

**SCOTT COUNTY
DECATEGORIZATION PROGRAM**

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

JUNE 30, 2010

SCOTT COUNTY DECATEGORYIZATION PROGRAM

Table of Contents

| | Page |
|--|---------|
| INDEPENDENT AUDITOR'S REPORT | 3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4 - 5 |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | |
| Balance Sheet - Governmental Fund Types | 7 |
| Statement of Revenue, Expenditures and Changes in Equity - All Governmental Fund Types | 8 |
| FUND FINANCIAL STATEMENTS | |
| Balance Sheet - Governmental Fund Types | 10 |
| Statement of Revenue, Expenditures and Changes in Equity - Government Fund Types | 11 |
| NOTES TO FINANCIAL STATEMENTS | 12 - 14 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of Revenue and Expenditures by Program - Budget to Actual: | |
| Governmental Fund Types | 16 |
| General Fund | 17 |
| Empowerment Funds | 18 |
| Medicaid Fund | 19 |
| ARRA Fund | 20 |
| OPTIONAL SUPPLEMENTARY INFORMATION | |
| Independent Auditor's Report on the Optional Supplementary Information | 22 |
| Schedule of Revenue and Expenditures: | |
| Governmental Fund Types | 23 |
| General Fund | 24 |
| Empowerment Funds | 25 |
| Medicaid Fund | 26 |
| ARRA Fund | 27 |
| SINGLE AUDIT SECTION | |
| Schedule of Expenditures of Federal Awards | 29 |
| 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 | 30 - 31 |
| Independent Auditor's Report on Compliance with Requirements that could have a Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 | 32 - 33 |
| Schedule of Findings and Questioned Costs | 34 |
| Summary Schedule of Prior Audit Findings | 35 |

INDEPENDENT AUDITOR'S REPORT

To the Executive Committee
Scott County Decategorization Program
Davenport, Iowa

We have audited the accompanying financial statements of Scott County Decategorization Program, as of and for the year ended June 30, 2010. These financial statements are the responsibility of Scott County Decategorization Program's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Scott County Decategorization Program, as of June 30, 2010, 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 6, 2010, 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 4 through 5 and 16 through 20 respectively, are not a required part of the basic financial statements but are supplementary information required by 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 an opinion on the financial statements that collectively comprise Scott County Decategorization Program's 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 6, 2010

SCOTT COUNTY DECATEGORYIZATION PROGRAM

Management's Discussion and Analysis

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, 2010. Please read it in conjunction with the Program's financial statements, which follow this section.

Financial Highlights

- Fund Balance decreased to \$675,926 - that is a \$7,402 decrease from the prior year.
- Total revenue decreased \$810,383 from the prior fiscal year.
- Total expenditures decreased \$809,146 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 7-8.

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, which, except for the Medicaid fund, 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 16-20 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 12-14 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 16-20 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 23-27 of this report.

Financial Analysis of the Program as a Whole

- Fund Balance decreased primarily from planned usage of Medicaid funds net of General funds not utilized this year.
- Revenue decreased due to a reduction in Empowerment School Ready and Early Childhood programming and a reduction in Scott County Decategorization coordination services.
- Overall disbursements decreased due to a reduction in Empowerment expenditures for School Ready and Early Childhood programs and Decategorization coordination services.

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 utilizing less Empowerment funds than budgeted.
- Expenditures variances in the budget are largely due to underspending in Empowerment programs.

Economic Factors and Next Year's Budget

- Due to the current recession, future funding may decrease in Empowerment and Decategorization programs.
- 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 Decategorization funds in FY 2012 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 - Governmental Fund Types
June 30, 2010

ASSETS

Current Assets:

| | | |
|---------------------------|----|---------------|
| Cash and Cash Equivalents | \$ | 957,015 |
| Certificates of Deposit | | 483,546 |
| Grants Receivable | | 96,002 |
| Interest Receivable | | 641 |
| Prepaid Expenses | | 23,913 |
| | | <u>23,913</u> |

| | | |
|--------------|----|-------------------------|
| Total Assets | \$ | <u><u>1,561,117</u></u> |
|--------------|----|-------------------------|

LIABILITIES AND EQUITY

Current Liabilities:

| | | |
|-------------------|----|----------------|
| Accounts Payable | \$ | 185,907 |
| Accrued Expenses | | 15,129 |
| Unearned Revenue | | 684,155 |
| Total Liabilities | | <u>885,191</u> |

Equity:

| | | |
|--------------------------------------|--|----------------|
| Fund Balance - Unreserved | | 398,404 |
| Fund Balance - Reserved for Medicaid | | 277,522 |
| Total Equity | | <u>675,926</u> |

| | | |
|------------------------------|----|-------------------------|
| Total Liabilities and Equity | \$ | <u><u>1,561,117</u></u> |
|------------------------------|----|-------------------------|

SCOTT COUNTY DECATEGORIZATION PROGRAM
Statement of Revenue, Expenditures and Changes in Equity
Governmental Fund Types
Year Ended June 30, 2010

| | |
|---|--------------------------|
| Revenue: | |
| State of Iowa, Grant Revenue | \$ 2,201,465 |
| ARRA, Infant and Toddler Quality Child Care Program | 10,281 |
| Other | 1,388 |
| Interest | <u>8,397</u> |
| Total Revenue | 2,221,531 |
| Expenditures | <u>2,228,933</u> |
| Deficiency of Revenues (Under) Expenditures | (7,402) |
| Fund Balance - Beginning | <u>683,328</u> |
| Fund Balance - Ending | <u><u>\$ 675,926</u></u> |

FUND FINANCIAL STATEMENTS

SCOTT COUNTY DECATEGORIZATION PROGRAM
Balance Sheet - Governmental Fund Types
June 30, 2010

| | Special Revenue Funds | | | | | | Total |
|----------------------------|-----------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| | Empowerment Funds | | | ARRA | | | |
| | General Fund | School Ready | Early Childhood | Medicaid Fund | ARRA Fund | Eliminations | |
| ASSETS | | | | | | | |
| Current Assets: | | | | | | | |
| Cash and Cash Equivalents | \$ 63,603 | \$ 303,641 | \$ 349,738 | \$ 14,777 | \$ 225,256 | \$ - | \$ 957,015 |
| Certificates of Deposit | 46,478 | 114,728 | - | 322,340 | - | - | 483,546 |
| Grants Receivable | 96,002 | - | - | - | - | - | 96,002 |
| Interest Receivable | 27 | 1 | - | 613 | - | - | 641 |
| Prepaid Expenses | - | 820 | 23,093 | - | - | - | 23,913 |
| Due From Empowerment Funds | 214,616 | - | - | - | - | (214,616) | - |
| Due From Medicaid Fund | 58,649 | - | - | - | - | (58,649) | - |
| Due From ARRA Fund | 1,074 | - | - | - | - | (1,074) | - |
| Total Assets | \$ 480,449 | \$ 419,190 | \$ 372,831 | \$ 337,730 | \$ 225,256 | \$ (274,339) | \$ 1,561,117 |

| | | | | | | | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| LIABILITIES AND EQUITY | | | | | | | |
| Current Liabilities: | | | | | | | |
| Accounts Payable | \$ 15,132 | \$ 138,158 | \$ 28,524 | \$ 1,559 | \$ 2,534 | \$ - | \$ 185,907 |
| Accrued Expenses | 15,129 | - | - | - | - | - | 15,129 |
| Unearned Revenue | 51,784 | 243,935 | 166,788 | - | 221,648 | - | 684,155 |
| Due To General Fund | - | 37,097 | 177,519 | 58,649 | 1,074 | (274,339) | - |
| Total Liabilities | 82,045 | 419,190 | 372,831 | 60,208 | 225,256 | (274,339) | 885,191 |
| Equity: | | | | | | | |
| Fund Balance - Unreserved | 398,404 | - | - | - | - | - | 398,404 |
| Fund Balance - Reserved for Medicaid | - | - | - | 277,522 | - | - | 277,522 |
| Total Equity | 398,404 | - | - | 277,522 | - | - | 675,926 |
| Total Liabilities and Equity | \$ 480,449 | \$ 419,190 | \$ 372,831 | \$ 337,730 | \$ 225,256 | \$ (274,339) | \$ 1,561,117 |

See Notes to Financial Statements.

SCOTT COUNTY DECATEGORIZATION PROGRAM
Statement of Revenue, Expenditures and Changes in Equity
Governmental Fund Types
Year Ended June 30, 2010

| | Special Revenue Funds | | | | | | | Total |
|---|-----------------------|-------------------|-----------------|------------|---------------|-------------|--------------|-------|
| | General Fund | Empowerment Funds | | | Medicaid Fund | ARRA Fund | Adjustments | |
| | | School Ready | Early Childhood | | | | | |
| Revenue: | | | | | | | | |
| State of Iowa, Grant Revenue | \$ 207,262 | \$ 1,453,762 | \$ 564,723 | \$ - | \$ - | \$ (24,282) | \$ 2,201,465 | |
| ARRA, Infant and Toddler Quality Child Care Program | - | - | - | - | 10,281 | - | 10,281 | |
| Other | 1,388 | - | - | - | - | - | 1,388 | |
| Interest | 293 | 2,664 | 2,878 | 2,187 | 375 | - | 8,397 | |
| Total Revenue | 208,943 | 1,456,426 | 567,601 | 2,187 | 10,656 | (24,282) | 2,221,531 | |
| Expenditures | 208,417 | 1,456,426 | 567,601 | 10,115 | 10,656 | (24,282) | 2,228,933 | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 526 | - | - | (7,928) | - | - | (7,402) | |
| Fund Balance - Beginning | 397,878 | - | - | 285,450 | - | - | 683,328 | |
| Fund Balance - Ending | \$ 398,404 | \$ - | \$ - | \$ 277,522 | \$ - | \$ - | \$ 675,926 | |

SCOTT COUNTY DECATEGORIZATION PROGRAM
Notes to Financial Statements

Note 1. Nature of the Organization and Significant Accounting Policies

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

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

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

Scott County Community Empowerment Board - The goal of Scott County Community Empowerment Board ("Empowerment") 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 with 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 on the Board are the regional administrator from the Iowa Department of Human Services, a 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.

Empowerment is required to designate a public entity as fiscal agent to administer grant funds, pursuant to Iowa Code Chapter 28.7. 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.

A summary of the Program's significant accounting policies follows:

Reporting Entity - The financial statements of the Program consist of only governmental funds, which include two specific types of funds, general and special revenue. The activity of Scott County Decategorization Program is reported in the general fund. The Scott County Community Empowerment Board, the Medicaid Fund, and the ARRA 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.

Basis of Presentation - The financial statements of Scott County Decategorization Program have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Program utilizes the accrual method of accounting. Under this method, revenues are recorded when earned and expenditures are recorded when incurred.

SCOTT COUNTY DECATEGORIZATION PROGRAM
Notes to Financial Statements

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

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.

Subsequent Events - In accordance with the Subsequent Events Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, in preparing these financial statements, the Program has evaluated events and transactions for potential recognition or disclosure through December 6, 2010, the date the financial statements were available to be issued.

Cash and Cash Equivalents - For the purpose of reporting cash flows, the Program includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all liquid debt instruments purchased with an original maturity of three months or less, excluding certificates of deposit, to be cash equivalents.

Certificates of Deposit - The Program includes all certificates of deposit regardless of original maturity to be certificates of deposits.

Grants Receivable - Grants receivable are from programs offered by the Program. Management believes that all grants receivable as of June 30, 2010 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, 2010 is shown as prepaid expenses.

Unearned Revenue and Revenue Recognition - Grants from government, state, and local agencies are accounted for as exchange transactions whereby the revenue is recognized as funds are expended for approved program expenditures, as established by the government, state, and local agencies.

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

American Recovery and Reinvestment Act of 2009 (ARRA) Funds - The Organization received ARRA program funding to implement a short-term child care program for families with children under the age of 2 that meet eligibility criteria. The funds are to be used for the Infant and Toddler Quality Child Care Program which ends June 30, 2011.

Income Taxes - The Program is organized as an Intergovernmental Agreement under Chapter 28E of the Iowa Code. The Program is exempt from federal income taxes as a political subdivision.

The Program reports the following major governmental funds:

The General Fund is the Program's primary operating fund. It accounts for all financial resources of the Scott County Decategorization Program, except those required to be accounted for in another fund.

The Empowerment Funds are School Ready and Early Childhood, which are used to account for the activity of the related programs.

The Medicaid Fund is made up of activity from funds disbursed to other agencies.

The ARRA Fund records the activity from the Infant and Toddler Quality Child Care Program.

SCOTT COUNTY DECATEGORIZATION PROGRAM
Notes to Financial Statements

Note 2. Concentration of Credit Risk

The Program maintains its cash and cash equivalents and certificates of deposit in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC). Amounts above the FDIC insured amounts in Iowa banks are protected by the State of Iowa under Chapter 12C of the Iowa Code.

The majority of the revenue received is under contract from the Iowa Bureau of Children, Family and Community Services, and the Iowa Department of Human Services.

Revenue from major sources for the year ended June 30, 2010, and the related accounts receivable, as of the end of the year, is as follows:

| | Revenue | Grants Receivable |
|---|------------|----------------------|
| State of Iowa: | | |
| Department of Human Services | \$ 207,262 | \$ 96,002 |
| Department of Manangement, Iowa Empowerment Board | 2,018,485 | - |

Note 3. Grants Receivable

Grants receivable consist of the following at June 30, 2010:

| | |
|---|------------------|
| State of Iowa, Department of Human Services | \$ <u>96,002</u> |
|---|------------------|

Note 4. Fiscal Management

Accounting services for the Program are contracted from Bi-State Regional Commission under a fiscal management agreement.

Under this fiscal management agreement the General Fund incurred salaries and related fringe benefit costs of \$157,062 and accounting and administrative fees of \$30,441 for the year ended June 30, 2010. At June 30, 2010, the General Fund owed Bi-State Regional Commission \$15,255 for the reimbursement of personnel costs, administrative and accounting fees.

Salaries and related fringe benefit costs of \$127,154, \$6,938, and \$1,074 were incurred by Empowerment, Medicaid, and ARRA Funds, respectively, and \$19,305 by Empowerment in accounting fees during the year ended June 30, 2010. At June 30, 2010, Empowerment, Medicaid, and ARRA Funds owed the General Fund \$214,616, \$58,649, and \$1,074, respectively, for personnel costs, administrative and accounting fees, and payments of contractual services and other expenses.

**REQUIRED
SUPPLEMENTARY INFORMATION**

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Revenue and Expenditures by Program
Budget to Actual - All Funds
Year Ended June 30, 2010
See Auditor's Report

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|---|-------------------|------------------|-------------------|
| Revenue: | | | |
| State of Iowa, Grant Revenue | \$ 2,201,465 | \$ 2,845,740 | \$ (644,275) |
| ARRA, Infant and Toddler Quality Child Care Program | 10,281 | - | 10,281 |
| Other | 1,388 | - | 1,388 |
| Interest | 8,397 | 16,521 | (8,124) |
| | <u>2,221,531</u> | <u>2,862,261</u> | <u>(640,730)</u> |
| Total Revenue | | | |
| Expenditures: | | | |
| Contractual Services | 1,881,289 | 2,474,911 | 593,622 |
| Payroll Costs: | | | |
| Salaries | 126,549 | 121,653 | (4,896) |
| Fringe Benefits | 44,057 | 65,694 | 21,637 |
| Total Payroll Costs | <u>170,606</u> | <u>187,347</u> | <u>16,741</u> |
| Administration: | | | |
| Financial Services | 44,715 | 44,574 | (141) |
| Professional Fees | 7,546 | 14,000 | 6,454 |
| Travel and Meetings | 6,023 | 14,282 | 8,259 |
| Equipment | - | 3,088 | 3,088 |
| Reference Materials | - | 250 | 250 |
| Emergency Needs | 1,118 | - | (1,118) |
| Office Expenditures | 7,256 | 7,743 | 487 |
| Membership and Dues | 95 | 500 | 405 |
| Insurance | 3,933 | 5,506 | 1,573 |
| Total Administration | <u>70,686</u> | <u>89,943</u> | <u>19,257</u> |
| Other Expenditures: | | | |
| Community Capacity Building: | | | |
| Salaries | 33,803 | 35,378 | 1,575 |
| Fringe Benefits | 18,253 | 19,104 | 851 |
| Financial Services | 5,031 | 3,579 | (1,452) |
| Travel and Meetings | 401 | 437 | 36 |
| Office Expenditures | 12 | 203 | 191 |
| Family Day Care Inspection: | | | |
| Salaries | 29,405 | 32,356 | 2,951 |
| Fringe Benefits | 15,879 | 17,472 | 1,593 |
| Travel and Meetings | 1,788 | 1,131 | (657) |
| Office Expenditures | 1,780 | 400 | (1,380) |
| Total Other Expenditures | <u>106,352</u> | <u>110,060</u> | <u>3,708</u> |
| Total Expenditures | <u>2,228,933</u> | <u>2,862,261</u> | <u>633,328</u> |
| Deficiency of Revenue (Under) Expenditures | \$ <u>(7,402)</u> | \$ <u>-</u> | \$ <u>(7,402)</u> |

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Revenue and Expenditures by Program
Budget to Actual - General Fund
Year Ended June 30, 2010
See Auditor's Report

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|-------------------------------------|----------------|----------------|-----------------|
| Revenue: | | | |
| State of Iowa, Grant Revenue | \$ 207,262 | \$ 218,160 | \$ (10,898) |
| Other | 1,388 | - | 1,388 |
| Interest | 293 | - | 293 |
| | <u>208,943</u> | <u>218,160</u> | <u>(9,217)</u> |
| Total Revenue | | | |
| Expenditures: | | | |
| Contractual Services | 6,755 | 7,672 | 917 |
| Payroll Costs: | | | |
| Salaries | 101,988 | 100,365 | (1,623) |
| Fringe Benefits | 55,074 | 54,198 | (876) |
| Total Payroll Costs | <u>157,062</u> | <u>154,563</u> | <u>(2,499)</u> |
| Administration: | | | |
| Financial Services | 30,441 | 28,153 | (2,288) |
| Professional Fees | 125 | 6,000 | 5,875 |
| Travel and Meetings | 4,965 | 10,231 | 5,266 |
| Equipment | - | 3,088 | 3,088 |
| Reference Materials | - | 250 | 250 |
| Emergency Needs | 1,118 | - | (1,118) |
| Office Expenditures | 5,646 | 4,908 | (738) |
| Membership and Dues | - | 250 | 250 |
| Insurance | 2,305 | 3,045 | 740 |
| Total Administration | <u>44,600</u> | <u>55,925</u> | <u>11,325</u> |
| Total Expenditures | <u>208,417</u> | <u>218,160</u> | <u>9,743</u> |
| Excess of Revenue Over Expenditures | <u>\$ 526</u> | <u>\$ -</u> | <u>\$ 526</u> |

SCOTT COUNTY DECATEGORYIZATION PROGRAM
Schedule of Revenue and Expenditures by Program
Budget to Actual - Empowerment Funds
Year Ended June 30, 2010
See Auditor's Report

| | School Ready Actual | Early Childhood Actual | Total Empowerment Funds Actual | Budget | Variance |
|--|---------------------------|------------------------------|---|------------------|------------------|
| Revenue: | | | | | |
| State of Iowa, Grant Revenue | \$ 1,453,762 | \$ 564,723 | \$ 2,018,485 | \$ 2,627,580 | \$ (609,095) |
| Interest | 2,664 | 2,878 | 5,542 | - | 5,542 |
| Total Revenue | <u>1,456,426</u> | <u>567,601</u> | <u>2,024,027</u> | <u>2,627,580</u> | <u>(603,553)</u> |
| Expenditures: | | | | | |
| Contractual Services | 1,403,476 | 458,526 | 1,862,002 | 2,459,239 | 597,237 |
| Payroll Costs: | | | | | |
| Salaries | 10,241 | 9,118 | 19,359 | 15,897 | (3,462) |
| Fringe Benefits | 5,531 | 4,924 | 10,455 | 8,585 | (1,870) |
| Total Payroll Costs | <u>15,772</u> | <u>14,042</u> | <u>29,814</u> | <u>24,482</u> | <u>(5,332)</u> |
| Administration: | | | | | |
| Financial Services | 7,617 | 6,657 | 14,274 | 16,421 | 2,147 |
| Professional Fees | 3,860 | 3,561 | 7,421 | 8,000 | 579 |
| Travel and Meetings | 559 | 499 | 1,058 | 3,932 | 2,874 |
| Office Expenditures | 731 | 652 | 1,383 | 2,735 | 1,352 |
| Membership and Dues | 50 | 45 | 95 | 250 | 155 |
| Insurance | 861 | 767 | 1,628 | 2,461 | 833 |
| Total Administration | <u>13,678</u> | <u>12,181</u> | <u>25,859</u> | <u>33,799</u> | <u>7,940</u> |
| Other Expenditures: | | | | | |
| Community Capacity Building: | | | | | |
| Salaries | 13,992 | 19,811 | 33,803 | 35,378 | 1,575 |
| Fringe Benefits | 7,555 | 10,698 | 18,253 | 19,104 | 851 |
| Financial Services | 1,953 | 3,078 | 5,031 | 3,579 | (1,452) |
| Travel and Meetings | - | 401 | 401 | 437 | 36 |
| Office Expenditures | - | 12 | 12 | 203 | 191 |
| Family Day Care Inspection: | | | | | |
| Salaries | - | 29,405 | 29,405 | 32,356 | 2,951 |
| Fringe Benefits | - | 15,879 | 15,879 | 17,472 | 1,593 |
| Travel and Meetings | - | 1,788 | 1,788 | 1,131 | (657) |
| Office Expenditures | - | 1,780 | 1,780 | 400 | (1,380) |
| Total Other Expenditures | <u>23,500</u> | <u>82,852</u> | <u>106,352</u> | <u>110,060</u> | <u>3,708</u> |
| Total Expenditures | <u>1,456,426</u> | <u>567,601</u> | <u>2,024,027</u> | <u>2,627,580</u> | <u>603,553</u> |
| Excess of Revenue Over Expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Revenue and Expenditures by Program
Budget to Actual - Medicaid Fund
Year Ended June 30, 2010
See Auditor's Report

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|--|-------------------|---------------|-------------------|
| Revenue: | | | |
| Interest | \$ 2,187 | \$ 16,521 | \$ (14,334) |
| Expenditures: | | | |
| Contractual Services | <u>2,950</u> | <u>8,000</u> | <u>5,050</u> |
| Payroll Costs: | | | |
| Salaries | 4,505 | 5,391 | 886 |
| Fringe Benefits | <u>2,433</u> | <u>2,911</u> | <u>478</u> |
| Total Payroll Costs | <u>6,938</u> | <u>8,302</u> | <u>1,364</u> |
| Administration: | | | |
| Travel and Meetings | - | 119 | 119 |
| Office Expenditures | <u>227</u> | <u>100</u> | <u>(127)</u> |
| Total Administration Costs | <u>227</u> | <u>219</u> | <u>(8)</u> |
| Total Expenditures | <u>10,115</u> | <u>16,521</u> | <u>6,406</u> |
| Deficiency of Revenue (Under) Expenditures | <u>\$ (7,928)</u> | <u>\$ -</u> | <u>\$ (7,928)</u> |

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Revenue and Expenditures by Program
Budget to Actual - ARRA Fund
Year Ended June 30, 2010
See Auditor's Report

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|---|---------------|---------------|-----------------|
| Revenue: | | | |
| ARRA, Infant and Toddler Quality Child Care Program | \$ 10,281 | \$ - | \$ 10,281 |
| Interest | <u>375</u> | <u>-</u> | <u>375</u> |
| Total Revenue | <u>10,656</u> | <u>-</u> | <u>10,656</u> |
| Expenditures: | | | |
| Contractual Services | <u>9,582</u> | <u>-</u> | <u>(9,582)</u> |
| Payroll Costs: | | | |
| Salaries | 697 | - | (697) |
| Fringe Benefits | <u>377</u> | <u>-</u> | <u>(377)</u> |
| Total Payroll Costs | <u>1,074</u> | <u>-</u> | <u>(1,074)</u> |
| Total Expenditures | <u>10,656</u> | <u>-</u> | <u>(10,656)</u> |
| Excess of Revenue Over Expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**OPTIONAL
SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITOR'S REPORT ON THE
OPTIONAL SUPPLEMENTARY INFORMATION**

To the Executive Committee
Scott County Decategorization Program
Davenport, Iowa

Our report on our audit of the basic financial statements of Scott County Decategorization Program for the year ended June 30, 2010, appears on page 3. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The optional supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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 6, 2010

SCOTT COUNTY DECATORIZATION PROGRAM
Schedule of Revenue and Expenditures - Governmental Fund Types
Year Ended June 30, 2010
See Auditor's Report

| | General Fund | Empowerment Funds | Medicaid Fund | ARRA Fund | Adjustments | Total Governmental Fund Types |
|---|----------------|-------------------|-------------------|---------------|-----------------|-------------------------------|
| Revenue: | | | | | | |
| State of Iowa, Grant Revenue | \$ 207,262 | \$ 2,018,485 | \$ - | \$ - | (24,282) | \$ 2,201,465 |
| ARRA - Infant and Toddler Quality | - | - | - | 10,281 | - | 10,281 |
| Child Care Program | 1,388 | - | - | - | - | 1,388 |
| Other | 293 | 5,542 | 2,187 | 375 | - | 8,397 |
| Interest | - | - | - | - | - | - |
| Total Revenue | 208,943 | 2,024,027 | 2,187 | 10,656 | (24,282) | 2,221,531 |
| Expenditures: | | | | | | |
| Contractual Services | 6,755 | 1,862,002 | 2,950 | 9,582 | - | 1,881,289 |
| Payroll Costs: | | | | | | |
| Salaries | 101,988 | 19,359 | 4,505 | 697 | - | 126,549 |
| Fringe Benefits | 55,074 | 10,455 | 2,433 | 377 | (24,282) | 44,057 |
| Total Payroll Costs | 157,062 | 29,814 | 6,938 | 1,074 | (24,282) | 170,606 |
| Administration: | | | | | | |
| Financial Services | 30,441 | 14,274 | - | - | - | 44,715 |
| Professional Fees | 125 | 7,421 | - | - | - | 7,546 |
| Travel and Meetings | 4,965 | 1,058 | - | - | - | 6,023 |
| Emergency Needs | 1,118 | - | - | - | - | 1,118 |
| Office Expenditures | 5,646 | 1,383 | 227 | - | - | 7,256 |
| Membership and Dues | - | 95 | - | - | - | 95 |
| Insurance | 2,305 | 1,628 | - | - | - | 3,933 |
| Total Administration | 44,600 | 25,859 | 227 | - | - | 70,686 |
| Other Expenditures: | | | | | | |
| Community Capacity Building: | | | | | | |
| Salaries | - | 33,803 | - | - | - | 33,803 |
| Fringe Benefits | - | 18,253 | - | - | - | 18,253 |
| Financial Services | - | 5,031 | - | - | - | 5,031 |
| Travel and Meetings | - | 401 | - | - | - | 401 |
| Office Expenditures | - | 12 | - | - | - | 12 |
| Family Day Care Inspection: | | | | | | |
| Salaries | - | 29,405 | - | - | - | 29,405 |
| Fringe Benefits | - | 15,879 | - | - | - | 15,879 |
| Travel and Meetings | - | 1,788 | - | - | - | 1,788 |
| Office Expenditures | - | 1,780 | - | - | - | 1,780 |
| Total Other Expenditures | - | 106,352 | - | - | - | 106,352 |
| Total Expenditures | 208,417 | 2,024,027 | 10,115 | 10,656 | (24,282) | 2,228,933 |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | \$ 526 | \$ - | \$ (7,928) | \$ - | \$ - | \$ (7,402) |

SCOTT COUNTY DECATORIZATION PROGRAM
Schedule of Revenue and Expenditures

General Fund

Year Ended June 30, 2010

See Auditor's Report

| | Case Aides | Decategorization Coordination and Support | DHS Community Partners | Other Programs | Total General Fund |
|---|---------------|---|------------------------|----------------|--------------------|
| Revenue: | | | | | |
| State of Iowa, Grant Revenue | \$ 41,331 | \$ 134,676 | \$ 31,255 | \$ - | \$ 207,262 |
| Other | - | - | - | 1,388 | 1,388 |
| Interest | - | - | - | 293 | 293 |
| Total Revenue | 41,331 | 134,676 | 31,255 | 1,681 | 208,943 |
| Expenditures: | | | | | |
| Contractual Services | - | - | 6,755 | - | 6,755 |
| Payroll Costs | | | | | |
| Salaries | 26,838 | 59,238 | 15,912 | - | 101,988 |
| Fringe Benefits | 14,493 | 31,989 | 8,592 | - | 55,074 |
| Total Payroll Costs | 41,331 | 91,227 | 24,504 | - | 157,062 |
| Administration: | | | | | |
| Financial Services | - | 30,441 | - | - | 30,441 |
| Professional Fees | - | 125 | - | - | 125 |
| Travel and Meetings | - | 4,965 | - | - | 4,965 |
| Emergency Needs | - | - | - | 1,118 | 1,118 |
| Office Expenditures | - | 5,646 | - | - | 5,646 |
| Insurance | - | 2,305 | - | - | 2,305 |
| Total Administration | - | 43,482 | - | 1,118 | 44,600 |
| Total Expenditures | 41,331 | 134,709 | 31,259 | 1,118 | 208,417 |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | \$ - | \$ (33) | \$ (4) | \$ 563 | \$ 526 |

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Revenue and Expenditures
Empowerment Funds
Year Ended June 30, 2010
See Auditor's Report

| | <u>School Ready</u> | <u>Early Childhood</u> | <u>Total Empowerment Funds</u> |
|-------------------------------------|-------------------------|----------------------------|--|
| Revenue: | | | |
| State of Iowa, Grant Revenue | \$ 1,453,762 | \$ 564,723 | \$ 2,018,485 |
| Interest | <u>2,664</u> | <u>2,878</u> | <u>5,542</u> |
| Total Revenue | <u>1,456,426</u> | <u>567,601</u> | <u>2,024,027</u> |
| Expenditures: | | | |
| Contractual Services | <u>1,403,476</u> | <u>458,526</u> | <u>1,862,002</u> |
| Payroll Costs: | | | |
| Salaries | 10,241 | 9,118 | 19,359 |
| Fringe Benefits | <u>5,531</u> | <u>4,924</u> | <u>10,455</u> |
| Total Payroll Costs | <u>15,772</u> | <u>14,042</u> | <u>29,814</u> |
| Administration: | | | |
| Financial Services | 7,617 | 6,657 | 14,274 |
| Professional Fees | 3,860 | 3,561 | 7,421 |
| Travel and Meetings | 559 | 499 | 1,058 |
| Office Expenditures | 731 | 652 | 1,383 |
| Membership and Dues | 50 | 45 | 95 |
| Insurance | <u>861</u> | <u>767</u> | <u>1,628</u> |
| Total Administration | <u>13,678</u> | <u>12,181</u> | <u>25,859</u> |
| Other Expenditures: | | | |
| Community Capacity Building: | | | |
| Salaries | 13,992 | 19,811 | 33,803 |
| Fringe Benefits | 7,555 | 10,698 | 18,253 |
| Financial Services | 1,953 | 3,078 | 5,031 |
| Travel and Meetings | - | 401 | 401 |
| Office Expenditures | - | 12 | 12 |
| Family Day Care Inspection: | | | |
| Salaries | - | 29,405 | 29,405 |
| Fringe Benefits | - | 15,879 | 15,879 |
| Travel and Meetings | - | 1,788 | 1,788 |
| Office Expenditures | <u>-</u> | <u>1,780</u> | <u>1,780</u> |
| Total Other Expenditures | <u>23,500</u> | <u>82,852</u> | <u>106,352</u> |
| Total Expenditures | <u>1,456,426</u> | <u>567,601</u> | <u>2,024,027</u> |
| Excess of Revenue Over Expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

SCOTT COUNTY DECATEGORYIZATION PROGRAM
Schedule of Revenue and Expenditures
Medicaid Fund
Year Ended June 30, 2010
See Auditor's Report

| | <u>Administration</u> | <u>Enhancement</u> | <u>Total Medicaid Fund</u> |
|--|-----------------------|--------------------|------------------------------------|
| Revenue: | | | |
| Interest | \$ - | \$ 2,187 | \$ 2,187 |
| Expenditures: | | | |
| Contractual Services | <u>2,950</u> | <u>-</u> | <u>2,950</u> |
| Payroll Costs: | | | |
| Salaries | - | 4,505 | 4,505 |
| Fringe Benefits | - | 2,433 | 2,433 |
| Total Payroll Costs | <u>-</u> | <u>6,938</u> | <u>6,938</u> |
| Administration: | | | |
| Office Expense | <u>-</u> | <u>227</u> | <u>227</u> |
| Total Expenditures | <u>2,950</u> | <u>7,165</u> | <u>10,115</u> |
| Deficiency of Revenue (Under) Expenditures | <u>\$ (2,950)</u> | <u>\$ (4,978)</u> | <u>\$ (7,928)</u> |

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Revenue and Expenditures
ARRA Fund
Year Ended June 30, 2010
See Auditor's Report

| | |
|--|--------------------|
| Revenue: | |
| ARRA - Infant and Toddler Quality Child Care Program | \$ 10,281 |
| Interest | <u>375</u> |
| Total Revenue | <u>10,656</u> |
| Expenditures: | |
| Contractual Services | <u>9,582</u> |
| Payroll Costs: | |
| Salaries | 697 |
| Fringe Benefits | <u>377</u> |
| Total Payroll Costs | <u>1,074</u> |
| Total Expenditures | <u>10,656</u> |
| Excess of Revenue Over Expenditures | <u><u>\$ -</u></u> |

SINGLE AUDIT SECTION

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
See Auditor's Report

| <u>Federal Grantor/Pass Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Grant / Contract Number</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 | DCFS-08-040-1 | \$ 5,662 | \$ 5,662 |
| Promoting Safe and Stable Families | 93.556 | DCFS-08-040-2 | 12,617 | 12,617 |
| Total CFDA # 93.556 | | | <u>18,279</u> | <u>18,279</u> |
| Chafee Foster Care Independence Program | 93.674 | DCFS-08-040-2 | <u>6,882</u> | <u>6,882</u> |
| Child Care and Development Block Grant Cluster | | | | |
| ARRA - Child Care and Development Block Grant | 93.713 | DCFS-10-124 | 10,656 | 10,656 |
| Child Care and Development Block Grant | 93.575 | Early Childhood | <u>567,601</u> | <u>567,601</u> |
| Total Child Care and Development Block Grant Cluster | | | <u>578,257</u> | <u>578,257</u> |
| Total U.S. Department of Health and Human Services | | | <u>603,418</u> | <u>603,418</u> |
| Total Federal Expenditures of Federal Awards | | | <u>\$ 603,418</u> | <u>\$ 603,418</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.

**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, 2010, and have issued our report thereon dated December 6, 2010. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

We noted certain matters that we reported to management of Scott County Decategorization Program in a separate letter dated December 6, 2010.

This report is intended solely for the information and use of the Executive Committee, management, others within the entity 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 6, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A MATERIAL EFFECT ON 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

Management of Scott County Decategorization Program is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Scott County Decategorization Program's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 6, 2010

SCOTT COUNTY DECATEGORIZATION PROGRAM
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

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 | Child Care and Development Block Grant |
| 93.713 | ARRA – Child Care and Development Block Grant |

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 Audit Findings
Year Ended June 30, 2010

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 6, 2010

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, 2010, 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 Executive Committee members to have continuing close supervision over the operations and procedures of the Program.

The supervision and periodic review procedures currently in place help mitigate the lack of proper segregation of duties and should be continued. These procedures include:

- Receipt of unopened bank statements by an individual independent of the general ledger function and review of contents for propriety.
- Disbursements are presented with supporting documentation and require dual manual signatures for all checks.
- Periodic review of the bank reconciliations by someone independent of the responsibility for their preparation and periodically by an individual of the Board.

The following comment and suggestion relates to the matter that came to our attention in connection with the performance of our audit engagement. This item is offered for your information and/or consideration as part of the ongoing process of modifying and improving the Program's practices and procedure:

- Fringe benefits are applied to grants based upon an allocation rate. The current process for establishing the allocation rate for fringe benefits is reviewed and adjusted on an annual basis. We recommend reviewing and adjusting the allocation rate quarterly to reflect the fluctuations during the period and more accurately approximate the actual fringe benefit costs.

We also wanted to make you aware of the following accounting standard that will be effective for your fiscal year ending June 30, 2011 and could have an impact on the financial reporting for your Program.

- Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" has the objective to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The summary can be found on the GASB website at <http://www.gasb.org/st/summary/gstsm54.html>.

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.