



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 12, 2010

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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 \$37,870,844 for the year ended June 30, 2009, which included \$1,646,386 in tax credits from the state. The County forwarded \$28,179,850 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,690,994 of the local tax revenue to finance County operations, a 2.8 percent increase over the prior year. Other revenues included charges for service of \$2,748,326, operating grants, contributions and restricted interest of \$7,802,570, capital grants, contributions and restricted interest of \$2,019,558, local option sales tax of \$1,444,024, unrestricted investment earnings of \$379,003 and other general revenues of \$528,135.

Expenses for County operations totaled \$22,671,631, a 12.9 percent decrease from the prior year. Expenses included \$5,232,467 for roads and transportation, \$4,626,124 for mental health, \$3,869,002 for physical health and social services and \$3,608,863 for public safety and legal services. The significant decrease in expenses is due primarily to \$3,900,000 of County general obligation bond proceeds remitted to the Great River Regional Waste Authority during fiscal year 2008 to pay for the County's share of the cost to expand the landfill to provide an additional fifteen years of use. No similar financial activity occurred in fiscal year 2009.

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/index.html>.

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LEE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

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Lee County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2009)		
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
(After January 2009)		
Rick Larkin	Board of Supervisors	Jan 2011
Ernest Schiller	Board of Supervisors	Jan 2011
Larry Kruse	Board of Supervisors	Jan 2013
Gary Folluo	Board of Supervisors	Jan 2013
Janet Fife-LaFrenz	Board of Supervisors	Jan 2013
Anne M. Pedersen	County Auditor	Jan 2013
Janet Strunk	County Treasurer	Jan 2011
Larry J. Holtkamp	County Recorder	Jan 2011
H.D. Buck Jones	County Sheriff	Jan 2013
Michael P. Short	County Attorney	Jan 2011
Janice C. Calvert	County Assessor	(Retired)
Teresa Murray (Appointed)	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, 2009, 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.

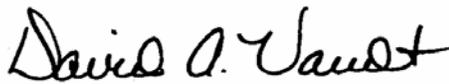
The financial statements of Lee County EMS Ambulance, Inc., the County's only discretely presented component unit, have not been audited, and we were not engaged to audit the financial statements of Lee County EMS Ambulance, Inc. as part of our audit of the County's basic financial statements. As described in Note 13, 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, 2008.

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, 2009, 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 11, 2010 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 12 and 48 through 52 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 nine years ended June 30, 2008 (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 11, 2010

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, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at June 30, 2009 by approximately \$38.8 million.
- Lee County's net assets increased approximately \$1,941,000 from FY08 to FY09.
- Governmental fund revenues in FY09 increased 1.14%, or approximately \$251,600, over FY08. Property and other county tax increased approximately \$284,800 in FY09 over FY08. The overall tax levy rate decreased \$.08463, from \$10.95276 to \$10.86813, per \$1,000 of taxable valuation. The countywide and the rural services taxable property valuations increased approximately \$4.4 million and \$8.9 million, respectively.
- Governmental fund expenditures decreased 2.53%, or approximately \$655,000, from FY08 to FY09. The decrease in expenditures is due primarily to remitting \$3,900,000 of general obligation bond proceeds during FY08 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. During FY08, the County also passed through a \$574,000 Community Development Block Grant (CDBG) forgivable loan to Siemens Power Generation, Inc. The lack of a new bond issuance and no CDBG forgivable loan in FY09 was partially offset by the first full year of expenditures for the jail project, which amounted to approximately \$3.8 million during FY09.
- The County is in the eighth 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 a series of financial statements and other information, as follows.

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- 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.

REPORTING THE COUNTY’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County’s finances is, “Is the County as a whole better off or worse off as a result of the year’s activities?” The Statement of Net 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, Rural Services and Secondary Roads, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County’s general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for proprietary funds include a statement of net 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. Lee County's combined net assets were virtually unchanged from a year ago, increasing from approximately \$36.8 million to approximately \$38.8 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2009	2008
Current and other assets	\$ 23,799	26,142
Capital assets	36,732	32,452
Total assets	<u>60,531</u>	<u>58,594</u>
Long-term liabilities	9,917	10,217
Other liabilities	11,849	11,553
Total liabilities	<u>21,766</u>	<u>21,770</u>
Net assets:		
Invested in capital assets, net of related debt	32,975	31,989
Restricted	4,644	3,996
Unrestricted	1,146	839
Total net assets	<u>\$ 38,765</u>	<u>36,824</u>

Lee County's total net assets increased approximately \$1,941,000, or 5.3%. 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, FY08 total net assets decreased approximately \$2,642,000, or 6.7%, from FY07.

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, increased from approximately \$839,000 at June 30, 2008 to approximately \$1,146,000 at the end of this year, an increase of 36.6%. This increase of approximately \$307,000 in unrestricted net assets was primarily due to an increase in property and other county tax revenue.

Changes in Net Assets of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Revenues:		
Program revenues:		
Charges for service	\$ 2,748	3,073
Operating grants, contributions and restricted interest	7,803	7,830
Capital grants, contributions and restricted interest	2,020	1,001
General revenues:		
Property and other county tax	9,244	8,942
Penalty and interest on property tax	162	26
Gaming wager tax	85	75
State tax credits	447	482
Local option sales tax	1,444	1,449
Unrestricted investment earnings	379	362
Gain on disposition of capital assets	67	62
Other general revenues	214	82
Total revenues	<u>24,613</u>	<u>23,384</u>
Program expenses:		
Public safety and legal services	3,609	3,503
Physical health and social services	3,869	3,377
Mental health	4,626	4,789
County environment and education	1,343	1,525
Roads and transportation	5,233	5,033
Governmental services to residents	961	853
Administration	2,160	2,206
Non-program	512	4,609
Interest on long-term debt	359	131
Total expenses	<u>22,672</u>	<u>26,026</u>
Increase (decrease) in net assets	1,941	(2,642)
Net assets beginning of year	<u>36,824</u>	<u>39,466</u>
Net assets end of year	<u>\$ 38,765</u>	<u>36,824</u>

For FY09, Lee County's property tax rates increased to \$9.35213 per \$1,000 of taxable valuation in the countywide levy and decreased to \$1.51600 per \$1,000 of taxable valuation for the rural levy. The countywide taxable property valuation increased \$4,413,000 and the rural taxable property valuation increased \$8,940,000. The net effect of the increases in valuations and the increase/decrease in tax rates was a net increase in property and other county tax revenue of approximately \$302,000.

Capital grants, contributions, and restricted interest increased approximately \$1,019,000, primarily due to capital assets contributed by the Iowa Department of Transportation increasing from approximately \$1,001,000 in FY 08 to approximately \$2,020,000 in FY 09.

Non-program expenses went from \$4,609,000 in FY08 to \$512,000 in FY09. This significant decrease is due primarily to \$3,900,000 of general obligation bond proceeds remitted to the Great River Regional Waste Authority in FY08 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. during FY08.

INDIVIDUAL MAJOR FUND ANALYSIS

As Lee County completed the year, its governmental funds reported a combined fund balance of \$9,806,251, which is less than the \$12,579,772 combined fund balance at the end of FY08.

The General Fund, the operating fund for Lee County, ended FY09 with an ending balance of \$4,627,586, compared to the prior year ending balance of \$4,558,171, an increase of \$69,415. Revenues decreased \$590,488, primarily due to the \$574,000 Community Development Block Grant (CDBG) forgivable loan received in FY08 which was passed through to Siemens Power Generation, Inc. Expenditures decreased \$4,150,338, due primarily to the FY08 CDBG forgivable loan and \$3,900,000 paid to the Great River Regional Waste Authority during FY08 for the County's share of the cost to expand the landfill to provide an additional fifteen years of use. Other financing sources decreased \$3,346,623, due primarily to the FY08 receipt of \$3,900,000 of general obligation bond proceeds.

The Mental Health Fund ended FY09 with an ending balance of \$839,014, compared to the prior year ending balance of \$260,317, an increase of \$578,697. Revenues increased \$81,825, primarily due to an increase in the state payment program funding. Expenditures decreased \$126,661.

The Secondary Roads Fund ended FY09 with an ending balance of \$1,112,441, compared to the prior year ending balance of \$1,000,092, an increase of \$112,349. Revenues decreased \$124,623, primarily due to a decrease of approximately \$90,000 in road use tax funding. Expenditures decreased \$499,127, primarily due to a decrease in capital projects.

During FY08, the County issued \$5,400,000 of 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 FY09 with an ending balance of \$1,890,392, compared to the prior year ending balance of \$5,551,833, a decrease of \$3,661,441.

BUDGETARY HIGHLIGHTS

Over the course of the year, Lee County amended its budget two times. The first amendment was made on April 28, 2009 to allow for conservation department FEMA disaster recovery projects. The second amendment was made on May 26, 2009. This amendment was made to provide for underestimation of mental health function disbursements and sheriff's federal grant disbursements.

The County's receipts were \$734,841 less than budgeted, a variance of 3.3%. Intergovernmental receipts were approximately \$655,000 less than budgeted, due primarily to the delay in bridge replacement projects and the reduction of Medicare/Medicaid reimbursements.

Total disbursements were \$1,983,581 less than the amended budget, a variance of 7.4%. Actual disbursements for the public safety and legal services, physical health and social services, county environment and education, roads and transportation, administration and capital projects functions were \$165,835, \$343,369, \$124,552, \$248,019, \$381,353 and \$339,286, respectively, less than budgeted. The public safety and legal services function shortfall was primarily due to reduced overtime, unspent federal grant money and new equipment. 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 the delay in flood repairs to the boat ramp and unspent stimulus money for economic development. The roads and transportation function shortfall was primarily due to a reduction in new equipment expenditures. The administration function shortfall was primarily due to workers compensation reimbursements from departments being recorded as credits on warrants instead of being recorded as revenues and the delay in permanent county-owned building improvements. The capital projects function shortfall was primarily due to delays in road construction and the ongoing jail project construction.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the County had invested \$36.7 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 \$4,300,000 over FY08. The most significant change to capital assets during FY09 was the increase in construction in progress of approximately \$4,075,000, due primarily to the on-going jail project.

Lee County had depreciation expense of approximately \$2.1 million in FY09 and total accumulated depreciation of approximately \$23.9 million at June 30, 2009. Additional information about the County's capital assets is included in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2009, the County had approximately \$9,325,000 in long-term debt outstanding. This represents a significant decrease from the FY08 total of \$9,713,000.

Outstanding debt decreased as a result of payments on two fiscal year 2008 general obligation bond issuances. The first was \$3,900,000 of 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 approximately \$79.8 million. Additional information about the County's long-term debt is included in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

From FY08 to FY09, the countywide and the rural services property taxable valuations increased approximately \$4.4 million and \$8.9 million, respectively. In FY10, the countywide and the rural services property taxable valuations increased approximately \$36.8 million and \$17.4 million, respectively.

Amounts budgeted for disbursements in the FY10 operating budget are approximately \$24.8 million, a decrease of .4% from the FY09 actual disbursements of \$24.9 million. The County's ending fund balances are expected to end FY10 with a budgeted ending cash balance of approximately \$6 million, compared to the June 30, 2009 actual cash balance of approximately \$9.9 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, 2009

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 12,325,869
Receivables:	
Property tax:	
Delinquent	27,677
Succeeding year	9,584,000
Interest and penalty on property tax	24,757
Accounts	182,253
Accrued interest	105,232
Due from other governments	930,197
Inventories	619,229
Capital assets (net of accumulated depreciation)	36,731,795
	<u>60,531,009</u>
Total assets	
	<u>60,531,009</u>
Liabilities	
Accounts payable	1,326,642
Accrued interest payable	33,011
Salaries and benefits payable	186,729
Due to other governments	717,952
Deferred revenue:	
Succeeding year property tax	9,584,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	395,000
Bank loans	31,483
Capital lease purchase agreements	34,512
Compensated absences	306,240
Portion due or payable after one year:	
General obligation bonds	8,535,000
Bank loans	298,739
Capital lease purchase agreements	30,616
Compensated absences	214,710
Net OPEB liability	71,048
	<u>21,765,682</u>
Total liabilities	
	<u>21,765,682</u>

Lee County
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	32,975,427
Restricted for:	
Nonexpendable:	
Permanent fund - hospice care	82,500
Expendable:	
Supplemental levy purposes	924,717
Mental health purposes	841,594
Secondary roads purposes	978,265
Building repair and maintenance	1,138,313
Other purposes	678,673
Unrestricted	<u>1,145,838</u>
Total net assets	<u><u>\$ 38,765,327</u></u>

See notes to financial statements.

Lee County

Lee County

Statement of Activities

Year ended June 30, 2009

	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	\$ 3,608,863	232,011	203,794	-	(3,173,058)
Physical health and social services	3,869,002	1,516,396	950,646	-	(1,401,960)
Mental health	4,626,124	134,945	2,882,748	-	(1,608,431)
County environment and education	1,343,141	27,065	628,731	-	(687,345)
Roads and transportation	5,232,467	28,172	2,780,281	2,019,558	(404,456)
Governmental services to residents	961,215	500,014	22,028	-	(439,173)
Administration	2,159,895	48,523	61,930	-	(2,049,442)
Non-program	512,271	261,200	272,412	-	21,341
Interest on long-term debt	358,653	-	-	-	(358,653)
Total	\$ 22,671,631	2,748,326	7,802,570	2,019,558	(10,101,177)
General Revenues:					
Property and other county tax levied:					
General purposes					8,527,791
Debt services					716,090
Penalty and interest on property tax					162,292
Gaming wager tax					84,525
State tax credits					447,113
Local option sales tax					1,444,024
Unrestricted investment earnings					379,003
Gain on disposition of capital assets					66,875
Miscellaneous					214,443
Total general revenues					12,042,156
Change in net assets					1,940,979
Net assets beginning of year					36,824,348
Net assets end of year					\$ 38,765,327

See notes to financial statements.

Lee County
Balance Sheet
Governmental Funds

June 30, 2009

	Special Revenue		
	General	Mental Health	Secondary Roads
Assets			
Cash and pooled investments:			
County Treasurer	\$ 4,602,099	1,740,409	317,544
Component units	-	-	-
Receivables:			
Property tax:			
Delinquent	17,854	6,032	-
Succeeding year	6,106,000	2,063,000	-
Interest and penalty on property tax	24,757	-	-
Accounts	37,803	872	187
Accrued interest	50,859	-	-
Due from other governments	519,265	1,963	250,737
Inventories	-	-	615,194
Total assets	\$ 11,358,637	3,812,276	1,183,662
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 297,026	248,820	32,391
Salaries and benefits payable	132,126	3,057	38,417
Due to other funds	2,753	151	26
Due to other governments	61,600	651,008	210
Deferred revenue:			
Succeeding year property tax	6,106,000	2,063,000	-
Other	131,546	7,226	177
Total liabilities	6,731,051	2,973,262	71,221
Fund balances:			
Reserved for:			
Inventories	-	-	615,194
Supplemental levy purposes	967,645	-	-
Debt service	-	-	-
Capital projects	-	-	-
Hospice care	-	-	-
Building repair and maintenance (local option sales tax)	1,138,313	-	-
Medicaid administrative reimbursements	13,540	-	-
Specific purposes	-	-	-
Unreserved:			
Designated for future capital projects	73,211	-	-
Undesignated, reported in:			
General fund	2,434,877	-	-
Special revenue funds	-	839,014	497,247
Total fund balances	4,627,586	839,014	1,112,441
Total liabilities and fund balances	\$ 11,358,637	3,812,276	1,183,662

See notes to financial statements.

Capital Projects	Nonmajor	Total
2,237,590	967,811	9,865,453
-	223,049	223,049
-	3,791	27,677
-	1,415,000	9,584,000
-	-	24,757
-	142,468	181,330
33,537	223	84,619
-	158,232	930,197
-	-	615,194
<u>2,271,127</u>	<u>2,910,574</u>	<u>21,536,276</u>
380,735	80,766	1,039,738
-	11,453	185,053
-	-	2,930
-	5,134	717,952
-	1,415,000	9,584,000
-	61,403	200,352
<u>380,735</u>	<u>1,573,756</u>	<u>11,730,025</u>
-	-	615,194
-	-	967,645
-	34,753	34,753
1,890,392	-	1,890,392
-	105,491	105,491
-	-	1,138,313
-	-	13,540
-	35,317	35,317
-	-	73,211
-	-	2,434,877
-	1,161,257	2,497,518
<u>1,890,392</u>	<u>1,336,818</u>	<u>9,806,251</u>
<u>2,271,127</u>	<u>2,910,574</u>	<u>21,536,276</u>

Lee County

Lee County

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

June 30, 2009

Total governmental fund balances (page 19) \$ 9,806,251

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 \$60,475,872 and the accumulated depreciation is \$23,796,164. 36,679,708

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 200,352

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 \$174,288, net of accumulated depreciation of \$122,201	\$ 52,087	
Compensated absences	(4,039)	
Net OPEB liability	(607)	
Other net assets	<u>1,977,288</u>	2,024,729

Long-term liabilities, including general obligation bonds payable, bank loans payable, capital lease purchase agreements payable, other post employment benefits 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. (9,945,713)

Net assets of governmental activities (page 15) \$ 38,765,327

See notes to financial statements.

Lee County

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

Year ended June 30, 2009

	Special Revenue		
	General	Mental Health	Secondary Roads
Revenues:			
Property and other county tax	\$ 6,316,376	2,063,040	-
Interest and penalty on property tax	135,727	-	-
Intergovernmental	3,325,798	2,948,330	2,779,935
Licenses and permits	71,867	-	10,655
Charges for service	868,442	-	64
Use of money and property	239,228	68,748	-
Miscellaneous	185,127	24,708	32,473
Total revenues	11,142,565	5,104,826	2,823,127
Expenditures:			
Operating:			
Public safety and legal services	3,233,359	-	-
Physical health and social services	3,366,008	-	-
Mental health	-	4,526,129	-
County environment and education	1,249,008	-	-
Roads and transportation	-	-	3,763,046
Governmental services to residents	921,424	-	-
Administration	2,036,986	-	-
Non-program	261,564	-	-
Debt service	-	-	-
Capital projects	76,728	-	27,732
Total expenditures	11,145,077	4,526,129	3,790,778
Excess (deficiency) of revenues over (under) expenditures	(2,512)	578,697	(967,651)
Other financing sources (uses):			
Capital lease purchase agreement proceeds	71,927	-	-
Operating transfers in	-	-	1,080,000
Operating transfers out	-	-	-
Total other financing sources (uses)	71,927	-	1,080,000
Net change in fund balances	69,415	578,697	112,349
Fund balances beginning of year	4,558,171	260,317	1,000,092
Fund balances end of year	\$ 4,627,586	839,014	1,112,441

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	2,394,485	10,773,901
-	-	135,727
-	630,693	9,684,756
-	-	82,522
-	31,450	899,956
99,810	74,570	482,356
-	72,220	314,528
99,810	3,203,418	22,373,746
-	456,634	3,689,993
-	547,468	3,913,476
-	58,705	4,584,834
-	156,646	1,405,654
-	-	3,763,046
-	40,167	961,591
-	-	2,036,986
-	-	261,564
-	736,339	736,339
3,761,251	-	3,865,711
3,761,251	1,995,959	25,219,194
(3,661,441)	1,207,459	(2,845,448)
-	-	71,927
-	-	1,080,000
-	(1,080,000)	(1,080,000)
-	(1,080,000)	71,927
(3,661,441)	127,459	(2,773,521)
5,551,833	1,209,359	12,579,772
1,890,392	1,336,818	9,806,251

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, 2009

Net change in fund balances - Total governmental funds (page 23) \$ (2,773,521)

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	\$ 4,236,599	
Capital assets contributed by the Iowa Department of Transportation	2,019,558	
Depreciation expense	<u>(2,052,959)</u>	4,203,198

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. 66,875

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	(6,304)	
Other	<u>(148,151)</u>	(154,455)

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 repayments exceeded debt issues as follows:

Issued	(71,927)	
Repaid	<u>459,359</u>	387,432

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	(14,950)	
Other postemployment benefits	(70,441)	
Interest on long-term debt	<u>7,686</u>	(77,705)

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. 289,155

Change in net assets of governmental activities (page 17) \$ 1,940,979

See notes to financial statements.

Lee County
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Internal Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,237,367
Accounts receivable	923
Accrued interest receivable	20,613
Due from other funds	2,997
Inventories	4,035
Noncurrent assets:	
Capital assets, net of accumulated depreciation	52,087
Total assets	2,318,022
Liabilities	
Current liabilities:	
Accounts payable	286,904
Salaries and benefits payable	1,676
Due to other funds	67
Compensated absences	4,039
Non-current liabilities:	
Net OPEB liability	607
Total liabilities	293,293
Net Assets	
Invested in capital assets	52,087
Unrestricted	1,972,642
Total net assets	\$ 2,024,729

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, 2009

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds and other governmental units	\$ 2,189,182
Reimbursements from employees and others	<u>162,025</u>
Total operating revenues	<u>2,351,207</u>
Operating expenses:	
Medical and health services	\$ 1,702,224
Supplemental insurance	6,280
Salaries and benefits	79,841
Administrative fees, network access fees and stop-loss premium	168,705
Supplies, utilities and data processing	109,798
Maintenance agreements	13,555
Non-capitalized equipment	17,799
Depreciation	<u>16,755</u>
Operating income	<u>2,114,957</u>
Non-operating revenues:	
Interest income	<u>52,905</u>
Net income	<u>289,155</u>
Net assets beginning of year	<u>1,735,574</u>
Net assets end of year	<u><u>\$ 2,024,729</u></u>

See notes to financial statements.

Lee County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2009

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds and other governmental units	\$ 2,236,787
Cash received from employees and others	114,865
Cash paid to suppliers for services	(2,034,960)
Net cash provided by operating activities	316,692
Cash flows from capital and related financing activities:	
Purchase of equipment	(26,814)
Cash flows from investing activities:	
Interest on investments	38,302
Net increase in cash and cash equivalents	328,180
Cash and cash equivalents beginning of year	1,909,187
Cash and cash equivalents end of year	\$ 2,237,367
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 236,250
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	16,755
Changes in assets and liabilities:	
(Increase) in accounts receivable	(882)
Decrease in due from other funds	433
(Increase) in inventories	(478)
Increase in accounts payable	62,308
Increase in salaries and benefits payable	299
(Decrease) in due to other funds	(282)
Increase in compensated absences	1,682
Increase in net OPEB liability	607
Net cash provided by operating activities	\$ 316,692

See notes to financial statements.

Lee County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2009

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,904,156
Other County officials	376,994
Receivables:	
Property tax:	
Delinquent	78,330
Succeeding year	26,808,000
Accounts	22,117
Accrued interest	255
Special assessments	107,615
Drainage assessments	64,946
Due from other governments	745,777
Total assets	<u>30,108,190</u>

Liabilities

Accounts payable	174,350
Salaries and benefits payable	7,619
Due to other governments	28,997,558
Trusts payable	353,970
Compensated absences	14,822
Bank loan	559,871
Total liabilities	<u>30,108,190</u>

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

Lee County

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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 which 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 which should be blended. The partnership's financial report for the year ended December 31, 2008 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 which 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 which 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 which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Discretely Presented Component Unit

Lee County EMS Ambulance, Inc. (EMS) has been incorporated under the provisions of the Iowa Business Corporation Act to provide ambulance services. The County and EMS have entered into a 28E Agreement as a joint undertaking to assure ambulance services are provided in Lee County. In accordance with the agreement, ambulance service is primarily financed through revenue from recipients of the services and through a subsidy provided by the County. The 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 which should be discretely presented. Condensed financial statements for the year ended December 31, 2008 presented in Note 13 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, Lee County Joint E911 Service Board and Children First – Lee/Van Buren Empowerment Area. Financial transactions of these organizations are included in

the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Great River Regional Waste Authority, South Iowa Area Crime Commission, South Iowa Detention Service Agency, Lee County Narcotics Task Force, Southeast Iowa Regional Planning Commission, Southeast Iowa Community Action Agency, Regional Workforce Investment Board, Quad County Decategorization Board, Geode Resource Conservation and Development, Inc., Regional Utility Service Systems Commission and Southeast Iowa Regional Economic and Port Authority.

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 four 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.

Nonexpendable net assets are subject to externally imposed stipulations which require them to be maintained permanently by the County, including the County's Permanent Fund.

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 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, 2007 assessed property

valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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, 2009, 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, 2009. 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, 2009 disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2009 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, 2009, the County had the following investments:

Type	Fair Value
Fidelity Treasury Fund - Daily Money Class -	
Repurchase Agreements	\$ 64,586
U.S. Treasury Obligations	<u>41,565</u>
Total	<u>\$ 106,151</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 1.15 percent of the County's total investments.

Interest rate risk. At June 30, 2009, the effective duration of the Fidelity Treasury Fund – Daily Money Class was less than 2 months.

The Three Rivers Conservation Foundation's investments at June 30, 2009 consist of stocks and stock mutual funds with a fair value of \$88,440. 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, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
Internal Service:		
Supplies	General	\$ 2,753
	Special Revenue:	
	Mental Health	151
	Secondary Roads	26
	Internal Service:	
	Employee Health Plan Trust	19
	Information Technology	<u>48</u>
Total		<u>\$ 2,997</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, 2009 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 1,080,000</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 656,307	-	-	656,307
Land, road network	976,085	-	-	976,085
Construction in progress	951,473	5,859,265	(1,784,157)	5,026,581
Total capital assets not being depreciated	<u>2,583,865</u>	<u>5,859,265</u>	<u>(1,784,157)</u>	<u>6,658,973</u>
Capital assets being depreciated:				
Buildings	7,678,318	-	-	7,678,318
Improvements other than buildings	697,056	-	-	697,056
Equipment and vehicles	6,279,172	483,869	(411,090)	6,351,951
Equipment - internal service	154,420	26,813	(6,945)	174,288
Infrastructure, road network	37,305,417	1,784,157	-	39,089,574
Total capital assets being depreciated	<u>52,114,383</u>	<u>2,294,839</u>	<u>(418,035)</u>	<u>53,991,187</u>
Less accumulated depreciation for:				
Buildings	3,736,831	204,864	-	3,941,695
Improvements other than buildings	510,268	12,989	-	523,257
Equipment and vehicles	3,957,934	529,672	(390,989)	4,096,617
Equipment, internal service	112,392	16,754	(6,945)	122,201
Infrastructure, road network	13,929,160	1,305,435	-	15,234,595
Total accumulated depreciation	<u>22,246,585</u>	<u>2,069,714</u>	<u>(397,934)</u>	<u>23,918,365</u>
Total capital assets being depreciated, net	<u>29,867,798</u>	<u>225,125</u>	<u>(20,101)</u>	<u>30,072,822</u>
Governmental activities capital assets, net	<u>\$ 32,451,663</u>	<u>6,084,390</u>	<u>(1,804,258)</u>	<u>36,731,795</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 82,520
Physical health and social services	14,260
Mental health	82,837
County environment and education	28,152
Roads and transportation	1,705,404
Administration	<u>156,541</u>
Total depreciation expense - governmental activities	<u>\$ 2,069,714</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	\$ 61,600
Special Revenue:		
Mental Health	Services	651,008
Secondary Roads	Services	210
Rural Services	Services	5,134
		<u>656,352</u>
Total for governmental funds		<u>\$ 717,952</u>
Agency:		
County Assessor	Collections	\$ 660,842
Schools		15,720,381
Community Colleges		990,207
Corporations		9,766,442
Auto License and Use Tax		591,184
All other		1,268,502
		<u>1,268,502</u>
Total for agency funds		<u>\$ 28,997,558</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	General Obligation Jail Bonds	General Obligation Solid Waste Disposal Bonds	County Bank Loan	Great River Progressive Housing Corporation Bank Loan	Capital Lease Purchase Agreements	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 5,400,000	3,900,000	72,411	299,091	41,280	504,318	-	10,217,100
Increases	-	-	-	-	71,927	475,776	71,048	618,751
Decreases	170,000	200,000	5,974	35,306	48,079	459,144	-	918,503
Balance end of year	<u>\$ 5,230,000</u>	<u>3,700,000</u>	<u>66,437</u>	<u>263,785</u>	<u>65,128</u>	<u>520,950</u>	<u>71,048</u>	<u>9,917,348</u>
Due within one year	\$ 180,000	215,000	6,310	25,173	34,512	306,240	-	767,235

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
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	3.50	215,000	177,720	392,720
2015-2019	3.50-5.00	1,225,000	754,025	1,979,025
2020-2024	3.70-3.90	1,530,000	480,415	2,010,415
2025-2028	4.00	1,490,000	152,000	1,642,000
Total		\$ 5,230,000	2,343,815	7,573,815

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
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	4.00	260,000	107,442	367,442
2015-2019	3.73-4.00	1,470,000	374,964	1,844,964
2020-2022	3.80-3.90	1,050,000	82,386	1,132,386
Total		\$ 3,700,000	1,093,942	4,793,942

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, 2009 was \$66,437.

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

Year ending June 30,	Interest Rates	Principal	Interest	Total
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	5.55	7,855	2,056	9,911
2015-2018	5.55	31,137	3,556	34,693
Total		\$ 66,437	17,813	84,250

During the year ended June 30, 2009, the County paid principal of \$5,974 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. Due to the timing of the loan payments during the year ended June 30, 2009, the GRPHC made 3 payments on the loan, consisting of principal of \$35,006 and interest of \$23,660. The balance owed on the loan at June 30, 2009 was \$263,785.

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
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	5.41	31,163	7,946	39,109
2015-2018	5.41	123,373	13,740	137,113
Total		\$ 263,785	68,873	332,658

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease four sheriff's vehicles and one tractor.

The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.95% to 7.50% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2009:

Year ending June 30,	Sheriff's Vehicles	Kubota Tractor	Total
2010	\$ 30,053	8,631	38,684
2011	14,923	8,596	23,519
2012	-	7,186	7,186
Total minimum lease payments	44,976	24,413	69,389
Less amount representing interest	(3,444)	(3,174)	(6,618)
Present value of net minimum lease payments	\$ 41,532	21,239	62,771

The book value of assets acquired under capital leases totaled \$160,471. Payments under capital lease purchase agreements for the year ended June 30, 2009 totaled \$52,893.

(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 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$412,933, \$374,395 and \$348,881, 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) Other Postemployment Benefits (OPEB)

Lee County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 154 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits plan, which is a partially self-funded medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 84,705
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	84,705
Contributions made	(13,657)
Increase in net OPEB obligation	71,048
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 71,048</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the County contributed \$13,657 to the medical plan. Plan members eligible for benefits contributed \$28,500, or 68% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 84,705	16.1%	\$ 71,048

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$781,012, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$781,012. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,879,000 and the ratio of the UAAL to covered payroll was 13.3%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$1,165 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) 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.

(12) 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, 2009 was \$2,103,555.

Amounts payable from the Employee Health Plan Trust Fund at June 30, 2009 total \$264,985, 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 \$1,719,335 at June 30, 2009 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, 2008	\$ 220,450
Incurred claims (including claims incurred but not reported as of June 30, 2009)	1,702,224
Payments on claims during the fiscal year	<u>(1,657,689)</u>
Unpaid claims at June 30, 2009	<u>\$ 264,985</u>

(13) 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, 2008.

Condensed Statement of Net Assets	
December 31, 2008	
(Unaudited)	
Assets	
Capital assets, net of accumulated depreciation	\$ 173,872
Other	444,165
Total assets	<u>618,037</u>
Liabilities	
Other	<u>90,376</u>
Net assets:	
Invested in capital assets	173,872
Unrestricted	353,789
Total net assets	<u><u>\$ 527,661</u></u>

Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets	
Year ended December 31, 2008	
(Unaudited)	
Operating revenues:	
Patient income	\$ 1,355,765
County subsidy	390,000
Other	1,200
Total operating revenues	<u>1,746,965</u>
Operating expenses:	
Salaries and benefits	\$ 1,082,574
Insurance	206,432
Other	425,950
Operating income	<u><u>32,009</u></u>
Non-operating revenues (expenses):	
Interest income	17,520
Interest expense	(3,572)
Net non-operating revenues	<u>13,948</u>
Net income	45,957
Net assets beginning of year	<u>481,704</u>
Net assets end of year	<u><u>\$ 527,661</u></u>

(14) 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.

Preliminarily the County has met the requirements and is awaiting final forgiveness of the loan from the Iowa Department of Economic Development.

(15) Construction Commitment

The County has entered into contracts totaling \$6,250,000 to construct, furnish and equip an addition to and renovate portions of the County Jail, including an area for centralized dispatch. As of June 30, 2009, costs of \$4,211,624 on the project have been incurred. The \$2,038,376 balance remaining on the project at June 30, 2009 will be paid as work on the project progresses.

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, 2009

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 10,888,207	-	10,888,207
Interest and penalty on property tax	135,301	-	135,301
Intergovernmental	9,561,683	403,714	9,157,969
Licenses and permits	78,569	-	78,569
Charges for service	912,639	-	912,639
Use of money and property	467,787	70,591	397,196
Miscellaneous	297,918	37,213	260,705
Total receipts	<u>22,342,104</u>	<u>511,518</u>	<u>21,830,586</u>
Disbursements:			
Public safety and legal services	3,653,024	-	3,653,024
Physical health and social services	3,458,239	-	3,458,239
Mental health	4,811,059	78,169	4,732,890
County environment and education	1,919,290	506,367	1,412,923
Roads and transportation	4,094,860	-	4,094,860
Governmental services to residents	952,697	-	952,697
Administration	2,031,475	-	2,031,475
Non-program	257,187	-	257,187
Debt service	736,339	-	736,339
Capital projects	3,585,714	-	3,585,714
Total disbursements	<u>25,499,884</u>	<u>584,536</u>	<u>24,915,348</u>
Excess (deficiency) of receipts over (under) disbursements	(3,157,780)	(73,018)	(3,084,762)
Balance beginning of year	<u>13,246,282</u>	<u>296,067</u>	<u>12,950,215</u>
Balance end of year	<u>\$ 10,088,502</u>	<u>223,049</u>	<u>9,865,453</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
10,764,359	10,764,359	123,848
114,020	114,020	21,281
9,587,266	9,813,116	(655,147)
74,975	74,975	3,594
1,025,657	1,025,657	(113,018)
381,099	381,099	16,097
369,363	392,201	(131,496)
<u>22,316,739</u>	<u>22,565,427</u>	<u>(734,841)</u>
3,753,859	3,818,859	165,835
3,801,608	3,801,608	343,369
4,713,218	5,013,218	280,328
1,347,498	1,537,475	124,552
3,760,879	4,342,879	248,019
967,570	1,007,144	54,447
2,412,828	2,412,828	381,353
275,000	280,000	22,813
759,918	759,918	23,579
4,507,000	3,925,000	339,286
<u>26,299,378</u>	<u>26,898,929</u>	<u>1,983,581</u>
(3,982,639)	(4,333,502)	1,248,740
<u>11,916,357</u>	<u>11,916,357</u>	<u>1,033,858</u>
<u>7,933,718</u>	<u>7,582,855</u>	<u>2,282,598</u>

Lee County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 22,342,104	31,642	22,373,746
Expenditures	25,499,884	(280,690)	25,219,194
Net	(3,157,780)	312,332	(2,845,448)
Other financing sources, net	-	71,927	71,927
Beginning fund balances	13,246,282	(666,510)	12,579,772
Ending fund balances	\$ 10,088,502	(282,251)	9,806,251

See accompanying independent auditor's report.

Lee County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Permanent Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$599,551. 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, 2009, disbursements did not exceed the amounts budgeted.

Lee County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Jul 1, 2008	-	\$ 781	781	0.00%	\$ 5,879	13.3%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Lee County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2009

	Rural Services	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Sheriff Commissary	Great River Progressive Housing Corp	Lincoln Ridge Limited Partnership
Assets							
Cash and pooled investments:							
County Treasurer	\$ 508,539	12,688	23,816	6,716	16,944	-	-
Component units	-	-	-	-	-	26	75,252
Receivables:							
Property tax:							
Delinquent	1,791	-	-	-	-	-	-
Succeeding year	696,000	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	11,568
Accrued interest	-	8	13	-	-	-	-
Due from other governments	156,088	-	-	-	2,144	-	-
Total assets	\$ 1,362,418	12,696	23,829	6,716	19,088	26	86,820
Liabilities and Fund Equity							
Liabilities:							
Accounts payable	\$ 184	-	-	-	-	-	54,519
Salaries and benefits payable	10,512	941	-	-	-	-	-
Due to other governments	5,134	-	-	-	-	-	-
Deferred revenue:							
Succeeding year property tax	696,000	-	-	-	-	-	-
Other	59,640	-	-	-	-	-	-
Total liabilities	771,470	941	-	-	-	-	54,519
Fund equity:							
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	-	-	-
Hospice care	-	-	-	-	-	-	-
Specific purposes	-	-	-	-	-	-	35,317
Unreserved:							
Undesignated	590,948	11,755	23,829	6,716	19,088	26	(3,016)
Total fund equity	590,948	11,755	23,829	6,716	19,088	26	32,301
Total liabilities and fund equity	\$ 1,362,418	12,696	23,829	6,716	19,088	26	86,820

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
-	-	-	7,820	4	32,098	219,250	22,941	34,495	82,500	967,811
-	127,747	20,024	-	-	-	-	-	-	-	223,049
-	-	-	-	-	-	-	-	2,000	-	3,791
-	-	-	-	-	-	-	-	719,000	-	1,415,000
130,000	-	-	-	-	-	900	-	-	-	142,468
-	-	-	-	-	-	131	50	21	-	223
-	-	-	-	-	-	-	-	-	-	158,232
130,000	127,747	20,024	7,820	4	32,098	220,281	22,991	755,516	82,500	2,910,574
26,063	-	-	-	-	-	-	-	-	-	80,766
-	-	-	-	-	-	-	-	-	-	11,453
-	-	-	-	-	-	-	-	-	-	5,134
-	-	-	-	-	-	-	-	719,000	-	1,415,000
-	-	-	-	-	-	-	-	1,763	-	61,403
26,063	-	-	-	-	-	-	-	720,763	-	1,573,756
-	-	-	-	-	-	-	-	34,753	-	34,753
-	-	-	-	-	-	-	22,991	-	82,500	105,491
-	-	-	-	-	-	-	-	-	-	35,317
103,937	127,747	20,024	7,820	4	32,098	220,281	-	-	-	1,161,257
103,937	127,747	20,024	7,820	4	32,098	220,281	22,991	34,753	82,500	1,336,818
130,000	127,747	20,024	7,820	4	32,098	220,281	22,991	755,516	82,500	2,910,574

Lee County

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

Year ended June 30, 2009

	Rural Services	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Sheriff Commissary	Great River Progressive Housing Corp	Lincoln Ridge Limited Partnership
Revenues:							
Property and other county tax	\$ 1,677,848	-	-	-	-	-	-
Intergovernmental	35,525	25,700	-	-	-	58,715	-
Charges for service	-	-	6,066	-	19,088	-	-
Use of money and property	-	217	553	-	-	-	64,412
Miscellaneous	-	-	-	1,501	-	-	4,442
Total revenues	1,713,373	25,917	6,619	1,501	19,088	58,715	68,854
Expenditures:							
Operating:							
Public safety and legal services	456,634	-	-	-	-	-	-
Physical health and social services	-	-	-	-	-	-	81,735
Mental health	-	-	-	-	-	58,705	-
County environment and education	121,677	22,841	-	-	-	-	-
Governmental services to residents	593	-	39,574	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	578,904	22,841	39,574	-	-	58,705	81,735
Excess (deficiency) of revenues over (under) expenditures	1,134,469	3,076	(32,955)	1,501	19,088	10	(12,881)
Other financing uses:							
Operating transfers out	(1,080,000)	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	54,469	3,076	(32,955)	1,501	19,088	10	(12,881)
Fund balances beginning of year	536,479	8,679	56,784	5,215	-	16	45,182
Fund balances end of year	\$ 590,948	11,755	23,829	6,716	19,088	26	32,301

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
-	-	-	-	-	-	-	-	716,637	-	2,394,485
475,000	-	-	-	-	-	-	-	35,753	-	630,693
-	-	-	-	-	6,296	-	-	-	-	31,450
234	-	641	-	-	417	3,102	925	4,069	-	74,570
36,961	1,579	-	1,557	-	398	25,782	-	-	-	72,220
512,195	1,579	641	1,557	-	7,111	28,884	925	756,459	-	3,203,418
-	-	-	-	-	-	-	-	-	-	456,634
455,748	-	-	-	-	-	9,985	-	-	-	547,468
-	-	-	-	-	-	-	-	-	-	58,705
-	12,128	-	-	-	-	-	-	-	-	156,646
-	-	-	-	-	-	-	-	-	-	40,167
-	-	-	-	-	-	-	-	736,339	-	736,339
455,748	12,128	-	-	-	-	9,985	-	736,339	-	1,995,959
56,447	(10,549)	641	1,557	-	7,111	18,899	925	20,120	-	1,207,459
-	-	-	-	-	-	-	-	-	-	(1,080,000)
56,447	(10,549)	641	1,557	-	7,111	18,899	925	20,120	-	127,459
47,490	138,296	19,383	6,263	4	24,987	201,382	22,066	14,633	82,500	1,209,359
103,937	127,747	20,024	7,820	4	32,098	220,281	22,991	34,753	82,500	1,336,818

Schedule 3

Lee County
Combining Schedule of Net Assets
Internal Service Funds

June 30, 2009

	Supplies	Employee Health Plan Trust	Information Technology	Total
Assets				
Current assets:				
Cash and pooled investments	\$ 21,146	1,963,726	252,495	2,237,367
Accounts receivable	923	-	-	923
Accrued interest receivable	-	20,613	-	20,613
Due from other funds	2,997	-	-	2,997
Inventories	4,035	-	-	4,035
Noncurrent assets:				
Capital assets, net of accumulated depreciation	-	-	52,087	52,087
Total assets	29,101	1,984,339	304,582	2,318,022
Liabilities				
Current liabilities:				
Accounts payable	-	264,985	21,919	286,904
Salaries and benefits payable	-	-	1,676	1,676
Due to other funds	-	19	48	67
Compensated absences	-	-	4,039	4,039
Non-current liabilities:				
Net OPEB liability	-	-	607	607
Total liabilities	-	265,004	28,289	293,293
Net Assets				
Invested in capital assets	-	-	52,087	52,087
Unrestricted	29,101	1,719,335	224,206	1,972,642
Total net assets	\$ 29,101	1,719,335	276,293	2,024,729

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, 2009

	Supplies	Employee Health Plan Trust	Information Technology	Total
Operating revenues:				
Reimbursements from operating funds and other governmental units	\$ -	2,103,555	85,627	2,189,182
Reimbursements from employees and others	47,160	114,156	709	162,025
Total operating revenues	47,160	2,217,711	86,336	2,351,207
Operating expenses:				
Medical and health services	-	1,702,224	-	1,702,224
Supplemental insurance	-	6,280	-	6,280
Salaries and benefits	-	-	79,841	79,841
Administrative fees, network access fees and stop-loss premium	-	168,705	-	168,705
Supplies, utilities and data processing	45,125	2,274	62,399	109,798
Maintenance agreements	-	-	13,555	13,555
Non-capitalized equipment	-	-	17,799	17,799
Depreciation	-	-	16,755	16,755
Total operating expenses	45,125	1,879,483	190,349	2,114,957
Operating income (loss)	2,035	338,228	(104,013)	236,250
Non-operating revenues:				
Interest income	-	52,905	-	52,905
Net income (loss)	2,035	391,133	(104,013)	289,155
Net assets beginning of year	27,066	1,328,202	380,306	1,735,574
Net assets end of year	\$ 29,101	1,719,335	276,293	2,024,729

See accompanying independent auditor's report.

Lee County

Lee County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2009

	Supplies	Employee Health Plan Trust	Information Technology	Total
Cash flows from operating activities:				
Cash received from operating funds and other governmental units	\$ 47,605	2,103,555	85,627	2,236,787
Cash received from employees and others	-	114,156	709	114,865
Cash paid to suppliers for services	(46,859)	(1,834,998)	(153,103)	(2,034,960)
Net cash provided (used) by operating activities	746	382,713	(66,767)	316,692
Cash flows from capital and related financing activities:				
Purchase of equipment	-	-	(26,814)	(26,814)
Cash flows from investing activities:				
Interest on investments	-	38,302	-	38,302
Net increase (decrease) in cash and cash equivalents	746	421,015	(93,581)	328,180
Cash and cash equivalents beginning of year	20,400	1,542,711	346,076	1,909,187
Cash and cash equivalents end of year	\$ 21,146	1,963,726	252,495	2,237,367
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 2,035	338,228	(104,013)	236,250
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	16,755	16,755
Changes in assets and liabilities:				
(Increase) in accounts receivable	(882)	-	-	(882)
Decrease in due from other funds	433	-	-	433
(Increase) in inventories	(478)	-	-	(478)
Increase (decrease) in accounts payable	(362)	44,535	18,135	62,308
Increase in salaries and benefits payable	-	-	299	299
(Decrease) in due to other funds	-	(50)	(232)	(282)
Increase in compensated absences	-	-	1,682	1,682
Increase in net OPEB liability	-	-	607	607
Net cash provided (used) by operating activities	\$ 746	382,713	(66,767)	316,692

See accompanying independent auditor's report.

Lee County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Solid Waste Debt Service
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	3,733	247,784	31,031	5,822
Other County officials	191,151	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	568	1,270	-	-
Succeeding year	-	194,000	434,000	-	-
Accounts	1,235	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments:	-	-	-	64,946	-
Due from other governments	-	-	-	745,653	-
Total assets	\$ 192,386	198,301	683,054	841,630	5,822
Liabilities					
Accounts payable	\$ -		656	96,710	-
Salaries and benefits payable	-		6,734	-	-
Due to other governments	24,589	198,301	660,842	185,049	5,822
Trusts payable	167,797	-	-	-	-
Compensated absences	-	-	14,822	-	-
Bank loan	-	-	-	559,871	-
Total liabilities	\$ 192,386	198,301	683,054	841,630	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
297,486	18,404	207,468	6,174	591,184	161	-	494,909	1,904,156
-	-	-	-	-	-	185,843	-	376,994
47,895	2,803	24,974	812	-	-	-	8	78,330
15,375,000	969,000	9,534,000	299,000	-	-	-	3,000	26,808,000
-	-	-	-	-	-	-	20,882	22,117
-	-	-	-	-	-	-	255	255
-	-	-	-	-	-	-	107,615	107,615
-	-	-	-	-	-	-	-	64,946
-	-	-	-	-	-	-	124	745,777
15,720,381	990,207	9,766,442	305,986	591,184	161	185,843	626,793	30,108,190
-	-	-	-	-	-	-	76,984	174,350
-	-	-	-	-	-	-	885	7,619
15,720,381	990,207	9,766,442	305,986	591,184	161	-	548,594	28,997,558
-	-	-	-	-	-	185,843	330	353,970
-	-	-	-	-	-	-	-	14,822
-	-	-	-	-	-	-	-	559,871
15,720,381	990,207	9,766,442	305,986	591,184	161	185,843	626,793	30,108,190

Lee County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Solid Waste Debt Service
Assets and Liabilities					
Balances beginning of year	\$ 202,433	191,224	642,146	248,054	5,822
Additions:					
Property and other county tax	-	193,378	431,547	-	-
E911 surcharges	-	-	-	-	-
State tax credits	-	9,678	19,966	-	-
Drivers license fees	-	-	-	-	-
Office fees and collections	731,685	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	133,594	-
Trusts	1,203,123	-	-	-	-
Miscellaneous	-	-	315	1,598,790	-
Total additions	<u>1,934,808</u>	<u>203,056</u>	<u>451,828</u>	<u>1,732,384</u>	<u>-</u>
Deductions:					
Agency remittances:					
To other funds	541,731	-	-	-	-
To other governments	190,800	195,979	410,920	1,138,808	-
Trusts paid out	1,212,324	-	-	-	-
Total deductions	<u>1,944,855</u>	<u>195,979</u>	<u>410,920</u>	<u>1,138,808</u>	<u>-</u>
Balances end of year	<u>\$ 192,386</u>	<u>198,301</u>	<u>683,054</u>	<u>841,630</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
14,923,420	936,729	9,338,675	295,454	480,283	161	189,654	799,096	28,253,151
15,394,591	963,855	9,709,609	284,581	-	-	-	3,016	26,980,577
-	-	-	-	-	-	-	80,948	80,948
748,319	46,711	358,106	16,325	-	-	-	168	1,199,273
-	-	-	-	-	168,110	-	-	168,110
-	-	-	-	-	-	-	6,255	737,940
-	-	-	-	6,987,792	-	-	-	6,987,792
-	-	-	-	-	-	-	67,859	201,453
-	-	-	-	-	-	968,911	685,951	2,857,985
-	-	-	-	-	-	-	874,045	2,473,150
16,142,910	1,010,566	10,067,715	300,906	6,987,792	168,110	968,911	1,718,242	41,687,228
-	-	-	-	274,673	47,530	-	-	863,934
15,345,949	957,088	9,639,948	290,374	6,602,218	120,580	-	1,224,434	36,117,098
-	-	-	-	-	-	972,722	666,111	2,851,157
15,345,949	957,088	9,639,948	290,374	6,876,891	168,110	972,722	1,890,545	39,832,189
15,720,381	990,207	9,766,442	305,986	591,184	161	185,843	626,793	30,108,190

Lee County

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

For the Last Ten Years

	2009	2008	2007	2006
Revenues:				
Property and other county tax	\$ 10,773,901	10,489,113	10,746,281	10,766,774
Tax increment financing	-	-	393,163	750,066
Interest and penalty on property tax	135,727	132,804	270,733	136,627
Intergovernmental	9,684,756	9,758,681	8,719,573	8,732,583
Licenses and permits	82,522	72,023	55,974	62,265
Charges for service	899,956	934,639	873,083	892,849
Use of money and property	482,356	494,545	471,460	364,782
Miscellaneous	314,528	240,354	494,190	1,123,788
Total	\$ 22,373,746	22,122,159	22,024,457	22,829,734
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,689,993	3,618,670	3,512,938	3,332,940
Physical health and social services	3,913,476	3,535,142	3,275,224	3,134,004
Mental health	4,584,834	4,732,019	4,662,962	4,396,349
County environment and education	1,405,654	1,537,120	1,617,237	1,675,269
Roads and transportation	3,763,046	4,000,157	3,862,651	3,928,318
Governmental services to residents	961,591	916,840	878,334	1,144,205
Administration	2,036,986	2,203,781	1,912,371	1,842,355
Non-program	261,564	4,465,490	16,000	-
Debt service	736,339	90,769	416,396	1,373,528
Capital projects	3,865,711	774,443	603,521	361,224
Total	\$ 25,219,194	25,874,431	20,757,634	21,188,192

See accompanying independent auditor's report.

Modified Accrual Basis					
2005	2004	2003	2002	2001	2000
8,052,382	8,750,034	8,642,457	8,433,268	7,983,602	7,464,452
693,545	-	-	-	573,982	579,791
119,478	135,959	139,706	150,239	123,622	110,114
7,459,664	7,962,245	8,783,384	8,261,606	7,525,424	7,127,774
53,283	61,716	77,062	71,271	91,232	105,994
822,513	855,211	768,099	880,739	802,788	771,701
298,128	279,467	258,595	388,840	588,654	575,235
1,962,381	1,987,823	2,588,161	1,673,160	1,457,648	1,778,115
19,461,374	20,032,455	21,257,464	19,859,123	19,146,952	18,513,176
3,105,607	3,049,182	2,773,197	2,722,325	2,531,644	2,510,998
3,385,130	3,514,564	3,767,970	3,630,793	3,426,169	3,044,325
4,741,619	4,070,197	5,825,118	4,734,145	4,099,546	4,280,737
1,625,156	1,608,790	1,219,746	1,072,142	897,378	824,012
3,897,439	3,578,306	3,441,171	3,576,503	3,225,883	3,071,800
902,033	853,197	812,745	788,302	743,819	650,298
1,816,882	1,695,306	2,263,147	2,051,982	2,306,705	2,464,100
-	-	-	-	100,000	-
2,461,854	1,438,510	1,428,737	1,427,498	1,577,169	1,547,987
591,036	611,245	770,797	275,207	577,356	138,207
22,526,756	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, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Public Safety Partnership and Community Policing Grants	16.710	2008CKWX0855	<u>\$ 46,125</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>24,483</u>
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	04-WS-052	19,159
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	07-WS-038	244,305
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	06-ED-004	<u>5,000</u>
			<u>268,464</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	SB-IA-C056(73)--2T-56	<u>25,859</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 08-04 Task 19	10,118
State and Community Highway Safety	20.600	PAP 09-04 Task 19	<u>8,915</u>
			<u>19,033</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Des Moines County Public Health:			
Public Health Emergency Preparedness	93.069	BT56 Lee	6,655
Public Health Emergency Preparedness	93.069	56BT Lee County	<u>19,787</u>
			<u>26,442</u>
Maternal and Child Health Federal Consolidated Programs	93.110		<u>2,200</u>
State Capacity Building	93.240	5880HH02	<u>5,660</u>
Immunization Grants	93.268	5889I447	<u>16,590</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5889OB11	<u>2,022</u>

Lee County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2009

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	5888MH15	23,345
Maternal and Child Health Services Block Grant to the States	93.994	5889MH15	32,549
Maternal and Child Health Services Block Grant to the States	93.994	5886DH06	12,000
			<u>67,894</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families Refugee and Entrant Assistance - State Administered Programs	93.558		22,708
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.566		41
Foster Care - Title IV-E	93.596		6,458
Adoption Assistance	93.658		13,763
Children's Health Insurance Program	93.659		3,311
Medical Assistance Program	93.767		189
Social Services Block Grant	93.778		29,926
	93.667		14,886
Social Services Block Grant	93.667		182,499
			<u>197,385</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-1763-DR-IA	79,766
Emergency Management Performance Grants	97.042		19,588
Total indirect			<u>831,782</u>
Total			<u>\$ 877,907</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

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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, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 11, 2010. 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 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-09 and II-E-09 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, 2009 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 11, 2010

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

Lee County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Lee County:

Compliance

We have audited the compliance of Lee County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Lee County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Lee County's management. Our responsibility is to express an opinion on Lee County's compliance based on our audit.

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

In our opinion, Lee County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weakness as defined below. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

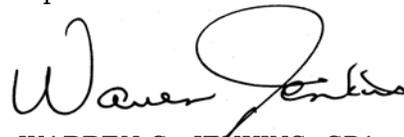
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Lee County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the County's response, we did not audit Lee County's response and, accordingly, we express no opinion on it.

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 11, 2010

Lee County
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

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) A significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements, which was also considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
 - CFDA Number 93.667 – Social Services Block Grant
- (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.

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-09 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:

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. In addition, an initial listing of receipts is not prepared by an independent person, even on a test basis.

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.

Responses:

County Treasurer – We will try to have these reports reviewed and signed by another person within our office.

County Recorder – We have implemented segregation of duties and reviews. We will initial reviews in the future when they are done.

County Sheriff – This should no longer be a problem as we have installed a Stellar Teller Money Machine in the main office area and one in the booking area. These machines count the inmate's money and applies it to the inmate's account. The Jail Administrator at the end of the week removes the money from the machine, the money is counted and compared to the printed receipt before making a deposit.

Conclusions – Responses accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

II-B-09 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, 2009, 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 – The Capital Assets/Inventory will be up-to-date as soon as the assets in previous years have been completed. We will have official reports sent out in FY2010.

Conclusion – Response accepted.

II-C-09 County Sheriff – The Sheriff’s Office prepared a year-to-date spreadsheet of receipts and disbursements. However, the information in the spreadsheet was incorrect and the year-to-date receipts and disbursements did not reconcile to the beginning and ending book balances or to the bank reconciliation. Bank reconciliations are prepared each month and are reconciled with the book balance. However, the book balance is not reconciled with the fees owed to the County, State and trusts on hand at the end of each month.

Also, the Sheriff’s office does not print a listing of inmate trust balances at the end of each month. Inmate trust balances are included in the commissary bank account and are not deducted from the profits on the commissary bank account to determine how much money should be paid to the County Treasurer each month. Commissary profits of approximately \$8,863 are on hand at June 30, 2009.

Recommendation – The Sheriff’s Office should prepare a year-to-date spreadsheet of receipts and disbursements which should reconcile to the beginning and ending balances and to the bank reconciliation. The book balance should be reconciled with the fees owed to the County, State and trusts on hand at the end of each month.

Also, a listing of the inmate trust balances should be printed at the end of each month and deducted from the commissary bank account to determine how much commissary profit should be paid to the County Treasurer each month.

Response – We will prepare a year-to-date spreadsheet which reconciles to the beginning and ending balances. The spreadsheet will also reconcile with our bank statements and show the correct amount of fees due to the County, State and trusts on hand at the end of each month.

Also, we will print a listing of inmate trust balances at the end of each month to determine the amount of commissary profit to be paid to the County Treasurer each month.

Conclusion – Response accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

II-D-09 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. Checks written from payee accounts are prepared, approved and signed by the same person.

Recommendation – The County should develop procedures to ensure checks are not signed by the same person who prepared them.

Response – This is an ongoing issue and not an achievable business process because of the limited number of individuals involved in providing payee services and geographical location of those individuals. There have been processes implemented so to ensure propriety in management. The first process is another individual than the preparer handles deposits to individual accounts. There is a running log with individual’s signatures for receipt of checks. Reconciliation sheets are reviewed and signed off on by persons other than the preparers. Additionally, there is administrative sign off for monthly reconciliations/claims processing method. And finally, the front and back of all checks are included with the bank statements to ensure proper procedure and accountability. This far surpasses the general accounting practices required by Social Security of payees. Social Security also completes an annual audit of the accounts Lee County maintains as an additional measure of accountability.

Conclusion – Response acknowledged. However, procedures should be developed to ensure checks are not signed by the same person who prepares them.

II-E-09 Financial Reporting – During the audit, we identified two material misclassifications between reserved and unreserved fund balances in the County’s financial statements. Also, we also identified a material receivable not initially included for the Lee County Economic Development Group (LCEDG). 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 fund balance classifications are properly reported in the County’s financial statements and all receivables are properly included.

Responses:

Board of Supervisors – The Budget Director will check all entries to make sure fund balance entries are not left out or misstated.

LCEDG– LCEDG will implement procedures to ensure all income (fund balances) are entered/stated as notifications of grant awards are made.

Conclusion – Responses accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

II-F-09 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 – Currently the mail received by the County is distributed to each department by the County Auditor’s Office. The County Auditor’s Office maintains a listing of checks/warrants received via mail prior to passing them on to each department for processing. This listing is kept and matched against receipts in the County Treasurer’s Office, by the budget director. The listing will be initialed by the budget director to provide evidence of review. Rent checks from the County owned apartments are collected by the Fort Madison Housing Authority and then delivered to the Accounting Technician II in the Central Point Coordinator (CPC) department for processing. The Housing Authority also prepares a ledger of rent owed and paid each month. A copy of this ledger is given to the CPC at the end of each month. The CPC then matches rent received per the ledger against receipts in the County Treasurer’s Office for the month. The ledger will be initialed by the CPC to provide evidence of review.

Conclusion – Response accepted.

II-G-09 Deposit Timeliness – One warrant to the CPC from the State of Iowa totaling \$596,831 was not deposited for 25 business days.

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

Responses – The CPC office will initiate business protocol of deposits to the Treasurer’s Office on a semi-monthly basis. The designated dates of the deposit of revenues will be on the first and third Tuesday of each month to ensure timely processing of warrants.

Conclusion – Response accepted.

II-H-09 Conservation Foundation – Three Rivers Conservation Foundation, a component unit of Lee County, receives donations to fund various conservation projects within the County. The Foundation did not provide a year-to-date income statement. Only monthly statements were provided. 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 were not performed and the Foundation did not obtain 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. Also, the Foundation should prepare a year-to-date income statement. The bank reconciliations should be reviewed and initialed by an independent person. In addition, 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.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Response – The Conservation Board will make sure the Three Rivers Conservation Foundation financial statements, balance sheets, and income statements are reconciled by our accountant each month to assure ending balances and monthly balances are in agreement.

The Three Rivers Conservation Foundation will make sure it receives front and back copies of all canceled checks as required by Chapter 554D.114(5) of the Code of Iowa.

Conclusion – Response accepted.

II-I-09 Information Systems Controls – The County employs a local area network and uses Solutions for accounting software. These systems should be secured to ensure accurate information is processed. The following control issues were noted during the audit:

- 1) The automatic log-off or time out function in the Solutions software is not being used.
- 2) A department head can request to have another employee's password reset on the network.
- 3) The Solutions software does not prevent an employee from reusing old passwords.

Recommendation – The County should enable the automatic log-off or time out function in Solutions. The County should only allow the owner of a user id to request a password reset. The Solutions software should be set up to ensure multiple generations of passwords cannot be reused.

Response –

- 1) Lee County enabled the automatic log-off functions (after 1.25 hours of inactivity) in the AS/400. In addition, PCs are set up with screen savers to require a password, but each individual is able to change screen saver settings.
- 2) Lee County will only allow the owner of a user id to request a password reset.
- 3) AS/400 users are required to go through 10 passwords before they can reuse a password.

Conclusion – Response accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

II-J-09 Timesheets – Certain salaried personnel, other than elected officials, do not prepare and file timesheets.

Recommendation – Except for elected officials, timesheets should be prepared by all personnel, salaried as well as hourly, and should be submitted to the County Auditor's Office prior to the processing of payroll each pay period. The timesheets should be signed by the employee and should be reviewed and signed by the employee's immediate supervisor prior to submission. The timesheets should support all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days. For internal control, as well as for potential legal claims (payroll dispute/grievance), time sheets would provide an accurate record of hours worked.

Response – Timesheets will be prepared by all personnel, salaried as well as hourly, and will be submitted to the County Auditor's Office prior to the processing of payroll each pay period. The timesheets will be signed by the employee and will be reviewed and signed by the employee's immediate supervisor prior to submission. The timesheets will support all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days. For internal control, as well as for potential legal claims (payroll dispute/grievance), timesheets will provide an accurate record of hours worked.

Conclusion – Response accepted.

II-K-09 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, therefore, maximizes the accuracy of the financial statements. Weaknesses noted for which no compensating controls exist are as follows:

- The same individual who opens the mail also prepares the deposit and deposit tickets, which are not compared to the cash receipts journal/initial listing of receipts by an independent person. In addition, bank reconciliations are not reviewed by an independent person with the review being evidenced by initials.
- Time sheets are not used to substantiate hours worked.

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, time sheets should be used to substantiate hours worked and leave taken. The time sheets should be signed by the both the employee and the supervisor.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Response – Current personnel will be utilized to provide additional control through review of financial transactions, reconciliations and reports. To the extent possible these reviews will be performed by independent persons (i.e. staff from LCEDG’s accounting firm or LCEDG Board members). The individuals will initial or sign as the reviewer and also indicate the date of the review. LCEDG will utilize a time sheet format that records hours worked and hours used for personal time.

Conclusion – Response accepted.

II-L-09 Cash Management – The Sheriff’s Office received a COPS Tech Grant from the U.S. Department of Justice. The Sheriff’s Office drew cash advances totaling \$47,868 from the grant for the year. However, the Sheriff’s Office quarterly reports totaled \$46,125 on the SF-269a report of eligible expenditures. Therefore, the grant was overdrawn by \$1,743.

Recommendation – The Sheriff’s Office should either revise the SF-269a report if other eligible expenses occurred prior to June 30, 2009 or repay the excess funds to the U.S. Department of Justice.

Response – The final report for the COPS Tech Grant was filed on January 20, 2010, showing the final figures. This report has restated the issue of having received more federal grant money than expenditures.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

**CFDA Number 14.228: Community Development Block Grants/State's Program
Pass-through Number: 07-WS-038
Federal Award Year: 2009
U.S. Department of Housing and Urban Development
Passed through the Iowa Department of Economic Development**

III-A-09 Subrecipient Monitoring – OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires recipients and subrecipients expending federal awards of \$500,000 or more in federal funds to have a single or program specific audit. OMB Circular A-133 requires the County to monitor subrecipients of Federal funds to ensure a single audit is performed if required. Lee County provided federal funds to a subrecipient, Denmark Water Company, a non-profit organization, and the County did not verify whether or not a single audit was required of Denmark Water Company.

Recommendation – The County should monitor its subrecipient's to determine if a single audit is required and performed.

Response – Lee County will verify whether or not subrecipients of federal funds should have a single audit performed and then if so receive the audit reports and take appropriate action on any findings beginning January 1, 2010.

Conclusion – Response accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- IV-B-09 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-09 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-09 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	\$ 7,659
Tammy Wilson, Financial Director of Public Health, Husband is a shareholder in Agrineed Inc.	Supplies and Maintenance	2,891

In accordance with Chapter 331.342(10) of the Code of Iowa, the above transactions 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 compliance with Chapter 331.342(10) of the Code of Iowa.

Conclusion – Response accepted.

- IV-E-09 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-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-09 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-09 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).

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

IV-I-09 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2009 for the County Extension Office did not exceed the amount budgeted.

IV-J-09 Capital Lease Purchases – 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 Board of Supervisors entered into a capital lease purchase agreement for two Sheriff's vehicles with a total principal value of \$42,302. Also, the Conservation Board entered into a capital lease purchase agreement for a tractor with a total principal value of \$29,625. The County did not hold a public hearing in either case.

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

Responses:

Board of Supervisors – The County will consult with legal counsel regarding capital lease purchase agreements.

Conservation Board – The Conservation Board will give notice of public hearing for any lease purchase in accordance with Chapter 331.301(10)(c) of the Code of Iowa. The Conservation Board will contact the County Attorney to determine what will be done in this matter.

Conclusion – Responses accepted.

Lee County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Brian R. Brustkern, CPA, Senior Auditor II
Daniel L. Durbin, CPA, Staff Auditor
Michael R. Field, Staff Auditor
Adam D. Steffensmeier, Staff Auditor
Kristin M. Ockenfels, Assistant Auditor
Gabriel M. Stafford, CPA, Assistant Auditor
Ashley J. Mollicone, Auditor Intern

A handwritten signature in cursive script that reads "Andrew E. Nielsen". The signature is written in black ink and is positioned above the printed name and title.

Andrew E. Nielsen, CPA
Deputy Auditor of State