

**SCOTT COUNTY  
DECATEGORIZATION PROGRAM**

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

**JUNE 30, 2007**

# SCOTT COUNTY DECATEGORIZATION PROGRAM

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**INDEPENDENT AUDITOR'S REPORT**

To the Executive 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, 2007 as listed in the table of contents. These 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 respective financial position of Scott County Decategorization Program as of June 30, 2007, and the respective results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2007, on our consideration of Scott County Decategorization Program'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.

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 the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires 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 conducted for the purpose of forming opinions on the general purpose financial statements that collectively comprise Scott County Decategorization Program's basic financial statements. The schedules of revenue and expenditures, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

*Doyle & Keenan, P.C.*

December 3, 2007

**SCOTT COUNTY DECATEGORIZATION PROGRAM**  
**Management's Discussion and Analysis**  
**June 30, 2007**

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, 2007. Please read it in conjunction with the Program's financial statements, which follow this section.

**Financial Highlights**

- Fund Balance increased to \$682,217 - that is an \$8,785 increase from the prior year.
- Total support and revenue increased \$633,229 from the prior fiscal year.
- Total disbursements increased \$627,812 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 statement of revenue, expenditures and changes in equity for the General, Special Revenue and Medicaid funds, all of which are considered to be major funds except for the Medicaid fund.

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 from interest earned on Medicaid and General funds not utilized this year.
- Support and Revenue increased due to an increase in Empowerment revenue from School Ready.
- Overall disbursements increased due to an increase in Empowerment expenditures for School Ready programs.

### **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 increases in empowerment funding carryover.
- Expenditures variances in the budget are largely due to increased contracted services for empowerment programs.

### **Economic Factors and Next Year's Budget**

- The Program anticipates Empowerment School Ready funds legislated by the state to be maintained at the current levels and efforts to spend the School Ready carryover funds will occur.
- Continued reductions in Juvenile Justice Planning funds are anticipated in subsequent years absent of revitalized Congressional support.
- Continuing Emphasis on Community Planning for Youth Development and Preschool Access.
- Continued increased costs of health insurance benefits could impact affordability.

- Anticipated increases in FY 2008 Decategorization funding will be utilized to increase collaboration with the Department of Human Services to maximize community resources.
- Uncertainty exists regarding the allocation of Decategorization funds in FY 2009 due to time limitations on use of carryover dollars from prior years.

### **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 Marcy Mendenhall, 600 W. 4<sup>th</sup> Street, Davenport, Iowa 52801.

**GOVERNMENT – WIDE  
FINANCIAL STATEMENTS**

**SCOTT COUNTY DECATEGORY PROGRAM**  
**Balance Sheet - All Governmental Fund Types**  
**June 30, 2007**

Assets

Current Assets:	
Cash and Cash Equivalents	\$ 2,614,571
Grants Receivable	45,247
Interest Receivable	3,829
Prepaid Expenses	<u>22,500</u>
Total Current Assets	<u>\$ 2,686,147</u>

Liabilities and Equity

Current Liabilities:	
Accounts Payable	\$ 674,062
Accrued Expenses	12,249
Unearned Revenue	<u>1,317,619</u>
Total Current Liabilities	<u>2,003,930</u>
Equity:	
Fund Balance - Unreserved	393,382
Fund Balance - Reserved for Medicaid	<u>288,835</u>
Total Equity	<u>682,217</u>
Total Liabilities and Equity	<u>\$ 2,686,147</u>

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, 2007**

Revenue:	
State of Iowa, Division of Criminal and Juvenile Justice Planning	\$ 35,628
State of Iowa, Department of Human Services	284,262
State of Iowa, Bureau of Children, Family and Community Services	2,107,608
Other	2,334
Interest	<u>92,997</u>
Total Revenue	2,522,829
Expenditures	<u>2,514,044</u>
Excess of Revenues Over Expenditures	8,785
Fund Balance - Beginning	<u>673,432</u>
Fund Balance - Ending	<u><u>\$ 682,217</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, 2007**

	General Fund	School Ready Fund	Early Childhood Fund	Medicaid Fund	Eliminations	Total
<u>Assets</u>						
Current Assets:						
Cash and Cash Equivalents	\$ 171,321	\$ 1,452,823	\$ 652,144	\$ 338,283	\$ -	\$ 2,614,571
Grants Receivable	45,247	-	-	-	-	45,247
Interest Receivable	654	115	-	3,060	-	3,829
Prepaid Expenses	-	-	22,500	-	-	22,500
Due From Empowerment Funds	201,345	-	-	-	(201,345)	-
Due From Medicaid Funds	51,755	-	-	-	(51,755)	-
<b>Total Current Assets</b>	<b>\$ 470,322</b>	<b>\$ 1,452,938</b>	<b>\$ 674,644</b>	<b>\$ 341,343</b>	<b>\$ (253,100)</b>	<b>\$ 2,686,147</b>
<u>Liabilities and Equity</u>						
Current Liabilities:						
Accounts Payable	\$ 62,657	\$ 467,436	\$ 143,216	\$ 753	\$ -	\$ 674,062
Accrued Expenses	12,249	-	-	-	-	12,249
Unearned Revenue	2,034	960,576	355,009	-	-	1,317,619
Due To General Fund	-	24,926	176,419	51,755	(253,100)	-
<b>Total Current Liabilities</b>	<b>76,940</b>	<b>1,452,938</b>	<b>674,644</b>	<b>52,508</b>	<b>(253,100)</b>	<b>2,003,930</b>
Equity:						
Fund Balance - Unreserved	393,382	-	-	-	-	393,382
Fund Balance - Reserved for Medicaid	-	-	-	288,835	-	288,835
<b>Total Equity</b>	<b>393,382</b>	<b>-</b>	<b>-</b>	<b>288,835</b>	<b>-</b>	<b>682,217</b>
<b>Total Liabilities and Equity</b>	<b>\$ 470,322</b>	<b>\$ 1,452,938</b>	<b>\$ 674,644</b>	<b>\$ 341,343</b>	<b>\$ (253,100)</b>	<b>\$ 2,686,147</b>

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, 2007**

	General Fund	School Ready Fund	Early Childhood Fund	Medicaid Fund	Total
Revenue:					
State of Iowa, Division of Criminal and Juvenile Justice Planning	\$ 35,628	\$ -	\$ -	\$ -	\$ 35,628
State of Iowa, Department of Human Services	284,262	-	-	-	284,262
State of Iowa, Bureau of Children, Family and Community Services	-	1,572,045	535,563	-	2,107,608
Other	2,334	-	-	-	2,334
Interest	3,902	56,117	20,082	12,896	92,997
Total Revenue	<u>326,126</u>	<u>1,628,162</u>	<u>555,645</u>	<u>12,896</u>	<u>2,522,829</u>
Expenditures	<u>322,289</u>	<u>1,628,162</u>	<u>555,645</u>	<u>7,948</u>	<u>2,514,044</u>
Excess of Revenues Over Expenditures	3,837	-	-	4,948	8,785
Fund Balance - Beginning	<u>389,546</u>	<u>-</u>	<u>-</u>	<u>283,886</u>	<u>673,432</u>
Fund Balance - Ending	<u>\$ 393,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 288,834</u>	<u>\$ 682,217</u>

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

## SCOTT COUNTY DECATEGORYIZATION PROGRAM

### Notes to Financial Statements

June 30, 2007

#### 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 Executive 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 0 - 5 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 71. 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 accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America 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, 2007 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, 2007 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, 2007:

State of Iowa:

Division of Criminal and Juvenile Justice Planning:	
Juvenile Accountability Incentive Block Grant	\$ 6,347
Department of Human Services:	
Case Aides, Welfare and Coordination	<u>38,900</u>
Total Grants Receivable	\$ <u>45,247</u>

NOTE 4 - FISCAL MANAGEMENT

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

Salaries and related fringe benefit costs of \$203,041 and accounting and administrative fees of \$35,984 were incurred by Scott County Decategorization Program during the year ended June 30, 2007. At June 30, 2007, Scott County Decategorization Program owed Bi-State Regional Commission \$12,966 for the reimbursement of personnel costs, administrative and accounting fees, including Empowerment and Medicaid.

Salaries and related fringe benefit costs of \$118,705 and \$2,252 were incurred by Empowerment and Medicaid, respectively, and \$22,054 by Empowerment in accounting fees during the year ended June 30, 2007. At June 30, 2007, Empowerment and Medicaid owed Scott County Decategorization Program \$201,345 and \$51,755, respectively, for personnel costs, administrative and accounting fees, and payments of contractual services and other expenses.

**REQUIRED  
SUPPLEMENTAL INFORMATION**

**SCOTT COUNTY DECATORIZATION PROGRAM**  
**Statement of Revenue and Expenditures by Program -**  
**Budget to Actual - All Funds**  
**For the Year Ended June 30, 2007**

	Actual	Budget	Variance Favorable (Unfavorable)
<b>Revenue:</b>			
State of Iowa, Division of Criminal and Juvenile Justice Planning	\$ 35,628	\$ 85,542	\$ (49,914)
State of Iowa, Department of Human Services	284,262	310,444	(26,182)
State of Iowa, Bureau of Children, Family and Community Services	2,107,608	2,937,410	(829,802)
Other	2,334	12,842	(10,508)
Interest	92,997	4,085	88,912
<b>Total Revenue</b>	<b>2,522,829</b>	<b>3,350,323</b>	<b>(827,494)</b>
<b>Expenditures:</b>			
Contractual Services	2,087,534	2,894,944	807,410
<b>Payroll Costs:</b>			
Salaries	184,826	199,297	14,471
Fringe Benefits	92,413	99,650	7,237
<b>Total Payroll Costs</b>	<b>277,239</b>	<b>298,947</b>	<b>21,708</b>
<b>Administration:</b>			
Financial Services	51,388	56,093	4,705
Professional Fees	17,400	23,916	6,516
Travel and Meetings	8,190	8,721	531
Furniture and Fixtures	1,787	2,000	213
Emergency Needs	506	-	(506)
Office Expenditures	6,410	6,719	309
Recruitment	1,578	2,500	922
Reference Materials	30	500	470
Membership and Dues	190	500	310
Insurance	3,347	5,400	2,053
<b>Total Administration</b>	<b>90,826</b>	<b>106,349</b>	<b>15,523</b>
<b>Other Expenditures:</b>			
<b>Community Capacity Building:</b>			
Salaries	4,241	2,789	(1,452)
Fringe Benefits	2,120	1,395	(725)
Financial Services	6,551	1,683	(4,868)
Professional Fees	1,743	-	(1,743)
Travel and Meetings	-	364	364
Office Expenditures	218	281	63
<b>Family Day Care Inspection:</b>			
Salaries	26,932	28,086	1,154
Fringe Benefits	13,466	14,043	577
Financial Services	100	224	124
Professional Fees	1,679	-	(1,679)
Travel and Meetings	922	718	(204)
Office Expenditures	473	500	27
<b>Total Other Expenditures</b>	<b>58,445</b>	<b>50,083</b>	<b>(8,362)</b>
<b>Total Expenditures</b>	<b>2,514,044</b>	<b>3,350,323</b>	<b>836,279</b>
<b>Excess of Revenue Over Expenditures</b>	<b>\$ 8,785</b>	<b>\$ -</b>	<b>\$ 8,785</b>

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

**SCOTT COUNTY DECATEGORYIZATION PROGRAM**  
**Statement of Revenue and Expenditures by Program -**  
**Budget to Actual - General Fund**  
**For the Year Ended June 30, 2007**

	Actual	Budget	Variance Favorable (Unfavorable)
Revenue:			
State of Iowa, Division of Criminal and Juvenile Justice Planning	\$ 35,628	\$ 85,542	\$ (49,914)
State of Iowa, Department of Human Services	284,262	310,444	(26,182)
Other	2,334	12,842	(10,508)
Interest	3,902	-	3,902
Total Revenue	326,126	408,828	(82,702)
Expenditures:			
Contractual Services	56,963	114,874	57,911
Payroll Costs:			
Salaries	135,360	149,915	14,555
Fringe Benefits	67,680	74,959	7,279
Total Payroll Costs	203,040	224,874	21,834
Administration:			
Financial Services	35,984	37,107	1,123
Professional Fees	11,694	17,912	6,218
Travel and Meetings	3,977	4,242	265
Furniture and Fixtures	1,787	1,000	(787)
Emergency Needs	506	-	(506)
Office Expenditures	4,555	4,180	(375)
Recruitment	1,477	1,450	(27)
Reference Materials	30	250	220
Insurance	2,276	2,939	663
Total Administration	62,286	69,080	6,794
Total Expenditures	322,289	408,828	86,539
Excess of Revenue Over Expenditures	\$ 3,837	\$ -	\$ 3,837

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

**SCOTT COUNTY DECATEGORIZATION PROGRAM**  
**Statement of Revenue and Expenditures by Program -**  
**Budget to Actual - Scott County Community Empowerment Board Funds**  
**For the Year Ended June 30, 2007**

	School Ready Actual	Early Childhood Actual	Total Empowerment Funds Actual	Budget	Variance Favorable (Unfavorable)
<b>Revenue:</b>					
State of Iowa, Bureau of Children, Family and Community Services	\$ 1,572,045	\$ 535,563	\$ 2,107,608	\$ 2,937,410	\$ (829,802)
Interest	56,117	20,082	76,199	-	76,199
<b>Total Revenue</b>	<b>1,628,162</b>	<b>555,645</b>	<b>2,183,807</b>	<b>2,937,410</b>	<b>(753,603)</b>
<b>Expenditures:</b>					
Contractual Services	1,564,492	460,993	2,025,485	2,780,070	754,585
<b>Payroll Costs:</b>					
Salaries	27,196	20,769	47,965	47,108	(857)
Fringe Benefits	13,598	10,384	23,982	23,554	(428)
<b>Total Payroll Costs</b>	<b>40,794</b>	<b>31,153</b>	<b>71,947</b>	<b>70,662</b>	<b>(1,285)</b>
<b>Administration:</b>					
Financial Services	8,734	6,670	15,404	18,986	3,582
Professional Fees	3,235	2,471	5,706	6,004	298
Travel and Meetings	2,043	1,560	3,603	3,805	202
Furniture and Fixtures	-	-	-	1,000	1,000
Office Expenditures	1,010	845	1,855	2,539	684
Recruitment	57	44	101	1,050	949
Reference Materials	-	-	-	250	250
Membership and Dues	108	82	190	500	310
Insurance	607	464	1,071	2,461	1,390
<b>Total Administration</b>	<b>15,794</b>	<b>12,136</b>	<b>27,930</b>	<b>36,595</b>	<b>8,665</b>
<b>Other Expenditures:</b>					
<b>Community Capacity Building:</b>					
Salaries	2,011	2,230	4,241	2,789	(1,452)
Fringe Benefits	1,005	1,115	2,120	1,395	(725)
Financial Services	2,551	4,000	6,551	1,683	(4,868)
Professional Fees	1,346	397	1,743	-	(1,743)
Travel and Meetings	-	-	-	364	364
Office Expenditures	169	49	218	281	63
<b>Family Day Care Inspection:</b>					
Salaries	-	26,932	26,932	28,086	1,154
Fringe Benefits	-	13,466	13,466	14,043	577
Financial Services	-	100	100	224	124
Professional Fees	-	1,679	1,679	-	(1,679)
Travel and Meetings	-	922	922	718	(204)
Office Expenditures	-	473	473	500	27
<b>Total Other Expenditures</b>	<b>7,082</b>	<b>51,363</b>	<b>58,445</b>	<b>50,083</b>	<b>(8,362)</b>
<b>Total Expenditures</b>	<b>1,628,162</b>	<b>555,645</b>	<b>2,183,807</b>	<b>2,937,410</b>	<b>753,603</b>
<b>Excess of Revenue Over Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

**SCOTT COUNTY DECATEGORIZATION PROGRAM**  
**Statement of Revenue and Expenditures by Program -**  
**Budget to Actual - Medicaid Fund**  
**For the Year Ended June 30, 2007**

	Actual	Budget	Variance Favorable (Unfavorable)
Revenue:			
Interest	\$ 12,896	\$ 4,085	\$ 8,811
Expenditures:			
Contractual Services	5,086	-	(5,086)
Payroll Costs:			
Salaries	1,501	2,274	773
Fringe Benefits	751	1,137	386
Total Payroll Costs	2,252	3,411	1,159
Administration:			
Travel and Meetings	610	674	64
Total Expenditures	7,948	4,085	(3,863)
Excess of Revenue Over Expenditures	\$ 4,948	\$ -	\$ 4,948

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

**SUPPLEMENTAL INFORMATION  
(OPTIONAL)**

**INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION**

To the Executive 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, 2007, 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.*

December 3, 2007

**SCOTT COUNTY DECATORIZATION PROGRAM**  
**Schedule of Revenue and Expenditures by Program - General Fund**  
**For the Year Ended June 30, 2007**

	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	\$ 35,628	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,628
State of Iowa, Department of Human Services	-	28,732	35,710	203,636	16,184	-	284,262
Other	-	-	-	-	-	2,334	2,334
Interest	-	-	-	-	-	3,902	3,902
<b>Total Revenue</b>	<b>35,628</b>	<b>28,732</b>	<b>35,710</b>	<b>203,636</b>	<b>16,184</b>	<b>6,236</b>	<b>326,126</b>
Expenditures:							
Contractual Services	35,682	-	-	5,097	16,184	-	56,963
Payroll Costs							
Salaries	-	18,880	23,807	92,147	-	526	135,360
Fringe Benefits	-	9,440	11,903	46,074	-	263	67,680
<b>Total Payroll Costs</b>	<b>-</b>	<b>28,320</b>	<b>35,710</b>	<b>138,221</b>	<b>-</b>	<b>789</b>	<b>203,040</b>
Administration:							
Financial Services	-	-	-	35,984	-	-	35,984
Professional Fees	-	-	-	10,644	-	1,050	11,694
Travel and Meetings	-	-	-	3,977	-	-	3,977
Furniture and Fixtures	-	-	-	1,787	-	-	1,787
Emergency Needs	-	-	-	-	-	506	506
Office Expenditures	-	412	-	4,143	-	-	4,555
Recruitment	-	-	-	1,477	-	-	1,477
Reference Materials	-	-	-	30	-	-	30
Insurance	-	-	-	2,276	-	-	2,276
<b>Total Administration</b>	<b>-</b>	<b>412</b>	<b>-</b>	<b>60,318</b>	<b>-</b>	<b>1,556</b>	<b>62,286</b>
<b>Total Expenditures</b>	<b>35,682</b>	<b>28,732</b>	<b>35,710</b>	<b>203,636</b>	<b>16,184</b>	<b>2,345</b>	<b>322,289</b>
Excess of Revenue Over (Under) Expenditures	\$ (54)	\$ -	\$ -	\$ -	\$ -	\$ 3,891	\$ 3,837

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, 2007**

	<u>School Ready</u>	<u>Early Childhood</u>	<u>Total Empowerment Funds</u>
<b>Revenue:</b>			
State of Iowa, Bureau of Children, Family and Community Services	\$ 1,572,045	\$ 535,563	\$ 2,107,608
Interest	56,117	20,082	76,199
<b>Total Revenue</b>	<u>1,628,162</u>	<u>555,645</u>	<u>2,183,807</u>
<b>Expenditures:</b>			
Contractual Services	<u>1,564,492</u>	<u>460,993</u>	<u>2,025,485</u>
<b>Payroll Costs:</b>			
Salaries	27,196	20,769	47,965
Fringe Benefits	13,598	10,384	23,982
<b>Total Payroll Costs</b>	<u>40,794</u>	<u>31,153</u>	<u>71,947</u>
<b>Administration:</b>			
Financial Services	8,734	6,670	15,404
Professional Fees	3,235	2,471	5,706
Travel and Meetings	2,043	1,560	3,603
Office Expenditures	1,010	845	1,855
Recruitment	57	44	101
Membership and Dues	108	82	190
Insurance	607	464	1,071
<b>Total Administration</b>	<u>15,794</u>	<u>12,136</u>	<u>27,930</u>
<b>Other Expenditures:</b>			
<b>Community Capacity Building:</b>			
Salaries	2,011	2,230	4,241
Fringe Benefits	1,005	1,115	2,120
Financial Services	2,551	4,000	6,551
Professional Fees	1,346	397	1,743
Office Expenditures	169	49	218
<b>Family Day Care Inspection:</b>			
Salaries	-	26,932	26,932
Fringe Benefits	-	13,466	13,466
Financial Services	-	100	100
Professional Fees	-	1,679	1,679
Travel and Meetings	-	922	922
Office Expenditures	-	473	473
<b>Total Other Expenditures</b>	<u>7,082</u>	<u>51,363</u>	<u>58,445</u>
<b>Total Expenditures</b>	<u>1,628,162</u>	<u>555,645</u>	<u>2,183,807</u>
<b>Excess of Revenue Over Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2007**

	Medicaid		
	Administration	Enhancement	Total
Revenue:			
Interest	\$ 12,896	\$ -	\$ 12,896
Expenditures:			
Contractual Services	-	5,086	5,086
Payroll Costs:			
Salaries	-	1,501	1,501
Fringe Benefits	-	751	751
Total Payroll Costs	-	2,252	2,252
Administration:			
Travel and Meetings	-	610	610
Total Expenditures	-	7,948	7,948
Excess of Revenue Over (Under) Expenditures	\$ 12,896	\$ (7,948)	\$ 4,948

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, 2007**

<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	36-JD05-F606	\$ 25,746	\$ 7,747	\$ 7,747
Juvenile Accountability Incentive Block Grant	16.727	36-JD05-F606	22,094	6,677	6,677
Juvenile Accountability Incentive Block Grant	16.548	36-JD05-F606	4,713	1,506	1,506
Juvenile Accountability Incentive Block Grant	16.523	36-JD05-F606	32,989	9,875	9,875
Juvenile Accountability Incentive Block Grant	16.523	36-JD04-F505	48,868	3,121	3,121
Juvenile Accountability Incentive Block Grant	16.540	36-JD04-F505	34,540	3,971	3,971
Juvenile Accountability Incentive Block Grant	16.548	36-JD04-F505	<u>7,758</u>	<u>2,731</u>	<u>2,731</u>
Total U.S. Department of Justice			<u>176,708</u>	<u>35,628</u>	<u>35,628</u>
<u>U.S. Department of Education</u>					
Pass Through Program From Center for Alcohol and Drug Services, Inc.					
Safe and Drug Free Schools and Communities	84.184	SS/HS	<u>51,432</u>	<u>1,838</u>	<u>1,838</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	5,322	5,322
Promoting Safe and Stable Families	93.556	PSSFP-03-036A	23,288	16,228	16,228
Promoting Safe and Stable Families	93.556	BDPS-04-071	15,000	11,929	11,929
Promoting Safe and Stable Families	93.556	BDPS-04-071	15,000	209	209
Child Care and Development Block Grant *	93.575	Early Childhood	<u>567,375</u>	<u>555,645</u>	<u>555,645</u>
Total U.S. Department of Health and Human Services			<u>641,288</u>	<u>589,333</u>	<u>589,333</u>
Total Federal Expenditures of Federal Awards			<u>\$ 869,428</u>	<u>\$ 626,799</u>	<u>\$ 626,799</u>

Note 1 - Basis of Presentation

The 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.

**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 Executive Committee  
Scott County Decategorization Program  
Davenport, Iowa

We have audited the financial statements of Scott County Decategorization Program as of and for the year ended June 30, 2007, and have issued our report thereon dated December 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott County Decategorization Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

To the Executive Committee - Page 2

We noted certain matters that we reported to management of Scott County Decategorization Program in a separate letter dated December 3, 2007.

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

*Doyle & Keenan, P. C.*

December 3, 2007

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

To the Executive 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, 2007. 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 auditing standards generally accepted in the United States of America; 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 on 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, 2007.

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 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 Scott County Decategorization Program's internal control over compliance.

A *control deficiency* in an entity'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 noncompliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

*Doyle & Keenan, P. C.*

December 3, 2007

**SCOTT COUNTY DECATEGORIZATION PROGRAM**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2007**

I. SUMMARY OF AUDITOR'S RESULTS

***Financial Statements***

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?  Yes  (None reported)

Noncompliance material to financial statements noted?  Yes  No

***Federal Awards***

Internal control over major programs:

Material weaknesses identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?  Yes  (None reported)

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

Identification of Major Programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as a low-risk auditee?  Yes  No

II. FINANCIAL STATEMENT FINDINGS

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**SCOTT COUNTY DECATEGORIZATION PROGRAM**  
**Summary Schedule of Prior Year Findings and Questioned Costs**  
**For the Year Ended June 30, 2007**

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior audit's Summary of Prior Audit Findings.