audited the compliance of Lee County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. Lee County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Lee County's management. Our responsibility is to express an opinion on Lee County's compliance based on our audit.

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

In our opinion, Lee County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Lee County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Lee County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lee County's internal control over compliance.

A control deficiency in the County's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of

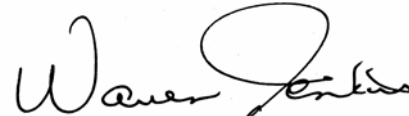
compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 12, 2009

Lee County
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over the major program was noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no instances of non-compliance which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was:
 - CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lee County did not qualify as a low-risk auditee.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties – During our review of the internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. The following weaknesses in the offices identified were noted for which no compensating controls exist:

Auditor's Office – Changes in payroll rates are not reviewed by an independent person.

Treasurer's Office – The same individual who prepares the summary of delinquent tax also performs the year end reconciliation of delinquent tax. The reconciliation is not reviewed and initialed by an independent person. Also, the same individual is responsible for the detailed record keeping and custody of investments. No independent review of investment records or inspection of investments is done.

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

Sheriff's Office – Generally, one individual in the Sheriff's office may have control over receipts, deposits and posting to inmate ledgers for the Commissary account. An independent person does not compare amounts deposited to the receipt records. Bank reconciliations are not always reviewed by an independent person. Also, an initial listing of receipts is not prepared by an independent person, even on a test basis.

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

County Auditor Response – We have implemented the recommended procedure to have pay rate changes reviewed by an independent person.

County Treasurer Response – We will work on having the reconciliation of delinquent tax and investment records reviewed by someone other than the preparer.

County Recorder Response – I hope to set this review process in place in the near future.

County Sheriff Response – We will begin doing checks of the accounts by another individual.

Conclusions – Responses accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

II-B-08 Capital Assets – The County Auditor’s Office previously maintained a capital asset listing accounting for all assets, including those items below capitalization thresholds. This listing was maintained for internal control and insurance purposes. During the year ended June 30, 2008, the County did not update the listing for additions or deletions and the listing was not distributed to each department to review for accuracy.

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

Response – Currently we have entered in capital assets through FY2007. We are now in the process of balancing through FY2007. Once completed, reports will be distributed to each department to check for accuracy.

Conclusion – Response accepted.

II-C-08 Capital Asset Policy – The County does not have a written capital asset policy which includes procedures for the disposal of capital assets.

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

Response – The Board of Supervisors will create a Capital Asset Policy.

Conclusion – Response accepted.

II-D-08 County Recorder – While the Recorder’s Office prepared a year-to-date spreadsheet of receipts and disbursements, the beginning and ending book balances did not reconcile after applying the receipts and disbursements.

Recommendation – The Recorder’s Office should reconcile the beginning and ending balances on the spreadsheet after applying the receipts and disbursements.

Response – The spreadsheet was prepared this year and we will reconcile it next year. This spreadsheet is prepared if I have enough time.

Conclusion – Response accepted.

II-E-08 County Sheriff – The Sheriff’s Office does not prepare a year-to-date spreadsheet of receipts and disbursements reconciled to the beginning and ending book balances. A bank reconciliation is not documented for the South Lee bank account and the book balance is not reconciled to the list of trusts on hand, fees due the County and the state.

Also, the commissary activity and inmate balances are not reconciled to the commissary bank account balance monthly.

In addition, commissary profits are not deposited with the County Treasurer regularly. Commissary profits of approximately \$15,500 are on hand at June 30, 2008.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Recommendation – The Sheriff’s Office should prepare a year-to-date spreadsheet of receipts and disbursements which should reconcile the beginning and ending balances. A bank reconciliation should be prepared for the South Lee bank account and the book balance should be reconciled to the list of trusts on hand, fees due to the County and the state.

Also, Commissary activity and inmate balances should be reconciled to the commissary bank account balance monthly.

In addition, commissary profits should be remitted to the County Treasurer timely.

Response – The vendor we purchased our computer program from is working on a spreadsheet for our computers.

Conclusion – Response acknowledged. However, a bank reconciliation for the South Lee bank account should be prepared and the book balance should be reconciled with the list of trusts on hand, fees due to the County and the state.

II-F-08 Credit Card Policy – The County’s written credit card policy does not require the Board’s approval of a credit card application. Also, the policy does not include store line of credit.

Recommendation – The Board should revise the written policy to require an application for a credit card be approved by the Board and, if the Board so chooses, the policy should also be extended to cover store lines of credit.

Response – The Board of Supervisors will revise the current Credit Card Policy to reflect the Board of Supervisors will approve all credit card applications. There will not be credit cards utilized by departments requiring a store line of credit.

Conclusion – Response accepted.

II-G-08 Protective Payee Operations – Lee County has been designated “protective payee” by the Social Security Administration, the Iowa Department of Human Services and/or the courts for approximately 120 clients who need assistance in managing their day to day finances. Several protective payee accounts were not included on the activity summary spreadsheet and several beginning balances did not match prior year ending balances. Checks written from payee accounts are prepared, approved and signed by the same person. Certain checks were marked void on the check register, but the voided check was not able to be located. Certain payee accounts were assessed insufficient fund fees. Certain payee accounts had checks which should have been on the outstanding check listing on the bank reconciliation. Certain payee accounts had checks that should not have been on the outstanding checks listing on the bank reconciliation.

Recommendation – The County should develop procedures to ensure all payee accounts are included on the activity summary spreadsheet and beginning balances match prior year ending balances. Checks should not be signed by the same person who prepared them. Check registers should be kept on hand and support should be maintained for disbursements. The bank reconciliation should include checks which are outstanding as of the bank reconciliation date.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Response – Lee County has purchased a Protective Payee MIS system-Representative Payee Manager (RPM) software. All consumers have been added to the system and General Assistance/Payee Clerks have recently acquired access to the program. It is Lee County's intention to roll out the new system in January once all balances have been reconciled and financial information can be input into the system. This system will eliminate the issue of clients not being on the activity summary spreadsheet. It will also maintain records in chronological order; therefore, deposits and outstanding check listings which contributed to the end year balance not matching to the year beginning balance issue will be resolved. All registers will be maintained electronically so all registers/documentation will be available regardless of status (open/closed). The RPM system will automatically maintain ledger balances which will significantly reduce the probability of human error that has lead to overdraw of funds and consequently the acquisition of insufficient fund fees. Finally, Lee County will cross reference reconciliations between the General Assistance/Payee Clerks followed with an administrative review by CPC Administrator.

In regards to the issue of division of duties, Lee County only employs two payees separated by the North and South Lee offices. It is not feasible to divide the responsibilities of preparation, approval, and signature due to geographical separation, frequency, and demand of the service. Measures have been taken to ensure that checks and balances are in place related to this issue. Examples of such steps include but are not limited to: client logs of receipts, statement duplication between payee and administration, check copies (front and back) with statement, cross reconciliation with administrative oversight, and open communication/auditing of files by Social Security Administration.

Conclusion – Response accepted.

II-H-08 Financial Reporting – During the audit, we identified material amounts of revenues, expenditures, accounts payable and capital assets not recorded properly in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all revenues, expenditures, accounts payable and capital assets are identified and properly included in the County's financial statements.

Response – A process has been implemented to check for missed items.

Conclusion – Response accepted.

II-I-08 CPC Segregation of Duties – The same person who opens the mail also prepares the deposit of checks received and takes the deposit to the Treasurer's Office.

Recommendation – The CPC office should have one person open the mail and make an initial listing of checks received. Another person should deposit the checks within ten business days and an independent person should review the deposits to the initial listing monthly.

Response – The Fort Madison Housing Authority will send Ryanne Wood (CPC) a copy of the ledger of received rent checks for residents of Lee County Housing. The Accounting Technician will code and process received checks from the housing

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

authority as revenue with the County Treasurer's office. The copy of the ledger from the Housing Authority and the receipt of revenue provided by the County Budget Director will be collected, reviewed, and filed together in the CPC office on a monthly basis to ensure all checks have been processed appropriately.

Conclusion – Response accepted.

II-J-08 Deposit Timeliness – Two warrants from the State of Iowa totaling \$157,682 and \$36,915 were not deposited for 25 business days.

Recommendation – The County should deposit all receipts in a timely manner.

Response – The County will deposit warrants in a more timely manner.

Conclusion – Response accepted.

II-K-08 Conservation Foundation – Three Rivers Conservation Foundation, a component unit of Lee County, acquires donations to fund various conservation projects within the County. The year end balance sheet did not reconcile to bank and investment statements. Also, the activity from the monthly income statements did not reconcile to the ending balance per the year end balance sheet. In addition, monthly bank reconciliations are not performed and the Foundation does not receive images of both sides of canceled checks with the bank statements. These matters were resolved for audit purposes.

Recommendation – The Foundation should prepare monthly bank reconciliations to ensure the monthly balance sheets and income statements reconcile to its bank and investment statements. The bank reconciliations should be reviewed and initialed by an independent person. Also, the Foundation should obtain images of the front and back of canceled checks as required by Chapter 554D.114(5) of the Code of Iowa.

Response – Based on the recommendation given by the State Auditors Office, the Lee County Conservation Board will take the following action with regard to the Three Rivers Conservation Foundation, a component unit of Lee County:

- A monthly bank and accounts statement will be prepared and reviewed to ensure reconciliation between the balance sheets and income statements.
- Additionally, images from the front and back of cancelled checks will be recorded as required by Chapter 554.114(5) of the Code of Iowa.
- Either the Conservation Director or the Administrative Assistant will initial the monthly balance sheets and income and investment statements after receipt from the accountant to ensure they reconcile with previous balance statements.

Conclusion – Response accepted.

II-L-08 Lee County Economic Development Group – During our review of the internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and,

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

therefore, maximizes the accuracy of the financial statements. Weaknesses noted for which no compensating controls exist are as follows:

- Mail is not opened by someone who does not have access to account records and no initial receipts listing is prepared. Also, the same individual prepares the deposit and deposit tickets are not compared to the cash receipts journal by an independent person. In addition, bank reconciliations are not reviewed by an independent person with the review evidenced by initials.
- Bank reconciliations are not prepared monthly and canceled checks are not examined for endorsements as the bank does not provide images of the back of canceled checks.

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

Also, bank reconciliations should be prepared monthly and be reviewed and initialed by an independent person. In addition, the Lee County Economic Development Group should obtain images of the front and back of canceled checks as required by Chapter 554D.114(5) of the Code of Iowa.

Response – One staff person who does not access account records has been assigned to open mail and make receipts listing. The bank reconciliations will be prepared on a monthly basis. The bank has been requested to send front and back of canceled checks.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Lee County
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.
- IV-B-08 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-08 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-08 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ernie Steffensmeier, Assistant County Engineer, brother owns Steffensmeier Welding	Welding services	\$ 2,679

In accordance with Chapter 331.342(10) of the Code of Iowa, the above transaction may represent a conflict of interest.

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

Response – The County will consult with legal counsel to determine the disposition of transactions regarding nepotism.

Conclusion – Response accepted.

- IV-E-08 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be periodically reviewed to ensure the coverage is adequate for current operations.
- IV-F-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-08 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-08 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

IV-J-08 Capital Lease Purchase – The County entered into a capital lease purchase agreement for two Sheriff's vehicles with a total principal value of \$42,522. Chapter 331.301(10)(e) of the Code of Iowa requires leases exceeding \$25,000 to have a public hearing with a notice of public hearing published four to twenty days prior to the public hearing. The County did not have a public hearing.

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

Response – The County will consult with legal counsel regarding capital lease purchase agreements.

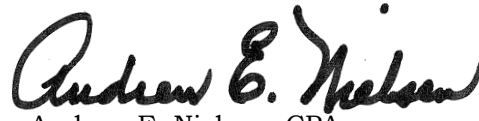
Conclusion – Response accepted.

Lee County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Brian R. Brustkern, CPA, Senior Auditor II
Michael D. Eckard, Staff Auditor
Shelley M. Klingbeil, Staff Auditor
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