

SCOTT COUNTY DECATEGORIZATION PROGRAM

Independent Auditor's Reports
Basic Financial Statements
Supplementary Information
Schedule of Findings

June 30, 2012

SCOTT COUNTY DECATEGORIZATION PROGRAM

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Independent Auditor's Report

The Executive Committee
Scott County Decategorization Program:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Scott County Decategorization Program, as of and for the year ended June 30, 2012, which collectively comprise the Program's basic financial statements 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 financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the governmental activities, each major fund and the aggregate remaining fund information of Scott County Decategorization Program, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012, on our consideration of Scott County Decategorization Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis and budgetary comparison information on pages 3 through 6 and 18 through 22, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 supplementary information included in Schedules 1 through 4 and the accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bettendorf, Iowa
November 30, 2012

Galdmann & Associates, P.C.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Management's Discussion and Analysis

June 30, 2012

Scott County Decategorization Program provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of its financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Program's financial statements.

2012 Financial Highlights

Revenues of Scott County Decategorization Program's governmental activities decreased 12.8%, or approximately \$289,000, from the prior fiscal year. Program expenses of Scott County Decategorization Program's governmental activities decreased 13.0%, or approximately \$297,000, from the prior fiscal year.

Scott County Decategorization Program's net assets decreased approximately \$8,700, from June 30, 2011 to June 30, 2012.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Program's financial activities.

Government-Wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Scott County Decategorization Program as a whole and present an overall view of the Program's finances.

Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Scott County Decategorization Program's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements by presenting the Schedule of Revenue and Expenditures – Budget to Actual for Scott County Decategorization Program.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Management's Discussion and Analysis

Using This Annual Report, continued

Other supplementary Information provides detailed information about the individual funds of Scott County Decategorization Program and information that further explains and supports the financial statements.

Reporting Scott County Decategorization Program's Financial Activities

(1) Government-Wide Financial Statements

The statement of net assets and the statement of activities report all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The statement of net assets presents all of the Program's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the Program's net assets may serve as a useful indicator of whether the financial position of the Program is improving or deteriorating.

The statement of activities presents information showing how the Program's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

(2) Fund Financial Statements

Governmental funds account for all of the Program's basic services. These focus on how money flows into and out of those funds and the balances at year end that are available for spending. These funds are reported using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The governmental fund financial statements provide a detailed view of the Program's general governmental and special revenue operations. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent by program.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Management's Discussion and Analysis

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net assets.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current assets	\$1,104,606	\$1,558,910
Liabilities	<u>454,264</u>	<u>899,826</u>
Net assets:		
Restricted	251,554	260,446
Unrestricted	<u>398,788</u>	<u>398,638</u>
Total net assets	<u>\$ 650,342</u>	<u>\$ 659,084</u>

The largest portion of the Program's net assets was unrestricted. Unrestricted net assets are the part of the net assets that can be used to finance day-to-day operations.

	<u>Changes in Net Assets for the Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Revenues:		
State and federal	\$1,970,304	\$2,255,780
Other	<u>2,492</u>	<u>5,884</u>
Total revenues	1,972,796	2,261,664
Expenditures	<u>1,981,538</u>	<u>2,278,506</u>
Decrease in net assets	(8,742)	(16,842)
Net assets, beginning of year	<u>659,084</u>	<u>675,926</u>
Net assets, end of year	<u>\$ 650,342</u>	<u>\$ 659,084</u>

The Program's net assets decreased \$8,742 during the year. Revenues decreased \$288,868 over the prior year due to a decrease in the amount of funding received.

The cost of all governmental activities this year was \$1,981,538 compared to \$2,278,506 last year. This was also due to the decrease in the amount of funding expended.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Management's Discussion and Analysis

The Future of Scott County Decategorization Program

- The General fund continues to maintain an adequate balance to leverage cost reimbursement grants. The ECI carryover balances are decreasing. The Medicaid fund continues to have funds available for one time health related projects in Scott County.
- There are concerns, due to the current recession, that future funding may decrease in ECI funds.
- Decategorization program funds beginning in FY12 were able to carryforward unused funds for two fiscal years allowing programs to be implemented and maintained on a consistent basis as funds can be managed better.
- There continues to be an emphasis on community planning for youth development and preschool access.
- Continued increase 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.

Contacting the Program's Financial Management

This report is designed to provide readers with a general overview of Scott County Decategorization Program's finances and operating activities. If you have any questions about this report or require additional financial information, contact Molli Nickerson, 600 West Fourth Street, Davenport, Iowa 52801 or by telephone at (563)326-8221.

Molli Nickerson
Decategorization Coordinator

SCOTT COUNTY DECATEGORIZATION PROGRAM

Statement of Net Assets

June 30, 2012

Assets:	
Cash and cash equivalents	\$ 755,611
Certificates of deposit	269,036
Grants receivable	55,954
Interest receivable	157
Prepaid expenses	<u>23,848</u>
Total assets	<u>1,104,606</u>
Liabilities:	
Accounts payable	241,978
Accrued expenses	14,425
Unearned revenue	<u>197,861</u>
Total liabilities	<u>454,264</u>
Net assets:	
Restricted	251,554
Unrestricted	<u>398,788</u>
Total net assets	<u>\$ 650,342</u>

See accompanying notes to financial statements.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Statement of Activities

Year Ended June 30, 2012

Revenue:	
State of Iowa, grant revenue	\$1,970,304
Other	717
Interest	<u>1,775</u>
Total revenue	<u>1,972,796</u>
Expenditures	<u>1,981,538</u>
Decrease in net assets	(8,742)
Net assets, beginning of year	<u>659,084</u>
Net assets, end of year	<u>\$ 650,342</u>

See accompanying notes to financial statements.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Balance Sheet – Governmental Funds

June 30, 2012

Special Revenue
ECI Funds

	<u>General Fund</u>	<u>School Ready</u>	<u>Early Childhood</u>
<u>Assets</u>			
Assets:			
Cash and cash equivalents	\$ 83,461	\$ 202,311	\$ 366,368
Certificates of deposit	46,574	-	-
Grants receivable	55,954	-	-
Interest receivable	3	-	-
Prepaid expenses	-	704	23,144
Due from ECI funds	224,120	-	-
Due from Medicaid fund	72,884	-	-
Total assets	<u>\$ 482,996</u>	<u>\$ 203,015</u>	<u>\$ 389,512</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 21,608	\$ 104,923	\$ 113,798
Accrued expenses	14,425	-	-
Unearned revenue	48,175	77,298	72,388
Due to general fund	-	20,794	203,326
Total liabilities	<u>84,208</u>	<u>203,015</u>	<u>389,512</u>
Fund balances:			
Nonspendable:			
Prepaid expenditures	-	704	23,144
Restricted for:			
ECI program uses	-	(704)	(23,144)
Medicaid	-	-	-
Unassigned	398,788	-	-
Total fund balance	<u>398,788</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 482,996</u>	<u>\$ 203,015</u>	<u>\$ 389,512</u>

See accompanying notes to financial statements.

Funds

Medicaid Fund	<u>Eliminations</u>	<u>Total</u>
\$ 103,471	\$ -	\$ 755,611
222,462	-	269,036
-	-	55,954
154	-	157
-	-	23,848
-	(224,120)	-
-	(72,884)	-
<u>\$ 326,087</u>	<u>\$(297,004)</u>	<u>\$ 1,104,606</u>
\$ 1,649	\$ -	\$ 241,978
-	-	14,425
-	-	197,861
<u>72,884</u>	<u>(297,004)</u>	<u>-</u>
<u>74,533</u>	<u>(297,004)</u>	<u>454,264</u>
-	-	23,848
-	-	(23,848)
251,554	-	251,554
-	-	398,788
<u>251,554</u>	<u>-</u>	<u>650,342</u>
<u>\$ 326,087</u>	<u>\$(297,004)</u>	<u>\$ 1,104,606</u>

SCOTT COUNTY DECATEGORIZATION PROGRAM

Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2012

	<u>Special Revenue Funds</u>				
	<u>ECI Funds</u>				
	<u>General Fund</u>	<u>School Ready</u>	<u>Early Childhood</u>	<u>Medicaid Fund</u>	<u>Total</u>
Revenue:					
State of Iowa, grant revenue	\$ 233,904	\$1,197,585	\$ 538,815	\$ -	\$1,970,304
Other	717	-	-	-	717
Interest	<u>81</u>	<u>385</u>	<u>654</u>	<u>655</u>	<u>1,775</u>
Total revenue	234,702	1,197,970	539,469	655	1,972,796
Expenditures	<u>234,552</u>	<u>1,197,970</u>	<u>539,469</u>	<u>9,547</u>	<u>1,981,538</u>
Excess (deficiency) of revenues over (under) expenditures	150	-	-	(8,892)	(8,742)
Fund balance, beginning of year	<u>398,638</u>	<u>-</u>	<u>-</u>	<u>260,446</u>	<u>659,084</u>
Fund balance, end of year	<u>\$ 398,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,554</u>	<u>\$ 650,342</u>

See accompanying notes to financial statements.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Notes to Financial Statements

June 30, 2012

(1) Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

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, the Iowa Department of Human Services, the Office of Juvenile Court Services, the Seventh Judicial District, as well as members of the general public.

Scott County Early Childhood Iowa Board (previously referred to as the Scott County Community Empowerment Board)

The goal of Scott County Early Childhood Iowa Board (ECI) 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. ECI is funded with federal and state block grants.

The Scott County ECI Board consist of a minimum of fifteen members. The Scott County ECI Board shall be composed of persons who have specific experience and knowledge related to one or more area of the following: Health, Education, Human Services, Early Care, Business, Faith, Scott County Decategorization, Parent, Grandparent, or guardian of a child from zero through age five. The remainder of members would be citizen members who are not an elected official or a paid staff member of an agency whose services fall under the plan or purview of the community board either directly or indirectly.

SCOTT COUNTY DECATEGORYIZATION PROGRAM

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Nature of Organization, continued

Scott County Early Childhood Iowa Board (previously referred to as the Scott County Community Empowerment Board), continued

ECI 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 ECI 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 ECI.

Summary of Significant Accounting Policies

(a) 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 ECI 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.

(b) Basis of Presentation

The financial statements of Scott County Decategorization Program have been prepared in conformity with U.S. generally accepted accounting principles. 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.

(c) Accounting Estimates

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

SCOTT COUNTY DECATEGORIZATION PROGRAM

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(d) 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 November 30, 2012, the date the financial statements were available to be issued.

(e) Cash and Cash Equivalents

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.

(f) Certificates of Deposit

The program includes all certificates of deposit regardless of original maturity to be certificates of deposits.

(g) Grants Receivable

Grants receivable are from programs offered by the Program. Management believes that all grants receivable as of June 30, 2012 are fully collectible; therefore, no allowance for doubtful accounts is recorded.

(h) Prepaid Expenses

ECI has advanced funding to a subcontractor for a childcare assistance program for the Early Childhood Program. The amount of the advance at June 30, 2012 of \$22,500 is included with prepaid expenses.

(i) Net Assets and Fund Balances

The Statement of Net Assets presents the Program's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

SCOTT COUNTY DECATEGORYIZATION PROGRAM

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(i) Net Assets and Fund Balances, continued

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

In the government fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

(j) 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.

(k) 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.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(l) 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.

(m) Major Funds

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 ECI 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.

(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, 2012, and the related grants receivable, as of the end of the year, are as follows:

	<u>Revenue</u>	<u>Grants Receivable</u>
State of Iowa:		
Department of Human Services	\$ 233,904	\$ 50,827
Department of Management, Early Childhood Iowa Board	1,736,400	-

SCOTT COUNTY DECATEGORIZATION PROGRAM

Notes to Financial Statements

(3) Grants Receivable

Grants receivable consist of the following at June 30, 2012:

State of Iowa, Department of Human Services	\$50,827
Seventh Judicial District Juvenile Justice System	4,927
Other	<u>200</u>
	<u>\$55,954</u>

(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 benefits costs of \$145,429 and accounting and administrative fees of \$32,643 for the year ended June 30, 2012. At June 30, 2012, the General Fund owed Bi-State Regional Commission \$16,535 for the reimbursement of personnel costs, administrative and accounting fees.

Salaries and related fringe benefits costs of \$132,705 and \$1,922 were incurred by ECI and Medicaid, respectively, and \$21,694 by ECI in accounting fees during the year ended June 30, 2012. At June 30, 2012, ECI and Medicaid owed the General Fund \$224,120 and \$72,884, respectively, for personnel costs, administrative and accounting fees, and payments of contractual services and other expenses.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Revenue and Expenditures by Program
Budget to Actual – All Funds

Required Supplementary Information

Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue:			
State of Iowa, grant revenue	\$ 1,970,304	\$ 2,184,241	\$(213,937)
Other	717	-	717
Interest	<u>1,775</u>	<u>-</u>	<u>1,775</u>
Total revenue	<u>1,972,796</u>	<u>2,184,241</u>	<u>(211,445)</u>
Expenditures:			
Contractual services	<u>1,594,443</u>	<u>1,768,320</u>	<u>173,877</u>
Payroll costs:			
Salaries	167,837	183,691	15,854
Fringe benefits	<u>65,796</u>	<u>69,038</u>	<u>3,242</u>
Total payroll costs	<u>233,633</u>	<u>252,729</u>	<u>19,096</u>
Administration:			
Financial services	54,337	60,000	5,663
Professional fees	19,187	8,000	(11,187)
Travel and meetings	5,833	23,435	17,602
Equipment	-	3,701	3,701
Reference materials	-	250	250
Emergency needs	448	-	(448)
Office expenditures	12,764	10,150	(2,614)
Membership and dues	530	650	120
Insurance	<u>4,488</u>	<u>5,506</u>	<u>1,018</u>
Total administration	<u>97,587</u>	<u>111,692</u>	<u>14,105</u>
Other expenditures:			
Community capacity building:			
Salaries	-	-	-
Fringe benefits	-	-	-
Office expenditures	-	-	-
Family day care inspection:			
Salaries	32,463	34,738	2,275
Fringe benefits	13,959	14,938	979
Travel and meetings	1,535	1,573	38
Equipment	-	-	-
Office expenditures	7,918	251	(7,667)
Membership and dues	-	-	-
Total other expenditures	<u>55,875</u>	<u>51,500</u>	<u>(4,375)</u>
Total expenditures	<u>1,981,538</u>	<u>2,184,241</u>	<u>202,703</u>
Deficiency of revenue under expenditures	\$(<u>8,742</u>)	\$ <u>-</u>	\$(<u>8,742</u>)

See accompanying independent auditor's report and notes to required supplementary information.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Revenue and Expenditures by Program
Budget to Actual – General Fund

Required Supplementary Information

Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue:			
State of Iowa, grant revenue	\$ 233,904	\$ 286,555	\$(52,651)
Other	717	-	717
Interest	<u>81</u>	<u>-</u>	<u>81</u>
Total revenue	<u>234,702</u>	<u>286,555</u>	<u>(51,853)</u>
Expenditures:			
Contractual services	<u>25,998</u>	<u>48,699</u>	<u>22,701</u>
Payroll costs:			
Salaries	106,156	122,960	16,804
Fringe benefits	<u>39,273</u>	<u>42,924</u>	<u>3,651</u>
Total payroll costs	<u>145,429</u>	<u>165,884</u>	<u>20,455</u>
Administration:			
Financial services	32,643	40,000	7,357
Professional fees	14,210	3,000	(11,210)
Travel and meetings	3,187	16,297	13,110
Equipment	-	3,000	3,000
Reference materials	-	250	250
Emergency needs	448	-	(448)
Office expenditures	10,203	5,980	(4,223)
Membership and dues	70	400	330
Insurance	<u>2,364</u>	<u>3,045</u>	<u>681</u>
Total administration	<u>63,125</u>	<u>71,972</u>	<u>8,847</u>
Total expenditures	<u>234,552</u>	<u>286,555</u>	<u>52,003</u>
Excess of revenue over expenditures	\$ <u>150</u>	\$ <u>-</u>	\$ <u>150</u>

See accompanying independent auditor's report and notes to required supplementary information.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Revenue and Expenditures by Program
Budget to Actual - ECI Funds

Required Supplementary Information

Year Ended June 30, 2012

	School Ready <u>Actual</u>	Early Childhood <u>Actual</u>	Total ECI Funds <u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue:					
State of Iowa, grant revenue	\$ 1,197,585	\$ 538,815	\$ 1,736,400	\$ 1,886,086	\$(149,686)
Interest	385	654	1,039	-	1,039
Total revenue	<u>1,197,970</u>	<u>539,469</u>	<u>1,737,439</u>	<u>1,886,086</u>	<u>(148,647)</u>
Expenditures:					
Contractual services	<u>1,106,954</u>	<u>453,905</u>	<u>1,560,859</u>	<u>1,711,621</u>	<u>150,762</u>
Payroll costs:					
Salaries	49,378	10,960	60,338	58,454	(1,884)
Fringe benefits	<u>21,233</u>	<u>4,712</u>	<u>25,945</u>	<u>25,135</u>	<u>(810)</u>
Total payroll costs	<u>70,611</u>	<u>15,672</u>	<u>86,283</u>	<u>83,589</u>	<u>(2,694)</u>
Administration:					
Financial services	12,860	8,834	21,694	20,000	(1,694)
Professional fees	2,950	2,027	4,977	5,000	23
Travel and meetings	1,569	1,077	2,646	6,894	4,248
Office expenditures	1,494	1,027	2,521	4,070	1,549
Membership and dues	273	187	460	250	(210)
Insurance	1,259	865	2,124	2,461	337
Equipment	-	-	-	701	701
Total administration	<u>20,405</u>	<u>14,017</u>	<u>34,422</u>	<u>39,376</u>	<u>4,954</u>
Other expenditures:					
Family day care inspection:					
Salaries	-	32,463	32,463	34,738	2,275
Fringe benefits	-	13,959	13,959	14,938	979
Travel and meetings	-	1,535	1,535	1,573	38
Equipment	-	-	-	-	-
Office expenditures	-	7,918	7,918	251	(7,667)
Membership and dues	-	-	-	-	-
Total other expenditures	<u>-</u>	<u>55,875</u>	<u>55,875</u>	<u>51,500</u>	<u>(4,375)</u>
Total expenditures	<u>1,197,970</u>	<u>539,469</u>	<u>1,737,439</u>	<u>1,886,086</u>	<u>148,647</u>
Excess of revenue over expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See accompanying independent auditor's report and notes to required supplementary information.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Revenue and Expenditures by Program
Budget to Actual – Medicaid Fund

Required Supplementary Information

Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue:			
Other	\$ -	\$ 11,600	\$(11,600)
Interest	<u>655</u>	<u>-</u>	<u>655</u>
Total revenue	<u>655</u>	<u>11,600</u>	<u>(10,945)</u>
Expenditures:			
Contractual services	<u>7,585</u>	<u>8,000</u>	<u>415</u>
Payroll costs:			
Salaries	1,344	2,277	933
Fringe benefits	<u>578</u>	<u>979</u>	<u>401</u>
Total payroll costs	<u>1,922</u>	<u>3,256</u>	<u>1,334</u>
Administration:			
Travel and meetings	-	244	244
Office expenditures	<u>40</u>	<u>100</u>	<u>60</u>
Total administration costs	<u>40</u>	<u>344</u>	<u>304</u>
Total expenditures	<u>9,547</u>	<u>11,600</u>	<u>2,053</u>
Deficiency of revenue under expenditures	\$(<u>8,892</u>)	\$ <u>-</u>	\$(<u>8,892</u>)

See accompanying independent auditor's report and notes to required supplementary information.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Notes to Required Supplementary Information-
Budgetary Reporting

Year Ended June 30, 2012

The budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41.

In accordance with the Code of Iowa, Chapter 28E.5, the Program annually adopts a budget on the accrual basis following a prescribed form. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule 1

Schedule of Revenue and Expenditures – Governmental Funds

Year Ended June 30, 2012

	General Fund	ECI Funds	Medicaid Fund	Total Governmental Fund Types
Revenue:				
State of Iowa, grant revenue	\$ 233,904	\$ 1,736,400	\$ -	\$ 1,970,304
Other	717	-	-	717
Interest	<u>81</u>	<u>1,039</u>	<u>655</u>	<u>1,775</u>
Total revenue	<u>234,702</u>	<u>1,737,439</u>	<u>655</u>	<u>1,972,796</u>
Expenditures:				
Contractual services	<u>25,998</u>	<u>1,560,859</u>	<u>7,585</u>	<u>1,594,442</u>
Payroll costs:				
Salaries	106,156	60,338	1,344	167,838
Fringe benefits	<u>39,273</u>	<u>25,945</u>	<u>578</u>	<u>65,796</u>
Total payroll costs	<u>145,429</u>	<u>86,283</u>	<u>1,922</u>	<u>233,634</u>
Administration:				
Financial services	32,643	21,694	-	54,337
Professional fees	14,210	4,977	-	19,187
Travel and meetings	3,187	2,646	-	5,833
Emergency needs	448	-	-	448
Office expenditures	10,203	2,521	40	12,764
Membership and dues	70	460	-	530
Insurance	<u>2,364</u>	<u>2,124</u>	<u>-</u>	<u>4,488</u>
Total administration	<u>63,125</u>	<u>34,422</u>	<u>40</u>	<u>97,587</u>
Other expenditures:				
Family day care inspection:				
Salaries	-	32,463	-	32,463
Fringe benefits	-	13,959	-	13,959
Travel and meetings	-	1,535	-	1,535
Office expenditures	-	7,918	-	7,918
Membership and dues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other expenditures	<u>-</u>	<u>55,875</u>	<u>-</u>	<u>55,875</u>
Total expenditures	<u>234,552</u>	<u>1,737,439</u>	<u>9,547</u>	<u>1,981,538</u>
Excess (deficiency) of revenue over (under) expenditures	\$ <u>150</u>	\$ <u>-</u>	\$ <u>(8,892)</u>	\$ <u>(8,742)</u>

See accompanying independent auditor's report.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule 2

Schedule of Revenue and Expenditures - General Fund

Year Ended June 30, 2012

	Case Aids	Decategorization Coordination and Support	DHS Community Partners	Other Programs	Total General Fund
Revenue:					
State of Iowa, grant revenue	\$ 35,826	\$163,842	\$ 19,997	\$ 14,239	\$233,904
Other	-	-	-	717	717
Interest	-	-	-	81	81
Total revenue	<u>35,826</u>	<u>163,842</u>	<u>19,997</u>	<u>15,037</u>	<u>234,702</u>
Expenditures:					
Contractual services	-	-	11,559	14,439	25,998
Payroll costs:					
Salaries	24,836	73,543	7,777	-	106,156
Fringe benefits	10,680	27,932	661	-	39,273
Total payroll costs	<u>35,516</u>	<u>101,475</u>	<u>8,438</u>	<u>-</u>	<u>145,429</u>
Administration:					
Financial services	-	32,643	-	-	32,643
Professional fees	-	14,210	-	-	14,210
Travel and meetings	-	3,187	-	-	3,187
Emergency needs	-	-	-	448	448
Office expenditures	310	9,893	-	-	10,203
Membership dues	-	70	-	-	70
Insurance	-	2,364	-	-	2,364
Total administration	<u>310</u>	<u>62,367</u>	<u>-</u>	<u>448</u>	<u>63,125</u>
Total expenditures	<u>35,826</u>	<u>163,842</u>	<u>19,997</u>	<u>14,887</u>	<u>234,552</u>
Excess (deficiency) of revenue over (under) expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>150</u>	\$ <u>150</u>

See accompanying independent auditor's report.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule 3

Schedule of Revenue and Expenditures – ECI Funds

Year Ended June 30, 2012

	<u>School Ready</u>	<u>Early Childhood</u>	<u>Total ECI Funds</u>
Revenue:			
State of Iowa, grant revenue	\$1,197,585	\$ 538,815	\$1,736,400
Interest	<u>385</u>	<u>654</u>	<u>1,039</u>
Total revenue	<u>1,197,970</u>	<u>539,469</u>	<u>1,737,439</u>
Expenditures:			
Contractual services	<u>1,106,954</u>	<u>453,905</u>	<u>1,560,859</u>
Payroll costs:			
Salaries	49,378	10,960	60,338
Fringe benefits	<u>21,233</u>	<u>4,712</u>	<u>25,945</u>
Total payroll costs	<u>70,611</u>	<u>15,672</u>	<u>86,283</u>
Administration:			
Financial services	12,860	8,834	21,694
Professional fees	2,950	2,027	4,977
Travel and meetings	1,569	1,077	2,646
Office expenditures	1,494	1,027	2,521
Membership and dues	273	187	460
Insurance	<u>1,259</u>	<u>865</u>	<u>2,124</u>
Total administration	<u>20,405</u>	<u>14,017</u>	<u>34,422</u>
Other expenditures:			
Family day care inspection:			
Salaries	-	32,463	32,463
Fringe benefits	-	13,959	13,959
Travel and meetings	-	1,535	1,535
Office expenditures	-	7,918	7,918
Membership and dues	<u>-</u>	<u>-</u>	<u>-</u>
Total other expenditures	<u>-</u>	<u>55,875</u>	<u>55,875</u>
Total expenditures	<u>1,197,970</u>	<u>539,469</u>	<u>1,737,439</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule 4

Schedule of Revenue and Expenditures – Medicaid Funds

Year Ended June 30, 2012

	<u>Administration</u>	<u>Enhancement</u>	<u>Total Medicaid Funds</u>
Revenue:			
Interest	\$ <u>-</u>	\$ <u>655</u>	\$ <u>655</u>
Expenditures:			
Contractual services	<u>7,585</u>	<u>-</u>	<u>7,585</u>
Payroll costs:			
Salaries	-	1,344	1,344
Fringe benefits	<u>-</u>	<u>578</u>	<u>578</u>
Total payroll costs	<u>-</u>	<u>1,922</u>	<u>1,922</u>
Administration:			
Office expense	<u>-</u>	<u>40</u>	<u>40</u>
Total expenditures	<u>7,585</u>	<u>1,962</u>	<u>9,547</u>
Deficiency of revenue under expenditures	\$(<u>7,585</u>)	\$(<u>1,307</u>)	\$(<u>8,892</u>)

See accompanying independent auditor's report.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Expenditures
U.S. Department of Health and Human Services/ Passed through Program from State of Iowa/ Promoting Safe and Stable Families	93.556	DCFS-08-040-5	\$ 14,998
Child Care and Development Block Grant Cluster	93.575	Early Childhood	539,469
Chafee Foster Care Independence Program	93.674	DCFS-08-040-4	4,288
Community Based Child Abuse Prevention Grants	93.590	CBCAP	<u>5,000</u>
Total U.S. Department of Health and Human Services			<u>563,755</u>
Total federal awards expended			<u>\$563,755</u>

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Scott County Decategorization Program 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 presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Certified Public Accountants

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*

The Executive Committee
Scott County Decategorization Program:

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining aggregate fund information of Scott County Decategorization Program as of and for the year ended June 30, 2012, which collectively comprise the Program's basic financial statements listed in the table of contents and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Scott County Decategorization Program is responsible for establishing and maintaining effective 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 a 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*.

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.

Bettendorf, Iowa
November 30, 2012

Gabelmann & Associates, P.C.

Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Executive Committee
Scott County Decategorization Program:

Compliance

We have audited Scott County Decategorization Program's compliance 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 its major federal program for the year ended June 30, 2012. Scott County Decategorization Program's major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Scott County Decategorization Program's management. Our responsibility is to express an opinion on Scott County Decategorization Program's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Scott County Decategorization Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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 its major federal program for the year ended June 30, 2012.

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 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 and, therefore, there can be no assurance all significant deficiencies or material weaknesses have been identified. 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, 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 or others authorized by management.

Bettendorf, Iowa
November 30, 2012

Gabelmann & Associates, P.C.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Findings

Year ended June 30, 2012

Part I: Summary of Independent Auditor's Results

Financial Statements

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any significant deficiencies in internal control over financial reporting.
- (d) The audit did not disclose any noncompliance which is material to the financial statements.

Federal Awards

- (a) An unqualified opinion was issued on compliance with requirements applicable to each of the major federal programs.
- (b) The audit did not disclose any material weaknesses in internal control over the major programs.
- (c) The audit did not disclose any significant deficiencies in internal control over the major programs.
- (d) No audit findings were disclosed that are required to be reported in accordance with OMB Circular A-133 Section .510(a).
- (e) The major programs for the June 30, 2012 audit were as follows:

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Expenditures
U.S. Department of Health and Human Services/ Pass Through Program from State of Iowa/ Child Care and Development Block Grant	93.575	Early Childhood	<u>\$539,469</u>

- (f) The dollar threshold used to distinguish between Type A and Type B Programs was \$300,000.
- (g) Scott County Decategorization Program qualified as a low risk auditee.

SCOTT COUNTY DECATEGORIZATION PROGRAM

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements

Significant Deficiency

None.

Part III: Findings Related to Compliance with Federal Awards

None.

Part IV: Summary of Prior Findings

None.