

**SCOTT COUNTY
DECATEGORIZATION PROGRAM**

**FINANCIAL STATEMENTS
(With Independent Auditor's Report Thereon)**

JUNE 30, 2005

SCOTT COUNTY DECATEGORIZATION PROGRAM

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INDEPENDENT AUDITOR'S REPORT

To the Joint Central Committee
Scott County Decategorization Program
Davenport, Iowa

We have audited the accompanying general-purpose financial statements of Scott County Decategorization Program, as of and for the year ended June 30, 2005 as listed in the table of contents. These general purpose financial statements are the responsibility of Scott County Decategorization Program's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Scott County Decategorization Program as of June 30, 2005, and the results of its operations 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 October 27, 2005, on our consideration of Scott County Decategorization Program's internal control over financial reporting and our tests of its compliance with certain provisions, laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 7 and 18 through 21, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Scott County Decategorization Program taken as a whole. The supplemental information presented is for purposes on additional analysis and is not a required part of the general-purpose financial statements. The schedule of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Doyle & Keenan, P.C.

October 27, 2005

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SCOTT COUNTY DECATEGORY PROGRAM
Management's Discussion and Analysis
June 30, 2005

This section of the Program's annual financial report presents our discussion and analysis of the Program's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the Program's financial statements, which follow this section.

Financial Highlights

- Fund Balance decreased to \$670,065 - that is an \$11,352 decrease from the prior year.
- Total support and revenue increased \$312,482 from the prior fiscal year.
- Total disbursements increased \$309,046 from the prior fiscal year.

Overview of the Financial Statements

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents individual fund statements for each fund.

The basic financial statements include two kinds of statements that present different views of the Program:

- Government-wide financial statements are designed to provide readers with a broad overview of the Program's *overall* financial status. The government-wide financial statements can be found on pages 9 - 10.

Government-wide financial statements distinguish functions of the Program that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (proprietary activities).

- The remaining statements are fund financial statements that focus on *individual* parts of the Program government, reporting the Program's operations in more detail than the government-wide financial statement.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Program, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. All of the funds of the Program are governmental funds.

- The governmental fund statements tell how general government services were financed. The Program maintains three individual governmental funds. Information is presented separately in the governmental statement of cash transactions for the General and Special Revenue funds, all of which are considered to be major funds.

The Program adopts an annual appropriated budget for all of the governmental funds. A budgetary comparison statement for each of the major governmental fund types has been provided on pages 18 - 21 of this report.

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 - 16 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information can be found on pages 18 - 21 of this report.

The individual fund financial statements and schedules referred to earlier are presented immediately following the required supplemental information. Individual fund statements and schedules can be found on pages 24 - 26 of this report.

Financial Analysis of the Program as a Whole

- Fund Balance decreased primarily for expenses related to the Medicaid Fund. Revenue for this program was recognized in fiscal year 2000 when the fund was transferred from Scott County. These expenditures will continue to decrease the fund balance until the Medicaid Fund is fully expended.
- Support and Revenue increased due to the General Funds and Empowerment Funds being increased by the U.S. Department of Health and Human Services and the State of Iowa and the carryforward balances being utilized.
- Overall disbursements increased due to contracted empowerment funds being increased as the funding has increased.

Financial Analysis of the Program's Funds

- The General fund continues to maintain an adequate balance to leverage cost reimbursement grants. The Empowerment funds have carryforward balances however, these are smaller than in the past. The Medicaid fund continues to have funds available for one time health related projects in Scott County.

Budgetary Highlights

- Revenue variances in the budget are primarily due to empowerment revenue not utilized.
- Expenditures were overall within budget however; many line items had variances. The largest difference is due to contractors not expending their total awards.

Economic Factors and Next Year's Budget

- The Program anticipates an increase in Empowerment School Ready Funds based on additional funds legislated by state.
- A 30% reduction in Juvenile Justice Planning funds will occur for fiscal year 2006. Funds are anticipated to remain similar in future years.
- Unanticipated revenue of \$41,000 from Center for Alcohol & Drug Services in fiscal year 2006.

- Continuing Emphasis on Community Planning for Youth Development.

Request for Information

This financial report is designed to provide a general overview of the Scott County Decategorization Program finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sandra Potter-Marquardt, 428 Western Avenue, Davenport, Iowa 52801.

**GOVERNMENT – WIDE
FINANCIAL STATEMENTS**

SCOTT COUNTY DECATEGORYIZATION PROGRAM
Balance Sheet - All Governmental Fund Types
June 30, 2005

<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,283,848
Grants Receivable	102,925
Interest Receivable	1,917
Prepaid Expenses	22,500
Total Current Assets	\$ 1,411,190
 <u>Liabilities and Equity</u>	
Current Liabilities:	
Accounts Payable	\$ 271,769
Accrued Expenses	24,958
Unearned Revenue	444,398
Total Current Liabilities	741,125
Equity:	
Fund Balance - Unreserved	388,799
Fund Balance - Reserved for Medicaid	281,266
Total Equity	670,065
Total Liabilities and Equity	\$ 1,411,190

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY DECATEGORIZATION PROGRAM
Statement of Revenue, Expenditures and Changes in Equity -
All Governmental Fund Types
For the Year Ended June 30, 2005

Revenue:	
U.S. Department of Health and Human Services, Community Organization Grant	\$ 32,686
State of Iowa, Division of Criminal and Juvenile Justice Planning	181,074
State of Iowa, Department of Human Services	199,564
State of Iowa, Bureau of Children, Family and Community Services	1,492,645
Other	38,938
Interest	<u>22,597</u>
Total Revenue	1,967,504
Expenditures	<u>1,978,856</u>
Excess of Revenues (Under) Expenditures	(11,352)
Fund Balance - Beginning	<u>681,417</u>
Fund Balance - Ending	<u><u>\$ 670,065</u></u>

The accompanying notes are in integral part of the financial statements.

FUND FINANCIAL STATEMENTS

SCOTT COUNTY DECATEGORIZATION PROGRAM
Balance Sheet - All Fund Types
June 30, 2005

	General Fund	School Ready Fund	Early Childhood Fund	Medicaid Funds	Total
<u>Assets</u>					
Current Assets:					
Cash and Cash Equivalents	\$ 226,959	\$ 319,355	\$ 416,082	\$ 321,452	\$ 1,283,848
Grants Receivable	102,925	-	-	-	102,925
Interest Receivable	126	57	-	1,734	1,917
Prepaid Expenses	-	-	22,500	-	22,500
Due From Empowerment Funds	123,210	-	-	-	123,210
Due From Medicaid Funds	41,920	-	-	-	41,920
Total Current Assets	\$ 495,140	\$ 319,412	\$ 438,582	\$ 323,186	\$ 1,576,320
<u>Liabilities and Equity</u>					
Current Liabilities:					
Accounts Payable	\$ 54,809	\$ 140,418	\$ 76,542	\$ -	\$ 271,769
Accrued Expenses	24,958	-	-	-	24,958
Unearned Revenue	26,574	146,553	271,271	-	444,398
Due To General Fund	-	32,441	90,769	41,920	165,130
Total Current Liabilities	106,341	319,412	438,582	41,920	906,255
Equity:					
Fund Balance - Unreserved	388,799	-	-	-	388,799
Fund Balance - Reserved for Medicaid	-	-	-	281,266	281,266
Total Equity	388,799	-	-	281,266	670,065
Total Liabilities and Equity	\$ 495,140	\$ 319,412	\$ 438,582	\$ 323,186	\$ 1,576,320

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY DECATORIZATION PROGRAM
Statement of Revenue, Expenditures and Changes in Equity - All Fund Types
For the Year Ended June 30, 2005

	General Fund	School Ready Fund	Early Childhood Fund	Medicaid Funds	Total
Revenue:					
U.S. Department of Health and Human Services, Community Organization Grant	\$ 32,686	\$ -	\$ -	\$ -	\$ 32,686
State of Iowa, Division of Criminal and Juvenile Justice Planning	181,074	-	-	-	181,074
State of Iowa, Department of Human Services	199,564	-	-	-	199,564
State of Iowa, Bureau of Children, Family and Community Services	-	728,345	764,300	-	1,492,645
Other	38,938	-	-	-	38,938
Interest	2,030	6,466	8,569	5,532	22,597
Total Revenue	454,292	734,811	772,869	5,532	1,967,504
Expenditures	452,378	734,811	772,869	18,798	1,978,856
Excess of Revenues Over (Under) Expenditures	1,914	-	-	(13,266)	(11,352)
Fund Balance - Beginning	386,885	-	-	294,532	681,417
Fund Balance - Ending	\$ 388,799	\$ -	\$ -	\$ 281,266	\$ 670,065

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY DECATEGORYIZATION PROGRAM

Notes to Financial Statements

June 30, 2005

NOTE 1 - NATURE OF THE ORGANIZATION, ACCOUNTING ESTIMATES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The general-purpose financial statements of the Entity consist of two types of funds, general and special revenue. The activity of the Scott County Decategorization Program is reported in the general fund. Scott County Community Empowerment Board and the Medicaid Funds are considered special revenue funds. The accounts of the Entity are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts.

Scott County Decategorization Program - The Scott County Decategorization Program ("Decategorization") serves as a focal point for collaborative community planning to achieve better outcomes for children 0 – 21. Goals are advanced employing key strategies that rely upon effective service coordination, strong public/private partnerships, and braided funding strategies designed to ensure a continuum of health, education, and family support services. Primary funding streams include annual state and federal child welfare and juvenile justice allocations.

The Scott County Decategorization Program provides a formal public entity for ongoing community assessment and implementation of collaborative strategies designed to link children and families to existing services, identify gaps in services, and assist in the development of new programs that will strengthen community capacity to respond to the area's at-risk population.

The Scott County Decategorization Program is governed by a ten member board known as the Joint Central Committee and is comprised of representatives from Scott County government including the Health Department, Community Services, and Administration as well as the four school districts in Scott County, the Iowa Department of Human Services, the Office of Juvenile Court Services and the Seventh Judicial District.

Scott County Community Empowerment Board - The Scott County Community Empowerment Board's ("Empowerment") goal is to improve the well being of young children and their families, reduce barriers to community efforts, and improve the efficiency and effectiveness of local education, health, and human services programs. Empowerment is funded with federal and state block grants.

An autonomous board of a minimum of fifteen citizens from Scott County governs Empowerment. The Empowerment board is comprised of representatives from county government including the directors of the Departments of Health and Community Services, and the County Administrator. Also serving are the regional administrator from the Iowa Department of Human Services, the Superintendent from one of four school districts in Scott County, four members representing business and labor, four members at-large, one member from the faith community, and three members who are the parents of young children.

The Scott County Community Empowerment Board is required to designate a public entity as fiscal agent to administer grant funds, pursuant to Iowa Code Chapter 7I. Scott County, Iowa was the previous fiscal agent for the Board, and Empowerment was reported as an agency fund on the county's financial statements. Effective in fiscal year June 30, 2001, Scott County Decategorization Program was designated as the fiscal agent of Empowerment.

NOTE 1 -

NATURE OF THE ORGANIZATION, ACCOUNTING ESTIMATES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Medicaid Funds - Scott County transferred funds to the Scott County Decategorization Program in June 2000. Scott County had collected these funds from Medicaid for services provided. These funds are available for disbursement to other agencies in future periods.

Financial Statements - The financial statements of Scott County Decategorization Program have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Boards (GASB) is the accepting standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting - The Entity utilizes the accrual method of accounting. Under this method, revenues are recorded when earned and expenditures are recorded when incurred.

Accounting Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - The Entity includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Grants Receivable - The Entity believes that all grants receivable as of June 30, 2005 are fully collectible; therefore, no allowance for doubtful accounts is recorded.

Prepaid Expenses - Empowerment has an advance funding for a childcare assistance program for the Early Childhood Program. The amount of the advance paid by June 30, 2005 is shown as prepaid expenses.

Unearned Revenue - Certain funding sources have advanced funds to Decategorization and Empowerment for future use. When these funds are spent for the appropriate programs, the funds will be earned and will be recognized as revenue.

Income Taxes - Scott County Decategorization Program is organized as an Intergovernmental Agreement, under Code of Iowa Chapter 28E. The Entity is exempt from Federal income taxes as a political subdivision.

Government-Wide and Fund Financial Statements - The government-wide financial statement reports information on all of the activities of the Program. The governmental activities are primarily supported by state and federal allocations and grants.

The fund financial statements are provided for each governmental fund to provide more detail than the government-wide statements.

NOTE 2 -

CONCENTRATION OF CREDIT RISK

The Entity maintains its cash balances in several financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$100,000 per institution. Amounts above \$100,000 in Iowa banks are protected by the State of Iowa under Chapter 12C of the Code of Iowa.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable consisted of the following at June 30, 2005:

State of Iowa:

Division of Criminal and Juvenile Justice Planning: Juvenile Accountability Incentive Block Grant	\$ 59,247
Department of Human Services: Case Aides, Welfare and Coordination	38,917
Center for Alcohol & Drug Services, Inc.	<u>4,761</u>
Total Grants Receivable	\$ <u>102,925</u>

NOTE 4 - NOTES RECEIVABLE

Prior to fiscal year 1998, the Scott County Decategorization Program operated as a separate program of the Child Abuse Council. On July 1, 1997, the Child Abuse Council transferred \$238,544 of net assets to the Scott County Decategorization Program, which began operating as a separate entity.

During the year ended June 30, 1999, the receivable of \$290,842 and the payable of \$239,000 from and to the Child Abuse Council, respectively, were combined into a note receivable of \$51,842. The note is non-interest bearing and requires twenty quarterly payments of \$2,592. The first payment was made on March 31, 2000, and the final payment was due by December 31, 2004. As of June 30, 2005, the note receivable was paid in full.

NOTE 5 - FISCAL AGENTS

Accounting and personnel services for Scott County Decategorization Program are contracted from Bi-State Regional Commission under a fiscal agent agreement. Scott County Decategorization Program is the fiscal agent for the Scott County Community Empowerment Board.

Salaries and related fringe benefit costs of \$162,918 and accounting and administrative fees of \$27,820 were incurred by Scott County Decategorization Program during the year ended June 30, 2005. At June 30, 2005, Scott County Decategorization Program owed Bi-State Regional Commission \$12,453 for the reimbursement of personnel costs, administrative and accounting fees, including Empowerment and Medicaid.

Salaries and related fringe benefit costs of \$86,328 and \$3,126 were incurred by Empowerment and Medicaid, respectively, and \$18,771 by Empowerment in accounting fees during the year ended June 30, 2005. At June 30, 2005, Empowerment and Medicaid owed Scott County Decategorization Program \$123,210 and \$41,920, respectively, for personnel costs, administrative and accounting fees, and payments of contractual services and other expenses.

**REQUIRED
SUPPLEMENTAL INFORMATION**

SCOTT COUNTY DECATEGORY PROGRAM
Statement of Revenue and Expenditures by Program -
All Funds - Budget to Actual
For the Year Ended June 30, 2005

	Actual	Budget	Variance Favorable (Unfavorable)
Support and Revenue:			
U.S. Department of Health and Human Services, Community Organization Grant	\$ 32,686	\$ 42,000	\$ (9,314)
State of Iowa, Division of Criminal and Juvenile Justice Planning	181,074	186,717	(5,643)
State of Iowa, Department of Human Services	199,564	143,374	56,190
State of Iowa, Bureau of Children, Family and Community Services	1,492,645	1,723,193	(230,548)
Other	38,938	20,000	18,938
Interest	22,597	4,500	18,097
Total Support and Revenue	1,967,504	2,119,784	(152,280)
Expenditures:			
Contractual Services	1,631,282	1,781,403	150,121
Payroll Costs:			
Salaries	137,989	136,678	(1,311)
Fringe Benefits	52,435	51,938	(497)
Total Payroll Costs	190,424	188,616	(1,808)
Administration:			
Financial Services	41,602	37,200	(4,402)
Professional Fees	10,945	10,999	54
Travel and Meetings	14,025	8,088	(5,937)
Furniture and Fixtures	2,751	-	(2,751)
Emergency Needs	1,278	-	(1,278)
Office Expenditures	12,100	4,968	(7,132)
Reference Materials	888	935	47
Membership and Dues	45	500	455
Insurance	4,798	4,200	(598)
Equipment	-	3,000	3,000
Total Administration Expenditures	88,432	69,890	(18,542)
Community Capacity Building:			
Salaries	19,895	16,826	(3,069)
Fringe Benefits	7,560	6,394	(1,166)
Financial Services	4,990	8,000	3,010
Travel and Meetings	170	350	180
Office Expenditures	540	805	265
Family Day Care Inspection:			
Salaries	24,995	27,385	2,390
Fringe Benefits	9,498	10,406	908
Financial Services	-	800	800
Travel and Meetings	349	750	401
Office Expenditures	721	659	(62)
Total	68,718	72,375	3,657
Total Expenditures	1,978,856	2,112,284	133,428
Excess of Revenue Over (Under) Expenditures	\$ (11,352)	\$ 7,500	\$ (18,852)

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY DECATEGORYIZATION PROGRAM
Statement of Revenue and Expenditures by Program -
General Fund - Budget to Actual
For the Year Ended June 30, 2005

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Support and Revenue:			
U.S. Department of Health and Human Services, Community Organization Grant	\$ 32,686	\$ 42,000	\$ (9,314)
State of Iowa, Division of Criminal and Juvenile Justice Planning	181,074	186,717	(5,643)
State of Iowa, Department of Human Services	199,564	143,374	56,190
Other	38,938	20,000	18,938
Interest	2,030	-	2,030
Total Support and Revenue	<u>454,292</u>	<u>392,091</u>	<u>62,201</u>
Expenditures:			
Contractual Services	<u>230,217</u>	<u>183,712</u>	<u>(46,505)</u>
Payroll Costs:			
Salaries	118,057	117,492	(565)
Fringe Benefits	<u>44,861</u>	<u>44,647</u>	<u>(214)</u>
Total Payroll Costs	<u>162,918</u>	<u>162,139</u>	<u>(779)</u>
Other Expenditures:			
Financial Services	27,820	19,700	(8,120)
Professional Fees	4,945	4,779	(166)
Travel and Meetings	9,831	3,908	(5,923)
Furniture and Fixtures	1,435	-	(1,435)
Emergency Needs	1,278	-	(1,278)
Office Expenditures	9,879	4,218	(5,661)
Reference Materials	507	435	(72)
Insurance	3,548	2,700	(848)
Equipment	<u>-</u>	<u>3,000</u>	<u>3,000</u>
Total Other Expenditures	<u>59,243</u>	<u>38,740</u>	<u>(20,503)</u>
Total Expenditures	<u>452,378</u>	<u>384,591</u>	<u>(67,787)</u>
Excess of Revenue Over (Under) Expenditures	<u>\$ 1,914</u>	<u>\$ 7,500</u>	<u>\$ (5,586)</u>

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY DECATORIZATION PROGRAM
Statement of Revenue and Expenditures by Program -
Scott County Community Empowerment Board Funds - Budget to Actual
For the Year Ended June 30, 2005

	School Ready Actual	Early Childhood Actual	Total Empowerment Funds Actual	Budget	Variance Favorable (Unfavorable)
Support and Revenue:					
State of Iowa, Bureau of Children, Family and Community Services	\$ 728,345	\$ 764,300	\$ 1,492,645	\$ 1,723,193	\$ (230,548)
Interest	6,466	8,569	15,035	-	15,035
Total Support and Revenue	734,811	772,869	1,507,680	1,723,193	(215,513)
Expenditures:					
Contractual Services	700,066	685,769	1,385,835	1,597,691	211,856
Payroll Costs:					
Salaries	7,561	10,106	17,667	16,411	(1,256)
Fringe Benefits	2,873	3,840	6,713	6,236	(477)
Total Payroll Costs	10,434	13,946	24,380	22,647	(1,733)
Administration:					
Financial Services	5,898	7,884	13,782	17,500	3,718
Professional Fees	2,568	3,432	6,000	6,000	-
Travel and Meetings	1,605	2,147	3,752	3,730	(22)
Furniture and Fixtures	563	753	1,316	-	(1,316)
Office Expenditures	950	1,271	2,221	750	(1,471)
Reference Material	163	218	381	500	119
Membership and Dues	19	26	45	500	455
Insurance	535	715	1,250	1,500	250
Total Administration	12,301	16,446	28,747	30,480	1,733
Other Expenditures:					
Community Capacity Building:					
Salaries	7,427	12,468	19,895	16,826	(3,069)
Fringe Benefits	2,822	4,738	7,560	6,394	(1,166)
Financial Services	1,312	3,678	4,990	8,000	3,010
Travel and Meetings	95	75	170	350	180
Office Expenditures	354	186	540	805	265
Family Day Care Inspection:					
Salaries	-	24,995	24,995	27,385	2,390
Fringe Benefits	-	9,498	9,498	10,406	908
Financial Services	-	-	-	800	800
Travel and Meetings	-	349	349	750	401
Office Expenditures	-	721	721	659	(62)
Total Other Expenditures	12,010	56,708	68,718	72,375	3,657
Total Expenditures	734,811	772,869	1,507,680	1,723,193	215,513
Excess of Revenue Over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY DECATEGORIZATION PROGRAM
Statement of Revenue and Expenditures by Program -
Medicaid Fund - Budget to Actual
For the Year Ended June 30, 2005

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Support and Revenue:			
Interest	\$ 5,532	\$ 4,500	\$ 1,032
Expenditures:			
Contractual Services	15,230	-	(15,230)
Administration:			
Salaries	2,265	2,775	510
Fringe Benefits	861	1,055	194
Total Administration	3,126	3,830	704
Other Expenditures:			
Professional Fees	-	220	220
Travel and Meetings	442	450	8
Total Other Expenditures	442	670	228
Total Expenditures	18,798	4,500	(14,298)
Excess of Revenue (Under) Expenditures	\$ (13,266)	\$ -	\$ (13,266)

The accompanying notes are an integral part of the financial statements.

**SUPPLEMENTAL INFORMATION
(OPTIONAL)**

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Joint Central Committee
Scott County Decategorization Program
Davenport, Iowa

Our report on our audit of the general-purpose financial statements of Scott County Decategorization Program for the year ended June 30, 2005, appears on page 4. That audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information is presented for purpose of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Doyle & Keenan, P.C.

October 27, 2005

SCOTT COUNTY DECATORIZATION PROGRAM
Schedule of Revenue and Expenditures by Program - General Fund
For the Year Ended June 30, 2005

	Community Organization Grant	Juvenile Accountability Incentive Block Grant	Safe and Stable	Case Aides	Decategorization Coordination and Support	DHS Community Partners	Other Programs	Total General Fund
Support and Revenue:								
U.S. Department of Health and Human Services, Community Organization Grant	\$ 32,686	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,686
State of Iowa, Division of Criminal and Juvenile Justice Planning	-	181,074	-	-	-	-	-	181,074
State of Iowa, Department of Human Services	-	-	26,833	30,244	128,491	13,996	38,938	199,564
Other	-	-	-	-	-	-	2,030	38,938
Interest	-	-	-	-	-	-	-	2,030
Total Support and Revenue	32,686	181,074	26,833	30,244	128,491	13,996	40,968	454,292
Expenditures:								
Contractual Services	25,777	181,074	-	-	-	6,633	16,733	230,217
Payroll Costs								
Salaries	2,167	-	19,167	21,916	60,904	-	13,903	118,057
Fringe Benefits	823	-	7,283	8,328	23,144	-	5,283	44,861
Total Payroll Costs	2,990	-	26,450	30,244	84,048	-	19,186	162,918
Other Expenditures								
Financial Services	-	-	-	-	27,150	-	670	27,820
Professional Fees	-	-	-	-	4,450	-	495	4,945
Travel and Meetings	314	-	25	-	1,591	7,363	538	9,831
Furniture and Fixtures	-	-	-	-	1,435	-	-	1,435
Emergency Needs	-	-	-	-	-	-	1,278	1,278
Office Expenditures	3,640	-	370	-	5,818	-	51	9,879
Reference Materials	-	-	-	-	507	-	-	507
Insurance	-	-	-	-	3,548	-	-	3,548
Total Other Expenditures	3,954	-	395	-	44,499	7,363	3,032	59,243
Total Expenditures	32,721	181,074	26,845	30,244	128,547	13,996	38,951	452,378
Excess of Revenue Over (Under) Expenditures	\$ (35)	\$ -	\$ (12)	\$ -	\$ (56)	\$ -	\$ 2,017	\$ 1,914

See accompanying independent auditor's report on supplementary information.

SCOTT COUNTY DECATEGORYIZATION PROGRAM
Schedule of Revenue and Expenditures -
Scott County Community Empowerment Board Funds
For the Year Ended June 30, 2005

	School Ready	Early Childhood	Total Empowerment Funds
Support and Revenue:			
State of Iowa, Bureau of Children, Family and Community Services	\$ 728,345	\$ 764,300	\$ 1,492,645
Interest	6,466	8,569	15,035
Total Support and Revenue	734,811	772,869	1,507,680
Expenditures:			
Contractual Services	700,066	685,769	1,385,835
Payroll Costs:			
Salaries	7,561	10,106	17,667
Fringe Benefits	2,873	3,840	6,713
Total Payroll Costs	10,434	13,946	24,380
Administration:			
Financial Services	5,898	7,884	13,782
Professional Fees	2,568	3,432	6,000
Travel and Meetings	1,605	2,147	3,752
Furniture and Fixtures	563	753	1,316
Office Expenditures	950	1,271	2,221
Reference Material	163	218	381
Membership and Dues	19	26	45
Insurance	535	715	1,250
Total Administration	12,301	16,446	28,747
Other Expenditures:			
Community Capacity Building:			
Salaries	7,427	12,468	19,895
Fringe Benefits	2,822	4,738	7,560
Financial Services	1,312	3,678	4,990
Travel and Meetings	95	75	170
Office Expenditures	354	186	540
Family Day Care Inspection:			
Salaries	-	24,995	24,995
Fringe Benefits	-	9,498	9,498
Travel and Meetings	-	349	349
Office Expenditures	-	721	721
Total Other Expenditures	12,010	56,708	68,718
Total Expenditures	734,811	772,869	1,507,680
Excess of Revenue Over Expenditures	\$ -	\$ -	\$ -

See accompanying independent auditor's report on supplementary information.

SCOTT COUNTY DECATEGORY PROGRAM
Schedule of Revenue and Expenditures -
Medicaid Fund
For the Year Ended June 30, 2005

	Medicaid			Total
	Administration	Enhancement	Flexible Spending	
Support and Revenue:				
Interest	\$ 5,532	\$ -	\$ -	\$ 5,532
Expenditures:				
Contractual Services	15,230	-	-	15,230
Administration:				
Salaries	-	2,265	-	2,265
Fringe Benefits	-	861	-	861
Total Administration	-	3,126	-	3,126
Other Expenditures:				
Travel and Meetings	-	442	-	442
Total Other Expenditures	-	442	-	442
Total Expenditures	15,230	3,568	-	18,798
Excess of Revenue (Under) Expenditures	\$ (9,698)	\$ (3,568)	\$ -	\$ (13,266)

See accompanying independent auditor's report on supplementary information.

SINGLE AUDIT SECTION

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant / Contract Number</u>	<u>Program Award Amount</u>	<u>Revenues/ Receipts</u>	<u>Expenditures</u>
U.S. Department of Justice					
Pass Through Program From State of Iowa					
Juvenile Accountability Incentive Block Grant	16.540	JJYD-F05-36	\$ 37,142	\$ 31,134	\$ 31,134
Juvenile Accountability Incentive Block Grant	16.727	JJYD-F05-36	23,054	18,794	18,794
Juvenile Accountability Incentive Block Grant	16.548	JJYD-F05-36	8,704	5,097	5,097
Juvenile Accountability Incentive Block Grant	16.523	JJYD-F05-36	87,221	78,103	78,103
Juvenile Accountability Incentive Block Grant	16.523	36-JD02-F03	194,251	19,484	19,484
Juvenile Accountability Incentive Block Grant	16.540	36-JD02-F03	19,829	19,829	19,829
Juvenile Accountability Incentive Block Grant	16.727	36-JD02-F03	19,448	8,633	8,633
Total U.S. Department of Justice			389,649	181,074	181,074
U.S. Department of Health and Human Services					
Direct Program					
Community Organization Grant	93.110	6H25 MC 00222-02	32,686	32,686	32,686
Pass Through Program From State of Iowa					
Promoting Safe and Stable Families	93.556	PSSFP-03-036A	19,909	5,246	5,246
Promoting Safe and Stable Families	93.556	PSSFP-03-036A	19,909	14,879	14,879
Consolidated Knowledge Development and Application	93.230	Project SIGnificant	15,000	15,000	15,000
Consolidated Knowledge Development and Application	93.230	Project SIGnificant	15,000	4,772	4,772
Governor's Traffic Safety Bureau	20.602	04-405 Task 08	23,350	16,733	16,733
Child Care and Development Block Grant *	93.575	Early Childhood	607,844	764,300	764,300
Total U.S. Department of Health and Human Services			733,698	853,616	853,616
Total Federal Expenditures of Federal Awards			\$ 1,123,347	\$ 1,034,690	\$ 1,034,690

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Scott County Decategorization Program and Scott County Community Empowerment Board and is presented on the accrual basis of accounting. The information in 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 in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note B - Subrecipients

The Entity has no subrecipients.

Note C - Other Assistance

The Entity did not receive any federal nonmonetary assistance, loans or loan guarantees.

Note D - Insurance in Effect

The Entity has insurance policies in force covering commercial and general liability, property, professional liability, electronic data processing, crime coverage, business auto, workers compensation, commercial umbrella liability, and directors and officers liability. Insurance binders are available from the agency upon request.

* Denotes Major Program

See accompanying independent auditor's report on supplementary information.

**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 Joint Central Committee
Scott County Decategorization Program
Davenport, Iowa

We have audited the general-purpose financial statements of Scott County Decategorization Program as of and for the year ended June 30, 2005, and have issued our report thereon dated October 27, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scott County Decategorization Program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott County Decategorization Program's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Joint Central Committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Doyle & Keenan, P.C.

October 27, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Joint Central Committee
Scott County Decategorization Program
Davenport, Iowa

Compliance

We have audited the compliance of Scott County Decategorization Program with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Scott County Decategorization Program's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Scott County Decategorization Program's management. Our responsibility is to express an opinion on Scott County Decategorization Program'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 noncompliance 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 Scott County Decategorization Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Scott County Decategorization Program's compliance with those requirements.

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

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the Joint Central Committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Doyle & Keenan, P. C.

October 27, 2005

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Summary of the Auditor's Results

- 1) The auditor's report expresses an unqualified opinion on the general purpose financial statements of Scott County Decategorization Program.
- 2) No reportable conditions were disclosed during the audit of the general purpose financial statements.
- 3) No instances of noncompliance material to the general-purpose financial statements of Scott County Decategorization Program, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- 4) No reportable conditions were disclosed during the audit of internal control over major federal award programs.
- 5) The auditor's report on compliance for the major federal award programs for Scott County Decategorization Program expressed an unqualified opinion on all major programs.
- 6) No audit findings relative to the Major federal award programs for Scott County Decategorization Program are reported in this Schedule.
- 7) The program tested as a major program was:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.575	<u>U.S. Department of Health and Human Services</u> Child Care and Development Block Grant – Early Childhood

- 8) Threshold used for distinguishing between Type A and Type B programs was \$300,000.
- 9) Scott County Decategorization Program qualified as a low risk auditee.

Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with U.S. Generally Accepted Government Auditing Standards

None.

Findings and Questioned Costs for Federal Awards

None.

Prior Year Findings

None.