

**SCOTT COUNTY
DECATEGORIZATION PROGRAM**

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

JUNE 30, 2006

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, 2006 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, 2006, 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 November 2, 2006, 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 of 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.

November 2, 2006

SCOTT COUNTY DECATEGORYIZATION PROGRAM

Management's Discussion and Analysis

June 30, 2006

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, 2006. Please read it in conjunction with the Program's financial statements, which follow this section.

Financial Highlights

- Fund Balance increased to \$673,432 - that is a \$3,367 increase from the prior year.
- Total support and revenue decreased \$77,904 from the prior fiscal year.
- Total disbursements decreased \$92,623 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 group 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 increased primarily for interest earned on Medicaid funds not utilized this year.
- Support and Revenue decreased due to a reduction in Juvenile Justice Planning funds and the completion of the Community Organization grant last year.
- Overall disbursements decreased due to a reduction in Juvenile Justice Planning contracted services, the completion of the Community Organization grant in the prior year and no Medicaid contracted services this year.

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 and these are larger than in the past due to increased funding not fully programmed. 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 unanticipated increases in empowerment funding.
- Expenditures were overall within \$1,000 of the budget however; many line items had variances. The largest difference is due to increased contracted services for empowerment programs.

Economic Factors and Next Year's Budget

- For the second year in a row, the Program anticipates an increase in Empowerment School Ready funds based on additional funds legislated by state and a decrease of Early Childhood funds which are federally appropriated.
- A 23% reduction in Juvenile Justice Planning funds will occur for fiscal year 2007. Further reductions in this funding source are anticipated in subsequent years absent of revitalized Congressional support.
- Uncertainty exists regarding the allocation of Decategorization funds in FY 2008 due to changes in financing the child welfare system and time limitations on use of carryover dollars from prior years.

- Continuing Emphasis on Community Planning for Youth Development and Preschool Access.

Request for Information

This financial report is designed to provide a general overview of 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, 600 W. 4th Street, Davenport, Iowa 52801.

**GOVERNMENT – WIDE
FINANCIAL STATEMENTS**

SCOTT COUNTY DECATEGORYIZATION PROGRAM
Balance Sheet - All Governmental Fund Types
June 30, 2006

Assets

Current Assets:

Cash and Cash Equivalents	\$	1,814,043
Grants Receivable		111,426
Interest Receivable		3,252
Prepaid Expenses		22,500
		22,500
Total Current Assets	\$	1,951,221

Liabilities and Equity

Current Liabilities:

Accounts Payable	\$	305,622
Accrued Expenses		14,595
Unearned Revenue		957,572
		957,572
Total Current Liabilities		1,277,789

Equity:

Fund Balance - Unreserved		389,546
Fund Balance - Reserved for Medicaid		283,886
		283,886
Total Equity		673,432
Total Liabilities and Equity	\$	1,951,221

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, 2006

Revenue:	
State of Iowa, Division of Criminal and Juvenile Justice Planning	\$ 109,027
State of Iowa, Department of Human Services	280,023
State of Iowa, Bureau of Children, Family and Community Services	1,446,508
Other	5,117
Interest	<u>48,925</u>
Total Revenue	1,889,600
Expenditures	<u>1,886,233</u>
Excess of Revenues Over Expenditures	3,367
Fund Balance - Beginning	<u>670,065</u>
Fund Balance - Ending	<u><u>\$ 673,432</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, 2006

<u>Assets</u>	<u>General Fund</u>	<u>School Ready Fund</u>	<u>Early Childhood Fund</u>	<u>Medicaid Fund</u>	<u>Total</u>
Current Assets:					
Cash and Cash Equivalents	\$ 156,977	\$ 850,297	\$ 478,917	\$ 327,852	\$ 1,814,043
Grants Receivable	111,426	-	-	-	111,426
Interest Receivable	538	69	-	2,645	3,252
Prepaid Expenses	-	-	22,500	-	22,500
Due From Empowerment Funds	183,223	-	-	-	183,223
Due From Medicaid Funds	46,611	-	-	-	46,611
Total Current Assets	\$ 498,775	\$ 850,366	\$ 501,417	\$ 330,497	\$ 2,181,055
Liabilities and Equity					
Current Liabilities:					
Accounts Payable	\$ 45,662	\$ 179,935	\$ 80,025	\$ -	\$ 305,622
Accrued Expenses	14,595	-	-	-	14,595
Unearned Revenue	48,972	585,626	322,974	-	957,572
Due To General Fund	-	84,805	98,418	46,611	229,834
Total Current Liabilities	109,229	850,366	501,417	46,611	1,507,623
Equity:					
Fund Balance - Unreserved	389,546	-	-	-	389,546
Fund Balance - Reserved for Medicaid	-	-	-	283,886	283,886
Total Equity	389,546	-	-	283,886	673,432
Total Liabilities and Equity	\$ 498,775	\$ 850,366	\$ 501,417	\$ 330,497	\$ 2,181,055

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

SCOTT COUNTY DECATEGORIZATION PROGRAM
Statement of Revenue, Expenditures and Changes in Equity - All Fund Types
For the Year Ended June 30, 2006

	General Fund	School Ready Fund	Early Childhood Fund	Medicaid Fund	Total
Revenue:					
State of Iowa, Division of Criminal and Juvenile Justice Planning	\$ 109,027	\$ -	\$ -	\$ -	\$ 109,027
State of Iowa, Department of Human Services	280,023	-	-	-	280,023
State of Iowa, Bureau of Children, Family and Community Services	-	897,631	548,877	-	1,446,508
Other	5,117	-	-	-	5,117
Interest	2,813	23,092	13,360	9,660	48,925
Total Revenue	396,980	920,723	562,237	9,660	1,889,600
Expenditures	396,233	920,723	562,237	7,040	1,886,233
Excess of Revenues Over Expenditures	747	-	-	2,620	3,367
Fund Balance - Beginning	388,799	-	-	281,266	670,065
Fund Balance - Ending	\$ 389,546	\$ -	\$ -	\$ 283,886	\$ 673,432

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

SCOTT COUNTY DECATEGORYIZATION PROGRAM

Notes to Financial Statements

June 30, 2006

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

Reporting Entity - The general purpose financial statements of the Program consist of two types of funds, general and special revenue. The activity of Scott County Decategorization Program is reported in the general fund. Scott County Community Empowerment Board and the Medicaid Fund are considered special revenue funds. The accounts of the Program 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 - 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.

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.

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 - 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.

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 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 Program 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 Program 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 Program believes that all grants receivable as of June 30, 2006 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, 2006 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 Chapter 28E of the Code of Iowa. The Program 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 Program 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, 2006:

State of Iowa:

Division of Criminal and Juvenile Justice Planning:	
Juvenile Accountability Incentive Block Grant	\$ 53,107
Department of Human Services:	
Case Aides, Welfare and Coordination	<u>58,319</u>

Total Grants Receivable	\$ <u>111,426</u>
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NOTE 4 - 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 \$165,924 and accounting and administrative fees of \$32,628 were incurred by Scott County Decategorization Program during the year ended June 30, 2006. At June 30, 2006, Scott County Decategorization Program owed Bi-State Regional Commission \$16,310 for the reimbursement of personnel costs, administrative and accounting fees, including Empowerment and Medicaid.

Salaries and related fringe benefit costs of \$99,601 and \$3,126 were incurred by Empowerment and Medicaid, respectively, and \$17,577 by Empowerment in accounting fees during the year ended June 30, 2006. At June 30, 2006, Empowerment and Medicaid owed Scott County Decategorization Program \$183,223 and \$46,611, respectively, for personnel costs, administrative and accounting fees, and payments of contractual services and other expenses.

**REQUIRED
SUPPLEMENTAL INFORMATION**

SCOTT COUNTY DECATEGORYIZATION PROGRAM
Statement of Revenue and Expenditures by Program -
All Funds - Budget to Actual
For the Year Ended June 30, 2006

	Actual	Budget	Variance Favorable (Unfavorable)
Revenue:			
State of Iowa, Division of Criminal and Juvenile Justice Planning	\$ 109,027	\$ 103,644	\$ 5,383
State of Iowa, Department of Human Services	280,023	286,265	(6,242)
State of Iowa, Bureau of Children, Family and Community Services	1,446,508	2,059,036	(612,528)
Other	5,117	5,327	(210)
Interest	48,925	3,694	45,231
Total Revenue	1,889,600	2,457,966	(568,366)
Expenditures:			
Contractual Services	1,524,777	2,069,412	544,635
Payroll Costs:			
Salaries	148,131	143,724	(4,407)
Fringe Benefits	56,292	54,615	(1,677)
Total Payroll Costs	204,423	198,339	(6,084)
Administration:			
Financial Services	41,415	40,907	(508)
Professional Fees	10,241	25,941	15,700
Travel and Meetings	11,199	7,717	(3,482)
Furniture and Fixtures	930	1,500	570
Emergency Needs	757	-	(757)
Office Expenditures	6,769	5,384	(1,385)
Recruitment	973	600	(373)
Reference Materials	243	934	691
Membership and Dues	60	500	440
Insurance	6,044	4,900	(1,144)
Equipment	-	-	-
Total Administration	78,631	88,383	9,752
Other Expenditures:			
Community Capacity Building:			
Salaries	23,521	27,717	4,196
Fringe Benefits	8,938	10,532	1,594
Financial Services	8,789	9,000	211
Travel and Meetings	233	715	482
Office Expenditures	465	949	484
Family Day Care Inspection:			
Salaries	25,484	28,035	2,551
Fringe Benefits	9,684	10,653	969
Financial Services	-	93	93
Travel and Meetings	754	719	(35)
Office Expenditures	534	500	(34)
Total Other Expenditures	78,402	88,913	10,511
Total Expenditures	1,886,233	2,445,047	558,814
Excess of Revenue Over (Under) Expenditures	\$ 3,367	\$ 12,919	\$ (9,552)

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

SCOTT COUNTY DECATEGORIZATION PROGRAM

Statement of Revenue and Expenditures by Program -

General Fund - Budget to Actual

For the Year Ended June 30, 2006

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenue:			
State of Iowa, Division of Criminal and Juvenile Justice Planning	\$ 109,027	\$ 103,644	\$ 5,383
State of Iowa, Department of Human Services	280,023	286,265	(6,242)
Other	5,117	5,327	(210)
Interest	<u>2,813</u>	<u>-</u>	<u>2,813</u>
Total Revenue	<u>396,980</u>	<u>395,236</u>	<u>1,744</u>
Expenditures:			
Contractual Services	<u>176,108</u>	<u>169,419</u>	<u>(6,689)</u>
Payroll Costs:			
Salaries	120,234	117,892	(2,342)
Fringe Benefits	<u>45,691</u>	<u>44,799</u>	<u>(892)</u>
Total Payroll Costs	<u>165,925</u>	<u>162,691</u>	<u>(3,234)</u>
Administration:			
Financial Services	32,627	32,000	(627)
Professional Fees	5,390	18,721	13,331
Travel and Meetings	7,514	3,968	(3,546)
Furniture and Fixtures	465	750	285
Emergency Needs	757	-	(757)
Office Expenditures	4,055	4,114	59
Recruitment	973	450	(523)
Reference Materials	139	434	295
Insurance	<u>2,280</u>	<u>2,689</u>	<u>409</u>
Total Administration	<u>54,200</u>	<u>63,126</u>	<u>8,926</u>
Total Expenditures	<u>396,233</u>	<u>395,236</u>	<u>(997)</u>
Excess of Revenue Over Expenditures	\$ <u>747</u>	\$ <u>-</u>	\$ <u>747</u>

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

SCOTT COUNTY DECATEGORYIZATION PROGRAM
Statement of Revenue and Expenditures by Program -
Scott County Community Empowerment Board Funds - Budget to Actual
For the Year Ended June 30, 2006

	School Ready Actual	Early Childhood Actual	Total Empowerment Funds Actual	Budget	Variance Favorable (Unfavorable)
Revenue:					
State of Iowa, Bureau of Children, Family and Community Services	\$ 897,631	\$ 548,877	\$ 1,446,508	\$ 2,059,036	\$ (612,528)
Interest	23,092	13,360	36,452	-	36,452
Total Revenue	920,723	562,237	1,482,960	2,059,036	(576,076)
Expenditures:					
Contractual Services	871,833	476,836	1,348,669	1,899,993	551,324
Payroll Costs:					
Salaries	13,206	9,963	23,169	23,647	478
Fringe Benefits	5,018	3,786	8,804	8,986	182
Total Payroll Costs	18,224	13,749	31,973	32,633	660
Administration:					
Financial Services	5,009	3,779	8,788	8,907	119
Professional Fees	2,765	2,086	4,851	7,220	2,369
Travel and Meetings	1,807	1,363	3,170	3,070	(100)
Furniture and Fixtures	265	200	465	750	285
Office Expenditures	1,547	1,167	2,714	1,270	(1,444)
Recruitment	-	-	-	150	150
Reference Materials	59	45	104	500	396
Membership and Dues	34	26	60	500	440
Insurance	2,146	1,618	3,764	2,211	(1,553)
Total Administration	13,632	10,284	23,916	24,578	662
Other Expenditures:					
Community Capacity Building:					
Salaries	8,620	14,901	23,521	27,717	4,196
Fringe Benefits	3,276	5,662	8,938	10,532	1,594
Financial Services	4,922	3,867	8,789	9,000	211
Travel and Meetings	76	157	233	715	482
Office Expenditures	140	325	465	949	484
Family Day Care Inspection:					
Salaries	-	25,484	25,484	28,035	2,551
Fringe Benefits	-	9,684	9,684	10,653	969
Financial Services	-	-	-	93	93
Travel and Meetings	-	754	754	719	(35)
Office Expenditures	-	534	534	500	(34)
Total Other Expenditures	17,034	61,368	78,402	88,913	10,511
Total Expenditures	920,723	562,237	1,482,960	2,046,117	563,157
Excess of Revenue Over Expenditures	\$ -	\$ -	\$ -	\$ 12,919	\$ 12,919

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, 2006

	Actual	Budget	Variance Favorable (Unfavorable)
Revenue:			
Interest	\$ 9,660	\$ 3,694	\$ 5,966
Expenditures:			
Payroll Costs:			
Salaries	4,728	2,185	(2,543)
Fringe Benefits	1,797	830	(967)
Total Payroll Costs	6,525	3,015	(3,510)
Administration:			
Travel and Meetings	515	679	164
Total Expenditures	7,040	3,694	(3,346)
Excess of Revenue Over Expenditures	\$ 2,620	\$ -	\$ 2,620

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, 2006, 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.

November 2, 2006

SCOTT COUNTY DECATORIZATION PROGRAM
Schedule of Revenue and Expenditures by Program - General Fund
For the Year Ended June 30, 2006

	Juvenile Accountability Incentive Block Grant	Safe and Stable	Case Aides	Decategorization Coordination and Support	DHS Community Partners	Other Programs	Total General Fund
Revenue:							
State of Iowa, Division of Criminal and Juvenile Justice Planning	\$ 109,027	\$ -	\$ -	\$ -	\$ -	\$ -	109,027
State of Iowa, Department of Human Services	-	27,019	31,662	215,338	6,004	-	280,023
Other	-	-	-	-	-	5,117	5,117
Interest	-	-	-	-	-	2,813	2,813
Total Revenue	109,027	27,019	31,662	215,338	6,004	7,930	396,980
Expenditures:							
Contractual Services	111,091	-	-	65,017	-	-	176,108
Payroll Costs							
Salaries	-	19,231	22,943	74,955	-	3,105	120,234
Fringe Benefits	-	7,308	8,719	28,484	-	1,180	45,691
Total Payroll Costs	-	26,539	31,662	103,439	-	4,285	165,925
Administration:							
Financial Services	-	-	-	32,627	-	-	32,627
Professional Fees	-	-	-	5,390	-	-	5,390
Travel and Meetings	-	25	-	1,410	6,004	75	7,514
Furniture and Fixtures	-	-	-	465	-	-	465
Emergency Needs	-	-	-	-	-	757	757
Office Expenditures	-	455	-	3,600	-	-	4,055
Recruitment	-	-	-	973	-	-	973
Reference Materials	-	-	-	139	-	-	139
Insurance	-	-	-	2,280	-	-	2,280
Total Administration	-	480	-	46,884	6,004	832	54,200
Total Expenditures	111,091	27,019	31,662	215,340	6,004	5,117	396,233
Excess of Revenue Over (Under) Expenditures	\$ (2,064)	\$ -	\$ -	(2)	\$ -	\$ 2,813	\$ 747

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, 2006

	School Ready	Early Childhood	Total Empowerment Funds
Revenue:			
State of Iowa, Bureau of Children, Family and Community Services	\$ 897,631	\$ 548,877	\$ 1,446,508
Interest	23,092	13,360	36,452
Total Revenue	920,723	562,237	1,482,960
Expenditures:			
Contractual Services	871,833	476,836	1,348,669
Payroll Costs:			
Salaries	13,206	9,963	23,169
Fringe Benefits	5,018	3,786	8,804
Total Payroll Costs	18,224	13,749	31,973
Administration:			
Financial Services	5,009	3,779	8,788
Professional Fees	2,765	2,086	4,851
Travel and Meetings	1,807	1,363	3,170
Furniture and Fixtures	265	200	465
Office Expenditures	1,547	1,167	2,714
Reference Material	59	45	104
Membership and Dues	34	26	60
Insurance	2,146	1,618	3,764
Total Administration	13,632	10,284	23,916
Other Expenditures:			
Community Capacity Building:			
Salaries	8,620	14,901	23,521
Fringe Benefits	3,276	5,662	8,938
Financial Services	4,922	3,867	8,789
Travel and Meetings	76	157	233
Office Expenditures	140	325	465
Family Day Care Inspection:			
Salaries	-	25,484	25,484
Fringe Benefits	-	9,684	9,684
Travel and Meetings	-	754	754
Office Expenditures	-	534	534
Total Other Expenditures	17,034	61,368	78,402
Total Expenditures	920,723	562,237	1,482,960
Excess of Revenue Over Expenditures	\$ -	\$ -	\$ -

See accompanying independent auditor's report on supplementary information.

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Revenue and Expenditures -
Medicaid Fund
For the Year Ended June 30, 2006

	Medicaid		
	Administration	Enhancement	Total
Revenue:			
Interest	\$ 9,660	\$ -	\$ 9,660
Expenditures:			
Payroll Costs:			
Salaries	-	4,728	4,728
Fringe Benefits	-	1,797	1,797
Total Payroll Costs	-	6,525	6,525
Administration:			
Travel and Meetings	-	515	515
Total Expenditures	-	7,040	7,040
Excess of Revenue Over Expenditures	\$ 9,660	\$ (7,040)	\$ 2,620

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, 2006

<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>U.S. Department of Justice</u>					
Pass Through Program From State of Iowa					
Juvenile Accountability Incentive Block Grant	16.540	JJYD-F05-36	\$ 37,142	\$ 4,562	\$ 4,562
Juvenile Accountability Incentive Block Grant	16.727	JJYD-F05-36	23,054	1,497	1,497
Juvenile Accountability Incentive Block Grant	16.548	JJYD-F05-36	8,704	3,607	3,607
Juvenile Accountability Incentive Block Grant	16.523	JJYD-F05-36	87,221	6,758	6,758
Juvenile Accountability Incentive Block Grant	16.523	36-JD04-505	48,868	44,890	44,890
Juvenile Accountability Incentive Block Grant	16.540	36-JD04-505	34,540	25,901	25,901
Juvenile Accountability Incentive Block Grant	16.548	36-JD04-505	7,758	4,252	4,252
Juvenile Accountability Incentive Block Grant	16.727	36-JD04-505	19,122	17,560	17,560
Total U.S. Department of Justice			<u>266,409</u>	<u>109,027</u>	<u>109,027</u>
<u>U.S. Department of Health and Human Services</u>					
Pass Through Program From State of Iowa					
Promoting Safe and Stable Families	93.556	PSSFP-03-036A	20,625	15,303	15,303
Promoting Safe and Stable Families	93.556	PSSFP-03-036A	19,909	4,962	4,962
Promoting Safe and Stable Families	93.556	BDPS-04-071	15,000	6,004	6,004
Consolidated Knowledge Development and Application	93.230	Project SIGNificant	15,000	4,360	4,360
Adoption Incentive Payments	93.603	BDPS-05-071	70,370	69,432	69,432
Child Care and Development Block Grant *	93.575	Early Childhood	600,580	548,877	548,877
Total U.S. Department of Health and Human Services			<u>741,484</u>	<u>648,938</u>	<u>648,938</u>
Total Federal Expenditures of Federal Awards			\$ <u>1,007,893</u>	\$ <u>757,965</u>	\$ <u>757,965</u>

Note 1 - 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.

The Program 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, 2006, and have issued our report thereon dated November 2, 2006. 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.

November 2, 2006

**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, 2006. 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, 2006.

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 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 the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud 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.

November 2, 2006

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

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.