

**SCOTT COUNTY
DECATEGORIZATION PROGRAM**

**FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)**

JUNE 30, 2008

SCOTT COUNTY DECATEGORY 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, 2008 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, 2008, 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 1, 2008, 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 6 and 17 through 20, 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 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 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 1, 2008

SCOTT COUNTY DECATEGORY PROGRAM
Management's Discussion and Analysis
June 30, 2008

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, 2008. Please read it in conjunction with the Program's financial statements, which follow this section.

Financial Highlights

- Fund Balance increased to \$689,493 - that is a \$7,276 increase from the prior year.
- Total support and revenue increased \$1,077,812 from the prior fiscal year.
- Total disbursements increased \$1,079,320 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 8-9.

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 17-20 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 13-15 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 17-20 of this report.

The individual fund financial statements and schedules referred to earlier are presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 23-25 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 programming Empowerment School Ready carryover funds unspent in prior year.
- 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 maintain appropriate carryover balances. 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 Juvenile Justice Planning funds no longer passing through this Organization and utilizing less Empowerment carryover funds than budgeted.
- Expenditures variances in the budget are largely due to under spending in Empowerment programs.

Economic Factors and Next Year's Budget

- Due to flooding and the economic downturn future funding is uncertain in Empowerment and Decategorization programs.
- 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.
- Continued collaboration with the Department of Human Services and other community services will occur to maximize community resources.
- Uncertainty exists regarding the allocation of Decategorization funds in FY 2010 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. 4th Street, Davenport, Iowa 52801.

**GOVERNMENT – WIDE
FINANCIAL STATEMENTS**

SCOTT COUNTY DECATEGORIZATION PROGRAM
Balance Sheet - All Governmental Fund Types
June 30, 2008

ASSETS

Current Assets:		
Cash and Cash Equivalents	\$	2,061,497
Grants Receivable		156,901
Interest Receivable		3,038
Prepaid Expenses		<u>22,500</u>
Total Current Assets	\$	<u><u>2,243,936</u></u>

LIABILITIES AND EQUITY

Current Liabilities:		
Accounts Payable	\$	707,988
Accrued Expenses		32,967
Unearned Revenue		<u>813,488</u>
Total Current Liabilities		<u>1,554,443</u>
Equity:		
Fund Balance - Unreserved		396,648
Fund Balance - Reserved for Medicaid		<u>292,845</u>
Total Equity		<u>689,493</u>
Total Liabilities and Equity	\$	<u><u>2,243,936</u></u>

See Notes to Financial Statements.

SCOTT COUNTY DECATEGORIZATION PROGRAM
Statement of Revenue, Expenditures and Changes in Equity -
All Governmental Fund Types
Year Ended June 30, 2008

Revenue:	
State of Iowa, Department of Human Services	\$ 460,372
State of Iowa, Bureau of Children, Family and Community Services	3,064,277
Other	820
Interest	<u>75,171</u>
Total Revenue	3,600,640
Expenditures	<u>3,593,364</u>
Excess of Revenues Over Expenditures	7,276
Fund Balance - Beginning	<u>682,217</u>
Fund Balance - Ending	<u><u>\$ 689,493</u></u>

See Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

SCOTT COUNTY DECATEGORIZATION PROGRAM

Balance Sheet - All Fund Types

June 30, 2008

	<u>General Fund</u>	<u>School Ready Fund</u>	<u>Early Childhood Fund</u>	<u>Medicaid Fund</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 103,184	\$ 1,099,132	\$ 508,795	\$ 350,386	\$ -	\$ 2,061,497
Grants Receivable	156,901	-	-	-	-	156,901
Interest Receivable	374	49	-	2,615	-	3,038
Prepaid Expenses	-	-	22,500	-	-	22,500
Due From Empowerment Funds	184,842	-	-	-	(184,842)	-
Due From Medicaid Funds	<u>55,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,807)</u>	<u>-</u>
Total Current Assets	<u>\$ 501,108</u>	<u>\$ 1,099,181</u>	<u>\$ 531,295</u>	<u>\$ 353,001</u>	<u>\$ (240,649)</u>	<u>\$ 2,243,936</u>
LIABILITIES AND EQUITY						
Current Liabilities:						
Accounts Payable	\$ 65,097	\$ 556,420	\$ 82,122	\$ 4,349	\$ -	\$ 707,988
Accrued Expenses	32,967	-	-	-	-	32,967
Unearned Revenue	6,396	498,345	308,747	-	-	813,488
Due To General Fund	<u>-</u>	<u>44,416</u>	<u>140,426</u>	<u>55,807</u>	<u>(240,649)</u>	<u>-</u>
Total Current Liabilities	<u>104,460</u>	<u>1,099,181</u>	<u>531,295</u>	<u>60,156</u>	<u>(240,649)</u>	<u>1,554,443</u>
Equity:						
Fund Balance - Unreserved	396,648	-	-	-	-	396,648
Fund Balance - Reserved for Medicaid	<u>-</u>	<u>-</u>	<u>-</u>	<u>292,845</u>	<u>-</u>	<u>292,845</u>
Total Equity	<u>396,648</u>	<u>-</u>	<u>-</u>	<u>292,845</u>	<u>-</u>	<u>689,493</u>
Total Liabilities and Equity	<u>\$ 501,108</u>	<u>\$ 1,099,181</u>	<u>\$ 531,295</u>	<u>\$ 353,001</u>	<u>\$ (240,649)</u>	<u>\$ 2,243,936</u>

See Notes to Financial Statements.

SCOTT COUNTY DECATEGORIZATION PROGRAM
Statement of Revenue, Expenditures and Changes in Equity - All Fund Types
Year Ended June 30, 2008

	General Fund	School Ready Fund	Early Childhood Fund	Medicaid Fund	Total
Revenue:					
State of Iowa, Department of Human Services	\$ 460,372	\$ -	\$ -	\$ -	\$ 460,372
State of Iowa, Bureau of Children, Family and Community Services	-	2,405,127	659,150	-	3,064,277
Other	820	-	-	-	820
Interest	3,265	40,965	17,036	13,905	75,171
Total Revenue	464,457	2,446,092	676,186	13,905	3,600,640
Expenditures	461,192	2,446,092	676,186	9,894	3,593,364
Excess of Revenues Over Expenditures	3,265	-	-	4,011	7,276
Fund Balance - Beginning	393,383	-	-	288,834	682,217
Fund Balance - Ending	\$ 396,648	\$ -	\$ -	\$ 292,845	\$ 689,493

See Notes to Financial Statements.

SCOTT COUNTY DECATEGORIZATION PROGRAM
Notes to Financial Statements

Note 1. Nature of the Organization and 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 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.

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.

SCOTT COUNTY DECATEGORIZATION PROGRAM
Notes to Financial Statements

Note 1. Nature of the Organization and Significant Accounting Policies (Continued)

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, 2008 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, 2008 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). Amounts above the insured balance 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, 2008:

State of Iowa:	
Division of Criminal and Juvenile Justice Planning:	
Juvenile Accountability Incentive Block Grant	\$ 147,534
Department of Human Services:	
Case Aides, Welfare and Coordination	<u>9,367</u>
Total Grants Receivable	\$ <u>156,901</u>

SCOTT COUNTY DECATEGORIZATION PROGRAM
Notes to Financial Statements

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 \$336,534 and accounting and administrative fees of \$35,276 were incurred by Scott County Decategorization Program during the year ended June 30, 2008. At June 30, 2008, Scott County Decategorization Program owed Bi-State Regional Commission \$55,298 for the reimbursement of personnel costs, administrative and accounting fees, including Empowerment and Medicaid.

Salaries and related fringe benefit costs of \$133,169 and \$2,305 were incurred by Empowerment and Medicaid, respectively, and \$30,858 by Empowerment in accounting fees during the year ended June 30, 2008. At June 30, 2008, Empowerment and Medicaid owed Scott County Decategorization Program \$184,842 and \$55,807, respectively, for personnel costs, administrative and accounting fees, and payments of contractual services and other expenses.

**REQUIRED
SUPPLEMENTARY INFORMATION**

SCOTT COUNTY DECATEGORIZATION PROGRAM
Statement of Revenue and Expenditures by Program -
Budget to Actual - All Funds
Year Ended June 30, 2008
See Auditor's Report

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenue:			
State of Iowa, Division of Criminal and Juvenile Justice Planning	\$ -	\$ 74,211	\$ (74,211)
State of Iowa, Department of Human Services	460,372	501,313	(40,941)
State of Iowa, Bureau of Children, Family and Community Services	3,064,277	3,350,071	(285,794)
Other	820	-	820
Interest	<u>75,171</u>	<u>13,827</u>	<u>61,344</u>
Total Revenue	<u>3,600,640</u>	<u>3,939,422</u>	<u>(338,782)</u>
Expenditures:			
Contractual Services	<u>2,998,581</u>	<u>3,254,213</u>	<u>255,632</u>
Payroll Costs:			
Salaries	250,640	264,327	13,687
Fringe Benefits	<u>137,853</u>	<u>145,382</u>	<u>7,529</u>
Total Payroll Costs	<u>388,493</u>	<u>409,709</u>	<u>21,216</u>
Administration:			
Financial Services	59,085	61,102	2,017
Professional Fees	18,759	21,000	2,241
Travel and Meetings	15,452	25,477	10,025
Furniture and Fixtures	-	15,400	15,400
Emergency Needs	820	-	(820)
Office Expenditures	12,281	11,841	(440)
Recruitment	2,972	5,250	2,278
Reference Materials	112	250	138
Membership and Dues	170	450	280
Insurance	<u>3,938</u>	<u>5,400</u>	<u>1,462</u>
Total Administration	<u>113,589</u>	<u>146,170</u>	<u>32,581</u>
Other Expenditures:			
Community Capacity Building:			
Salaries	30,803	14,554	(16,249)
Fringe Benefits	16,942	8,005	(8,937)
Financial Services	5,461	5,571	110
Professional Fees	-	-	-
Travel and Meetings	603	-	(603)
Office Expenditures	101	200	99
Family Day Care Inspection:			
Salaries	23,077	29,177	6,100
Fringe Benefits	12,693	16,047	3,354
Financial Services	1,588	1,427	(161)
Professional Fees	-	-	-
Travel and Meetings	686	600	(86)
Office Expenditures	<u>747</u>	<u>750</u>	<u>3</u>
Total Other Expenditures	<u>92,701</u>	<u>76,331</u>	<u>(16,370)</u>
Total Expenditures	<u>3,593,364</u>	<u>3,886,423</u>	<u>293,059</u>
Excess of Revenue Over (Under) Expenditures	<u>\$ 7,276</u>	<u>\$ 52,999</u>	<u>\$ (45,723)</u>

SCOTT COUNTY DECATEGORIZATION PROGRAM
Statement of Revenue and Expenditures by Program -
Budget to Actual - General Fund
Year Ended June 30, 2008
See Auditor's Report

	Actual	Budget	Variance Favorable (Unfavorable)
Revenue:			
State of Iowa, Division of Criminal and Juvenile Justice Planning	\$ -	\$ 74,211	\$ (74,211)
State of Iowa, Department of Human Services	460,372	501,313	(40,941)
Other	820	-	820
Interest	3,265	-	3,265
Total Revenue	464,457	575,524	(111,067)
Expenditures:			
Contractual Services	57,497	94,211	36,714
Payroll Costs:			
Salaries	217,118	211,533	(5,585)
Fringe Benefits	119,416	116,345	(3,071)
Total Payroll Costs	336,534	327,878	(8,656)
Administration:			
Financial Services	35,276	37,000	1,724
Professional Fees	6,694	8,000	1,306
Travel and Meetings	10,653	21,702	11,049
Furniture and Fixtures	-	15,400	15,400
Emergency Needs	820	-	(820)
Office Expenditures	10,005	10,045	40
Recruitment	1,298	4,850	3,552
Reference Materials	112	250	138
Membership and Dues	-	250	250
Insurance	2,303	2,939	636
Total Administration	67,161	100,436	33,275
Total Expenditures	461,192	522,525	61,333
Excess of Revenue Over (Under) Expenditures	\$ 3,265	\$ 52,999	\$ (49,734)

SCOTT COUNTY DECATEGORIZATION PROGRAM
Statement of Revenue and Expenditures by Program -
Budget to Actual - Scott County Community Empowerment Board Funds
Year Ended June 30, 2008
See Auditor's Report

	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	\$ 2,405,127	\$ 659,150	\$ 3,064,277	\$ 3,350,071	\$ (285,794)
Interest	40,965	17,036	58,001	-	58,001
Total Revenue	2,446,092	676,186	3,122,278	3,350,071	(227,793)
Expenditures:					
Contractual Services	2,360,267	573,942	2,934,209	3,152,002	217,793
Payroll Costs:					
Salaries	19,734	12,301	32,035	49,405	17,370
Fringe Benefits	10,853	6,766	17,619	27,172	9,553
Total Payroll Costs	30,587	19,067	49,654	76,577	26,923
Administration:					
Financial Services	14,666	9,143	23,809	24,102	293
Professional Fees	7,432	4,633	12,065	13,000	935
Travel and Meetings	2,516	1,569	4,085	3,202	(883)
Furniture and Fixtures	-	-	-	-	-
Office Expenditures	1,431	845	2,276	1,796	(480)
Recruitment	543	338	881	400	(481)
Reference Materials	-	-	-	-	-
Membership and Dues	105	65	170	200	30
Insurance	1,007	628	1,635	2,461	826
Total Administration	27,700	17,221	44,921	45,161	240
Other Expenditures:					
Community Capacity Building:					
Salaries	15,922	14,881	30,803	14,554	(16,249)
Fringe Benefits	8,757	8,185	16,942	8,005	(8,937)
Financial Services	2,181	3,280	5,461	5,571	110
Professional Fees	-	-	-	-	-
Travel and Meetings	577	26	603	-	(603)
Office Expenditures	101	-	101	200	99
Family Day Care Inspection:					
Salaries	-	23,077	23,077	29,177	6,100
Fringe Benefits	-	12,693	12,693	16,047	3,354
Financial Services	-	1,588	1,588	1,427	(161)
Professional Fees	-	-	-	-	-
Travel and Meetings	-	686	686	600	(86)
Office Expenditures	-	747	747	750	3
Recruitment	-	793	793	-	(793)
Total Other Expenditures	27,538	65,956	93,494	76,331	(17,163)
Total Expenditures	2,446,092	676,186	3,122,278	3,350,071	227,793
Excess of Revenue Over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

SCOTT COUNTY DECATEGORIZATION PROGRAM
Statement of Revenue and Expenditures by Program -
Budget to Actual - Medicaid Fund
Year Ended June 30, 2008
See Auditor's Report

	Actual	Budget	Variance Favorable (Unfavorable)
Revenue:			
Interest	\$ 13,905	\$ 13,827	\$ 78
Expenditures:			
Contractual Services	6,875	8,000	1,125
Payroll Costs:			
Salaries	1,487	3,389	1,902
Fringe Benefits	818	1,865	1,047
Total Payroll Costs	2,305	5,254	2,949
Administration:			
Travel and Meetings	714	573	(141)
Total Expenditures	9,894	13,827	3,933
Excess of Revenue Over Expenditures	\$ 4,011	\$ -	\$ 4,011

**SUPPLEMENTARY 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, 2008, 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 1, 2008

SCOTT COUNTY DECATORIZATION PROGRAM
Schedule of Revenue and Expenditures by Program - General Fund
Year Ended June 30, 2008
See Auditor's Report

	Safe and Stable	Case Aides	Decategorization Coordination and Support	DHS Community Partners	DHS Family Meeting	DHS Drug Counseling	Other Programs	Total General Fund
Revenue:								
State of Iowa, Department of Human Services	\$ 7,118	\$ 37,800	\$ 281,519	\$ 30,580	\$ 81,251	\$ 22,104	\$ -	\$ 460,372
Other	-	-	-	-	-	-	820	820
Interest	-	-	-	-	-	-	3,265	3,265
Total Revenue	7,118	37,800	281,519	30,580	81,251	22,104	4,085	464,457
Expenditures:								
Contractual Services	-	-	13,282	30,580	-	13,635	-	57,497
Payroll Costs								
Salaries	4,546	24,387	134,637	-	48,334	5,214	-	217,118
Fringe Benefits	2,501	13,413	74,050	-	26,584	2,868	-	119,416
Total Payroll Costs	7,047	37,800	208,687	-	74,918	8,082	-	336,534
Administration:								
Financial Services	-	-	35,276	-	-	-	-	35,276
Professional Fees	-	-	6,694	-	-	-	-	6,694
Travel and Meetings	-	-	6,617	-	4,036	-	-	10,653
Furniture and Fixtures	-	-	-	-	-	-	-	-
Emergency Needs	-	-	-	-	-	-	820	820
Office Expenditures	71	-	7,250	-	2,297	387	-	10,005
Recruitment	-	-	1,298	-	-	-	-	1,298
Reference Materials	-	-	112	-	-	-	-	112
Insurance	-	-	2,303	-	-	-	-	2,303
Total Administration	71	-	59,550	-	6,333	387	820	67,161
Total Expenditures	7,118	37,800	281,519	30,580	81,251	22,104	820	461,192
Excess of Revenue Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,265	\$ 3,265

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Revenue and Expenditures -
Scott County Community Empowerment Board Funds
Year Ended June 30, 2008
See Auditor's Report

	<u>School Ready</u>	<u>Early Childhood</u>	<u>Total Empowerment Funds</u>
Revenue:			
State of Iowa, Bureau of Children, Family and Community Services	\$ 2,405,127	\$ 659,150	\$ 3,064,277
Interest	<u>40,965</u>	<u>17,036</u>	<u>58,001</u>
Total Revenue	<u>2,446,092</u>	<u>676,186</u>	<u>3,122,278</u>
Expenditures:			
Contractual Services	<u>2,360,267</u>	<u>573,942</u>	<u>2,934,209</u>
Payroll Costs:			
Salaries	19,734	12,301	32,035
Fringe Benefits	10,853	6,766	17,619
Total Payroll Costs	<u>30,587</u>	<u>19,067</u>	<u>49,654</u>
Administration:			
Financial Services	14,666	9,143	23,809
Professional Fees	7,432	4,633	12,065
Travel and Meetings	2,516	1,569	4,085
Office Expenditures	1,431	845	2,276
Recruitment	543	338	881
Membership and Dues	105	65	170
Insurance	1,007	628	1,635
Total Administration	<u>27,700</u>	<u>17,221</u>	<u>44,921</u>
Other Expenditures:			
Community Capacity Building:			
Salaries	15,922	14,881	30,803
Fringe Benefits	8,757	8,185	16,942
Financial Services	2,181	3,280	5,461
Professional Fees	-	-	-
Travel and Meetings	577	26	603
Office Expenditures	101	-	101
Family Day Care Inspection:			
Salaries	-	23,077	23,077
Fringe Benefits	-	12,693	12,693
Financial Services	-	1,588	1,588
Recruiting	-	793	793
Professional Fees	-	-	-
Travel and Meetings	-	686	686
Office Expenditures	-	747	747
Total Other Expenditures	<u>27,538</u>	<u>65,956</u>	<u>93,494</u>
Total Expenditures	<u>2,446,092</u>	<u>676,186</u>	<u>3,122,278</u>
Excess of Revenue Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Revenue and Expenditures -
Medicaid Fund
Year Ended June 30, 2008
See Auditor's Report

	Medicaid		
	Administration	Enhancement	Total
Revenue:			
Interest	\$ 13,905	\$ -	\$ 13,905
Expenditures:			
Contractual Services	-	6,875	6,875
Payroll Costs:			
Salaries	-	1,487	1,487
Fringe Benefits	-	818	818
Total Payroll Costs	-	2,305	2,305
Administration:			
Travel and Meetings	-	714	714
Total Expenditures	-	9,894	9,894
Excess of Revenue Over (Under) Expenditures	\$ 13,905	\$ (9,894)	\$ 4,011

SINGLE AUDIT SECTION

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008
See Auditor's Report

<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 Health and Human Services</u>					
Pass Through Program From State of Iowa					
Promoting Safe and Stable Families	93.556	DCFA-08-040	\$ 15,000	\$ 8,451	\$ 8,451
Promoting Safe and Stable Families	93.556	BDPS-04-071	15,000	14,483	14,483
Promoting Safe and Stable Families	93.556	PSSFP-06-036A	23,288	5,338	5,338
Child Care and Development Block Grant *	93.575	Early Childhood	<u>612,888</u>	<u>659,150</u>	<u>659,150</u>
Total U.S. Department of Health and Human Services			<u>666,176</u>	<u>687,422</u>	<u>687,422</u>
Total Federal Expenditures of Federal Awards			<u>\$ 666,176</u>	<u>\$ 687,422</u>	<u>\$ 687,422</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

**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, 2008, and have issued our report thereon dated December 1, 2008. 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 Program'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 Program's financial statements that is more than inconsequential will not be prevented or detected by the Program'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 Program'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 1, 2008.

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 1, 2008

**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, 2008. 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, 2008.

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 Program'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 Program'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 1, 2008

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

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
Year Ended June 30, 2008

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.

December 1, 2008

Executive Committee
Scott County Decategorization Program
Davenport, Iowa

In planning and performing our audit of the financial statements of Scott County Decategorization Program, as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Scott County Decategorization Program's internal control over financial reporting (internal control) 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 the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not always possess the necessary authority or qualifications to perform the control effectively.

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

A material weakness is a significant deficiency, or a 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.

Following is a description of a matter that we determined did not constitute a significant deficiency or material weakness, but is an opportunity for strengthening internal controls and improving operating efficiency.

Segregation of Duties

As you are aware a limited number of people perform most of the accounting and financial control duties in the Program. As a result, many of those aspects of internal accounting control which rely upon an adequate segregation of duties, are for all practical purposes missing in the Program. We recognize that the Program is not large enough to make the employment of additional persons for the purpose of segregating duties practicable from a financial standpoint but we wanted to call the situation to your attention. Keeping in mind the limited number of employees to which duties can be assigned; we believe that it is important for management and Board members to have continuing close supervision over the operations and procedures of the Program.

Although we feel that you have an adequate segregation of duties, we would like to take this opportunity to remind you of the primary supervision and review procedures that the officers of the Program can or are currently performing to compensate for the comment noted above:

The following procedures *are currently* being performed:

- Open and check the contents of incoming mail from customers and vendors.
- Receive unopened bank statements directly from the bank and review their contents for propriety.
- Review the supporting documentation for all disbursements and a manual signature of all checks.
- Someone independent of the general ledger function should review and initial the bank reconciliations after completed.
- Someone independent of the general ledger function should review journal entries made in preparing the monthly and year-end financial statements.

We will review the status of this comment during our next audit engagement. We have already discussed this comment with various Program personnel, and we will be pleased to discuss it in further detail at your convenience.

Sincerely,

Doyle & Keenan, P.C.

Doyle & Keenan, P.C.