

MUSCATINE COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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Muscatine County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Esther Dean	Board of Supervisors	Jan 2011
Tom Furlong	Board of Supervisors	Jan 2011
Wayne Shoultz	Board of Supervisors	Jan 2011
Kas Kelly	Board of Supervisors	Jan 2013
David Watkins	Board of Supervisors	Jan 2013
Leslie Soule	County Auditor	Jan 2013
Jerry Coffman	County Treasurer	Jan 2011
Cindy Gray	County Recorder	Jan 2011
David White	County Sheriff	Jan 2013
Gary Allison	County Attorney	Jan 2011
Dale McCrea	County Assessor	Jan 2016

Muscatine County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Muscatine County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Muscatine County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Muscatine County's management. Our responsibility is to express opinions 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 our audit provides a reasonable basis for our opinions.

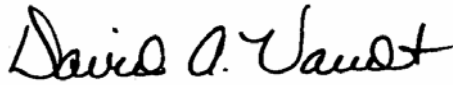
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Muscatine County at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

The County's financial statements for the year ended June 30, 2010 have been restated. A description of the nature of the restatement is described in Note 15.

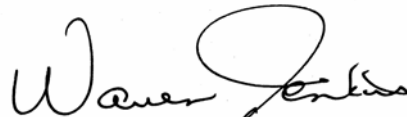
In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2011 on our consideration of Muscatine County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 48 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Muscatine County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by 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 our 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 7, 2011, except for Exhibits A through F,
Note 15 and Schedules 8 and 9 as to which the date is
January 18, 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Muscatine County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of Muscatine County is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 1.5%, or approximately \$445,000, from fiscal year (FY) 2009 to FY2010. Property tax increased approximately \$1,011,000, local option sales tax decreased approximately \$321,000, interest on investments and other general revenue decreased approximately \$410,000 and operating and capital grants, contributions and restricted interest increased approximately \$448,000.
- Expenses of the County's governmental activities decreased 1%, or approximately \$336,000, from FY2009 to FY2010.
- The County's net assets increased approximately \$3,100,000 from June 30, 2009 to June 30, 2010.

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 County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Muscatine County as a whole and present an overall view of the County's finances.

The 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 Muscatine County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Muscatine County acts solely as an agent or custodian for the benefit of those outside of County government (Agency 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 with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service and Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include 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 County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County'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 years.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, capital projects and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about individual significant funds – not the County as a whole. Some funds are required to be established by Iowa law. However, the County establishes many other funds to help control and manage money for particular purposes.

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2) Proprietary funds account for the County's Internal Service Funds for health insurance and county insurance. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

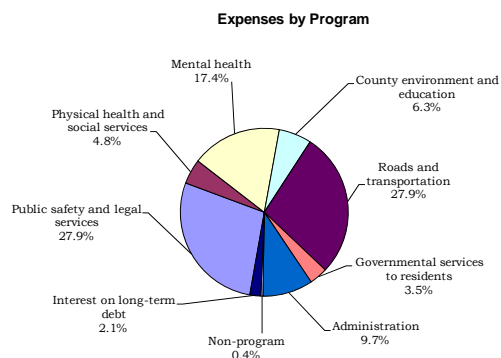
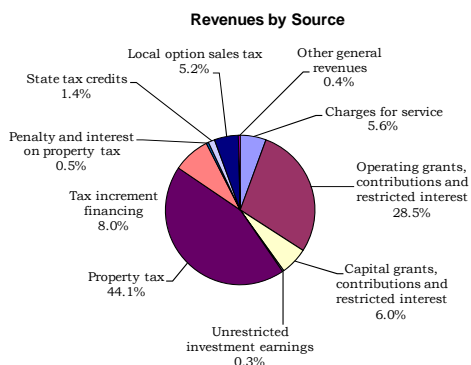
As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2010	2009 (Restated)
Current and other assets	\$ 30,025	24,810
Capital assets	40,447	35,381
Total assets	70,472	60,191
Long-term liabilities	17,273	11,242
Other liabilities	19,351	18,201
Total liabilities	36,624	29,443
Net assets:		
Invested in capital assets, net of related debt	35,341	32,382
Restricted	2,412	4,091
Unrestricted	(3,905)	(5,725)
Total net assets	\$ 33,848	30,748

Muscatine County's total net assets increased approximately \$3.1 million from June 30, 2009 to June 30, 2010. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements—is a deficit of approximately \$3.9 million. The deficit unrestricted net assets results primarily from the County's liability for tax increment urban renewal revenue bonds issued for IPSCO, Inc. The County does not own and, accordingly, has not recorded the assets for which this debt was issued.

Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2010	2009
Revenues:		
Program revenues:		
Charges for service	\$ 1,689	1,662
Operating grants, contributions and restricted interest	8,671	9,082
Capital grants, contributions and restricted interest	1,837	978
General revenues:		
Property tax	13,389	12,378
Tax increment financing	2,427	2,710
Penalty and interest on property tax	158	172
State tax credits	420	433
Local option sales tax	1,569	1,890
Unrestricted investment earnings	101	244
Other general revenues	113	380
Total revenues	30,374	29,929
Program expenses:		
Public safety and legal services	7,619	6,910
Physical health and social services	1,318	1,517
Mental health	4,755	4,758
County environment and education	1,709	1,629
Roads and transportation	7,601	7,647
Governmental services to residents	946	889
Administration	2,632	2,903
Non-program	114	558
Interest on long-term debt	580	799
Total expenses	27,274	27,610
Increase in net assets	3,100	2,319
Net assets beginning of year, as restated	30,748	28,429
Net assets end of year	\$ 33,848	30,748



Muscatine County's property tax rates increased \$.27 per \$1,000 of taxable valuation in FY2010. The decision to fund MUSCOM (Muscatine County Dispatch Center) with a countywide general supplemental levy instead of contributions from the County's general basic levy and the City of Muscatine reduced the general basic levy \$.33 per \$1,000 of taxable valuation and the general supplemental levy increased \$.60 per \$1,000 of taxable valuation. The rural services levy remained the same in FY2010. The mental health levy decreased \$.06 per \$1,000 of taxable valuation due to a modest increase in taxable valuation. The debt service levy increased \$.04 per \$1,000 of taxable valuation.

There was an increase in rural taxable property valuation of \$30,570,507 and an increase in countywide taxable property valuation of \$64,965,972. Local option sales tax decreased approximately \$321,000 during the fiscal year and FEMA revenues for flood related expenses increased revenues \$2.6 million in FY2010.

INDIVIDUAL MAJOR FUND ANALYSIS

As Muscatine County completed the year, its governmental funds reported a combined fund balance of approximately \$10.5 million, which is higher than the approximately \$6.7 million combined fund balance at the end of FY2009.

The General Fund, the operating fund for Muscatine County, ended FY2010 with a balance of approximately \$2.1 million. This was an \$181,000 decrease from the FY2009 ending balance. Property valuation increased from \$1,491,082,097 in FY2009 to \$1,556,048,069 in FY2010. Total General Fund revenue increased approximately \$1 million. The combined levy rate for the General Fund increased \$.27 per \$1,000 of taxable valuation in FY2010, increasing tax revenues approximately \$760,000. Interest on investments decreased approximately \$140,000, intergovernmental revenues increased approximately \$368,000 due to increased Federal prisoner housing reimbursements and charges for service increased approximately \$147,000. General Fund expenditures increased approximately \$324,000, or 2.8%.

Muscatine County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. FY2010 ended with a balance of approximately \$1 million, whereas FY2009 ended with a balance of approximately \$1.2 million. The FY2010 levy rate decreased \$.06 per \$1,000 of taxable valuation due to an increase in taxable valuation. Mental Health Fund revenues decreased due to decreased funding from the State of Iowa and Mental Health Fund expenditures decreased approximately \$13,000.

The Rural Services Fund ended FY2010 with a balance of approximately \$220,000 compared to the prior year ending balance of approximately \$211,000. There was no increase in the rural services levy in FY2010. The taxable valuation increase of \$30.5 million increased the amount of property tax approximately \$70,000. In FY2010, transfers of \$1,100,000 were made to the Secondary Roads Fund to cover the maintenance and upgrade of rural county roads.

The Secondary Roads Fund ended FY2010 with a balance of approximately \$692,000 compared to the prior year ending balance of approximately \$2.3 million. In order to focus on repairing roads damaged by flooding in June 2008, projects scheduled for FY2009 were postponed to FY2010. Capital project expenditures in the fund in FY2010 increased approximately \$1.6 million over FY2009. Roads and transportation expenditures in the fund decreased from FY2009 approximately \$655,000. Local option sales tax revenue decreased approximately \$321,000 and, without the flood related reimbursements received in FY2009, intergovernmental revenue decreased approximately \$410,000. Muscatine County maintained 415 miles of gravel, 21 miles of dirt, 43 miles of seal coated and 129 miles of paved roads and 110 bridges with the resources of this fund.

The IPSCO TIF Fund collected revenues of approximately \$2,427,000 and paid principal and interest on the IPSCO Urban Renewal Tax Increment Revenue Bonds of approximately \$2,427,000.

The Debt Service Fund ended FY2010 with a balance of approximately \$187,000 compared to the prior year ending balance of approximately \$46,000. FY2010 payments from the Debt Service Fund include the VPA jail capital lease purchase agreement payment, principal and interest payments for the remodeling of the County Administration Building, computer hardware and software upgrades and courthouse window replacement.

The Capital Projects Fund ended FY2010 with a balance of approximately \$6,002,000, due primarily to the receipt of bond proceeds of \$9,200,000 related to the jail expansion/remodel project.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except Agency Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function (service area) level, not at the fund level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis.

Over the course of the year, Muscatine County amended the operating budget three times. The first amendment, made in August 2009, mainly adjusted for flood related receipts and disbursements and the bond proceeds for the jail expansion/remodel project.

The second amendment, in January 2010, increased disbursements and receipts for an additional public health grant and additional health insurance premiums to maintain the health insurance fund balance.

The third amendment, in May 2010, increased public safety disbursements and receipts for additional JAG grants and prisoner receipts. Disbursements were also increased for roads and transportation and capital projects in the Secondary Roads Fund.

All three amendments were to adjust for disbursements and receipts changes after certification of the FY2010 budget. None of the amendments made during FY2010 should have any impact on the FY2011 budget.

The County's receipts were approximately \$2.5 million less than budgeted, a variance of 8 percent, largely due to the FEMA flood programs extending into FY2011.

Total disbursements were approximately \$11.2 million less than the amended budget. Along with a concerted effort by departments to reduce spending in order to maintain an adequate fund balance, disbursements for the county environment and education function were nearly \$2 million less than budgeted due to FEMA flood programs extending into FY2011, roads and transportation function disbursements were approximately \$440,000 less than budgeted, mental health function disbursements were approximately \$600,000 less than budgeted due to continued monitoring of mental health services and capital projects disbursements were approximately \$7 million less than budgeted due to the jail expansion/remodel project extending into FY2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY2010, Muscatine County had approximately \$69 million invested in a broad range of capital assets, including public safety equipment, buildings, land, park facilities, roads and bridges. With total accumulated depreciation of approximately \$28.6 million, Muscatine County's capital assets have a net value of approximately \$40.4 million. This is a net increase of approximately \$5.2 million over FY2009. See Note 5 to the financial statements for more information about the County's capital assets.

Long-Term Debt

At the end of FY2010, Muscatine County had \$1,310,856 in capital lease purchase agreements outstanding, compared to \$1,920,064 at the end of FY2009.

Muscatine County's outstanding debt increased as a result of the December 2009 issue of Build America Bonds of \$9,200,000 for the jail expansion/remodel project. Bond payments are expected to be funded with revenue the County receives from housing federal prisoners. Muscatine County's general obligation bonds continue to carry the A1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the county's corporate limits. Muscatine County's outstanding general obligation debt of approximately \$15.9 million is significantly below its constitutional debt limit of approximately \$133 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Muscatine County's elected and appointed officials considered many factors when setting the FY2011 budget and tax rates. In an ongoing effort to minimize tax levy increases and maintain quality County services, all county departments were required to reduce their FY2011 budgets and Muscatine County employees will receive no cost of living increase in FY2011. The amount available for appropriation in the FY2011 operating budget is approximately \$36 million, an increase of 7% over the final FY2010 budget, due to \$5 million remaining in the Capital Projects Fund to complete the jail expansion/remodel project and Courthouse HVAC replacement. Muscatine County's operating fund balances are expected to increase from approximately \$4 million to approximately \$4.2 million by the close of FY2011.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Muscatine County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sherry Seright at the Muscatine County Administration Office, 414 East 3rd Street, Suite 101, Muscatine, Iowa, 52761.

Muscatine County

Basic Financial Statements

Exhibit A

Muscatine County
Statement of Net Assets
June 30, 2010

	<u>Governmental</u> <u>Activities</u>
Assets	
Cash and pooled investments	\$ 11,637,870
Receivables:	
Property tax:	
Delinquent	63,905
Succeeding year	13,918,000
Succeeding year tax increment financing	2,483,000
Interest and penalty on property tax	145,233
Accounts	37,388
Accrued interest	10,086
Due from other governments	1,418,751
Inventories	155,234
Prepaid expenses	154,971
Capital assets (net of accumulated depreciation/amortization)	40,447,314
Total assets	<u>70,471,752</u>
Liabilities	
Accounts payable	1,747,670
Accrued interest payable	126,785
Salaries and benefits payable	280,698
Due to other governments	348,381
Deferred revenue:	
Succeeding year property tax	14,051,000
Succeeding year tax increment financing	2,483,000
Other	313,816
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	641,744
Tax increment urban renewal revenue bonds	2,322,000
General obligation bonds	395,000
Compensated absences	593,260
Portion due or payable after one year:	
Capital lease purchase agreements	669,112
Tax increment urban renewal revenue bonds	2,498,000
General obligation bonds	9,400,000
Compensated absences	682,802
Net OPEB liability	70,802
Total liabilities	<u>36,624,070</u>
Net Assets	
Invested in capital assets, net of related debt	35,341,458
Restricted for:	
Supplemental levy purposes	406,611
Mental health purposes	892,509
Secondary roads purposes	691,956
Debt service	65,514
Capital projects	2,143
Other purposes	352,771
Unrestricted	(3,905,280)
Total net assets	<u>\$ 33,847,682</u>

See notes to financial statements.

Muscatine County

Statement of Activities

Year ended June 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 7,618,981	555,003	1,288,374	-	(5,775,604)
Physical health and social services	1,317,477	63,103	425,152	-	(829,222)
Mental health	4,755,124	-	2,416,796	-	(2,338,328)
County environment and education	1,709,030	29,357	700,662	-	(979,011)
Roads and transportation	7,601,390	26,010	3,611,527	1,769,724	(2,194,129)
Governmental services to residents	945,763	3,192	23,576	-	(918,995)
Administration	2,632,324	248,808	204,759	58,214	(2,120,543)
Non-program	113,839	763,232	-	9,235	658,628
Interest on long-term debt	580,099	-	-	-	(580,099)
Total	\$ 27,274,027	1,688,705	8,670,846	1,837,173	(15,077,303)
General Revenues:					
Property and other county tax levied for:					
General purposes					12,151,770
Debt service					1,237,244
Tax increment financing					2,426,949
Penalty and interest on property tax					157,781
State tax credits					419,557
Local option sales tax					1,569,049
Unrestricted investment earnings					101,030
Miscellaneous					113,524
Total general revenues					18,176,904
Change in net assets					3,099,601
Net assets beginning of year, as restated					30,748,081
Net assets end of year					\$ 33,847,682

See notes to financial statements.

Muscatine County
Balance Sheet
Governmental Funds

June 30, 2010

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,932,333	1,287,440	121,833
Receivables:			
Property tax:			
Delinquent	39,900	8,986	10,129
Succeeding year	9,394,000	1,957,000	1,394,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	145,233	-	-
Accounts	11,742	1,523	3,885
Accrued interest	10,086	-	-
Due from other funds	788	-	-
Due from other governments	387,997	139,192	211,425
Inventories	-	-	-
Prepaid expenditures	154,971	-	-
	\$ 12,077,050	3,394,141	1,741,272
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 143,789	109,056	13,284
Salaries and benefits payable	185,563	32,308	4,111
Due to other funds	7,440	837	290
Due to other governments	8,863	249,006	150
Deferred revenue:			
Succeeding year property tax	9,482,000	1,977,000	1,407,000
Succeeding year tax increment financing	-	-	-
Other	185,133	8,986	96,699
Total liabilities	10,012,788	2,377,193	1,521,534
Fund balances:			
Reserved for:			
Supplemental levy purposes	392,070	-	-
Debt service	-	-	-
Unreserved, reported in:			
General fund	1,672,192	-	-
Special revenue funds	-	1,016,948	219,738
Capital projects fund	-	-	-
Total fund balances	2,064,262	1,016,948	219,738
	\$ 12,077,050	3,394,141	1,741,272

See notes to financial statements.

Secondary Roads	IPSCO TIF	Debt Service	Capital Projects	Nonmajor	Total
752,279	156	199,406	6,881,555	348,711	11,523,713
-	-	4,890	-	-	63,905
-	-	1,173,000	-	-	13,918,000
-	2,483,000	-	-	-	2,483,000
-	-	-	-	-	145,233
129	-	-	-	20,109	37,388
-	-	-	-	-	10,086
7,779	-	-	-	-	8,567
678,937	-	-	-	1,200	1,418,751
155,234	-	-	-	-	155,234
-	-	-	-	-	154,971
1,594,358	2,483,156	1,377,296	6,881,555	370,020	29,918,848
529,899	-	-	877,492	15,507	1,689,027
54,898	-	-	1,920	1,898	280,698
-	-	-	-	-	8,567
90,362	-	-	-	-	348,381
-	-	1,185,000	-	-	14,051,000
-	2,483,000	-	-	-	2,483,000
227,243	-	4,890	-	-	522,951
902,402	2,483,000	1,189,890	879,412	17,405	19,383,624
-	-	-	-	-	392,070
-	-	187,406	-	-	187,406
-	-	-	-	-	1,672,192
691,956	156	-	-	352,615	2,281,413
-	-	-	6,002,143	-	6,002,143
691,956	156	187,406	6,002,143	352,615	10,535,224
1,594,358	2,483,156	1,377,296	6,881,555	370,020	29,918,848

Muscatine County

Muscatine County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2010

Total governmental fund balances (page 19) \$ 10,535,224

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$69,059,168 and the accumulated depreciation/amortization is \$28,611,854. 40,447,314

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 209,135

The Internal Service Funds are used by management to charge the costs of the partial self funding of the County's health insurance benefit plan and county insurance to individual funds. The assets and liabilities of the Internal Service Funds are included with governmental activities in the Statement of Net Assets. 55,514

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (17,399,505)

Net assets of governmental activities (page 16) \$ 33,847,682

See notes to financial statements.

Muscatine County

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

Year ended June 30, 2010

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 8,788,134	1,976,517	1,375,019
Local option sales tax	-	-	-
Tax increment financing	-	-	-
Interest and penalty on property tax	143,331	-	-
Intergovernmental	2,211,475	2,477,948	728,830
Licenses and permits	150	-	55,079
Charges for service	885,760	29,357	-
Use of money and property	140,137	-	-
Miscellaneous	31,084	10,492	649
Total revenues	<u>12,200,071</u>	<u>4,494,314</u>	<u>2,159,577</u>
Expenditures:			
Operating:			
Public safety and legal services	6,945,618	-	-
Physical health and social services	1,226,819	-	68,358
Mental health	-	4,673,403	-
County environment and education	598,856	-	954,223
Roads and transportation	-	-	-
Governmental services to residents	784,617	-	3,228
Administration	2,410,455	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>11,966,365</u>	<u>4,673,403</u>	<u>1,025,809</u>
Excess (deficiency) of revenues over (under) expenditures	<u>233,706</u>	<u>(179,089)</u>	<u>1,133,768</u>
Other financing sources (uses):			
Sale of capital assets	8,115	-	-
Operating transfers in	3,950	-	-
Operating transfers out	(444,000)	-	(1,125,000)
Capital lease purchase agreement	17,640	-	-
General obligation bonds issued	-	-	-
Discount on general obligation bonds	-	-	-
Total other financing sources (uses)	<u>(414,295)</u>	<u>-</u>	<u>(1,125,000)</u>
Net change in fund balances	(180,589)	(179,089)	8,768
Fund balances beginning of year	<u>2,244,851</u>	<u>1,196,037</u>	<u>210,970</u>
Fund balances end of year	<u>\$ 2,064,262</u>	<u>1,016,948</u>	<u>219,738</u>

See notes to financial statements.

Secondary Roads	IPSCO TIF	Debt Service	Capital Projects	Nonmajor	Total
-	-	1,162,008	-	-	13,301,678
1,569,049	-	-	-	-	1,569,049
-	2,426,949	-	-	-	2,426,949
-	-	-	-	-	143,331
3,669,588	-	108,114	-	84,589	9,280,544
2,475	-	-	-	-	57,704
717	-	-	-	33,291	949,125
-	-	-	-	196,357	336,494
23,175	-	-	-	98,173	163,573
5,265,004	2,426,949	1,270,122	-	412,410	28,228,447
-	-	-	-	317,544	7,263,162
-	-	-	-	-	1,295,177
-	-	-	-	-	4,673,403
-	-	-	-	58,449	1,611,528
6,087,223	-	-	-	-	6,087,223
-	-	-	-	86,759	874,604
-	-	-	-	115,927	2,526,382
-	2,426,868	1,408,770	-	-	3,835,638
1,877,995	-	-	3,431,125	28,937	5,338,057
7,965,218	2,426,868	1,408,770	3,431,125	607,616	33,505,174
(2,700,214)	81	(138,648)	(3,431,125)	(195,206)	(5,276,727)
-	-	-	-	14,301	22,416
1,125,000	-	280,091	400,000	44,000	1,853,041
-	-	-	(280,091)	(3,950)	(1,853,041)
-	-	-	-	-	17,640
-	-	-	9,200,000	-	9,200,000
-	-	-	(87,819)	-	(87,819)
1,125,000	-	280,091	9,232,090	54,351	9,152,237
(1,575,214)	81	141,443	5,800,965	(140,855)	3,875,510
2,267,170	75	45,963	201,178	493,470	6,659,714
691,956	156	187,406	6,002,143	352,615	10,535,224

Muscatine County

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2010

Net change in fund balances - Total governmental funds (page 23) \$3,875,510

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 5,324,313	
Capital assets contributed by the Iowa Department of Transportation	1,710,248	
Depreciation/amortization expense	<u>(1,945,703)</u>	5,088,858

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (22,182)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax		27,655
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(9,217,640)	
Repaid	<u>3,267,848</u>	(5,949,792)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(44,306)	
Other postemployment benefits	(36,621)	
Interest on long-term debt	<u>4,539</u>	(76,388)

The Internal Service Funds are used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan and county insurance to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities. 155,940

Change in net assets of governmental activities (page 17) \$3,099,601

See notes to financial statements.

Muscatine County
Statement of Net Assets
Proprietary Funds

June 30, 2010

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 114,157
Liabilities	
Accounts payable	<u>58,643</u>
Net Assets	
Unrestricted	<u><u>\$ 55,514</u></u>

See notes to financial statements.

Exhibit H

Muscatine County
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2010

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,971,632
Reimbursements from employees and others		59,276
Total operating revenues		<u>2,030,908</u>
Operating expenses:		
Health claims and administrative services	\$ 1,859,017	
Loss contingencies and deductibles	<u>15,959</u>	<u>1,874,976</u>
Operating income		155,932
Non-operating revenues:		
Interest income		<u>8</u>
Net income		155,940
Net assets beginning of year		<u>(100,426)</u>
Net assets end of year		<u>\$ 55,514</u>

See notes to financial statements.

Muscatine County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2010

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,971,632
Cash received from employees and others	59,276
Cash paid to suppliers for services	<u>(2,098,702)</u>
Net cash used by operating activities	(67,794)
Cash flows from investing activities:	
Interest on investments	<u>8</u>
Net decrease in cash and cash equivalents	(67,786)
Cash and cash equivalents beginning of year	<u>181,943</u>
Cash and cash equivalents end of year	<u><u>\$ 114,157</u></u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 155,932
Adjustment to reconcile operating income to net cash used by operating activities:	
Decrease in accounts payable	<u>(223,726)</u>
Net cash used by operating activities	<u><u>\$ (67,794)</u></u>

See notes to financial statements.

Muscatine County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2010

Assets

Cash and pooled investments:

County Treasurer	\$ 3,000,486
Other County officials	934,935

Receivables:

Property tax:

Delinquent	147,157
Succeeding year	40,379,000

Accounts	26,017
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Accrued interest	1,557
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Assessments	121,945
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Due from other governments	53,976
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Total assets	<u>44,665,073</u>
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Liabilities

Accounts payable	16,898
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Salaries and benefits payable	40,498
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Due to other governments	43,244,261
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Trusts payable	1,293,129
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Compensated absences	70,287
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Total liabilities	<u>44,665,073</u>
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Net assets	<u>\$ -</u>
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See notes to financial statements.

Muscatine County

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

Muscatine County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Muscatine County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Muscatine County Assessor's Conference Board, Muscatine County Emergency Management Commission, Great River Bend Area Agency on Aging, Muscatine County Joint E911 Service Board and Muscatine County Empowerment Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Veterans' Plaza Authority, Bi-State Regional Planning Commission, Muscatine County Solid Waste Management Agency, Muscatine Area Geographic Information Consortium, Muscatine County Joint Communications Commission, Muscatine County Drug Task Force and Job Training Partnership Act Quality Jobs Program.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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 two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The IPSCO TIF Fund is used to account for the payment of interest and principal on the IPSCO Urban Renewal Tax Increment Revenue Bonds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following funds:

Proprietary Funds – Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the County apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Assessments Receivable – Assessments receivable represent amounts assessed to individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Infrastructure	10 - 65
Buildings and improvements	20 - 50
Intangibles	2 - 20
Equipment	2 - 20
Vehicles	3 - 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Internal Service, Health Insurance Trust and County Insurance Trust Funds are designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended, June 30, 2010, disbursements exceeded the amount budgeted in the non-program function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Mental Health	\$ 788
Special Revenue: Secondary Roads	General	7,440
	Special Revenue: Mental Health	49
	Rural Services	290
		<u>7,779</u>
Total		<u>\$ 8,567</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: County Recorder's Records Management	\$ 3,950
Special Revenue: Secondary Roads	General	25,000
Conservation Youth Corp	Special Revenue: Rural Services	1,100,000
Geographic Information System	General	4,000
	General	15,000
	Special Revenue: Rural Services	25,000
Debt Service	Capital Projects	280,091
Capital Projects	General	400,000
Total		<u>\$ 1,853,041</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 1,958,235	-	-	1,958,235
Intangibles, road network	1,195,713	-	-	1,195,713
Construction in progress	-	2,966,880	-	2,966,880
Construction in progress, road network	989,601	3,400,658	(3,033,069)	1,357,190
Total capital assets not being depreciated/amortized	<u>4,143,549</u>	<u>6,367,538</u>	<u>(3,033,069)</u>	<u>7,478,018</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	21,164,547	413,744	-	21,578,291
Equipment and vehicles	6,284,154	212,379	(145,592)	6,350,941
Intangibles	347,771	-	-	347,771
Infrastructure, road network	29,579,022	3,033,069	-	32,612,091
Infrastructure, other	648,656	43,400	-	692,056
Total capital assets being depreciated/amortized	<u>58,024,150</u>	<u>3,702,592</u>	<u>(145,592)</u>	<u>61,581,150</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	9,161,103	393,441	-	9,554,544
Equipment and vehicles	3,986,264	599,931	(120,910)	4,465,285
Intangibles	103,914	44,575	-	148,489
Infrastructure, road network	13,345,718	880,243	-	14,225,961
Infrastructure, other	190,062	27,513	-	217,575
Total accumulated depreciation/amortization	<u>26,787,061</u>	<u>1,945,703</u>	<u>(120,910)</u>	<u>28,611,854</u>
Total capital assets being depreciated/amortized, net	<u>31,237,089</u>	<u>1,756,889</u>	<u>(24,682)</u>	<u>32,969,296</u>
Governmental activities capital assets, net	<u>\$ 35,380,638</u>	<u>8,124,427</u>	<u>(3,057,751)</u>	<u>40,447,314</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 335,455
Physical health and social services	16,495
Mental health	58,507
County environment and education	100,892
Roads and transportation	1,279,580
Governmental services to residents	56,606
Administration	98,168
Total depreciation/amortization expense - governmental activities	<u><u>\$ 1,945,703</u></u>

The cost and accumulated depreciation of the leased county jail facility at June 30, 2010 were \$8,450,000 and \$2,535,000, respectively.

Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. Right of way totaling \$1,195,713, which was previously reported as land, road network, was reclassified as intangibles, road network. Restatement of the beginning net assets and capital assets for governmental activities for additional intangible assets is discussed in Note 13 to the financial statements.

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	<u>\$ 8,863</u>
Special Revenue:		
Mental Health	Services	249,006
Rural Services	Services	150
Secondary Roads	Services	90,362
		<u>339,518</u>
Total for governmental funds		<u><u>\$ 348,381</u></u>
Agency:		
County Assessor	Collections	\$ 706,598
Schools		23,188,624
Community Colleges		1,440,804
Corporations		15,393,778
Townships		338,750
Auto License and Use Tax		858,944
Drainage Districts		676,446
All other		640,317
Total for agency funds		<u><u>\$ 43,244,261</u></u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Capital Lease Purchase Agreements	Urban Renewal Tax Increment Revenue Bonds	General Obligation Building Bonds	General Obligation Computer Equipment Notes	General Obligation Urban Renewal Bonds	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 1,920,064	6,977,000	985,000	94,000	-	1,231,756	34,181	11,242,001
Increases	17,640	-	-	-	9,200,000	736,268	36,621	9,990,529
Decreases	626,848	2,157,000	390,000	94,000	-	691,962	-	3,959,810
Balance end of year	\$ 1,310,856	4,820,000	595,000	-	9,200,000	1,276,062	70,802	17,272,720
Due within one year	\$ 641,744	2,322,000	395,000	-	-	593,260	-	3,952,004

Capital Lease Purchase Agreements

The County entered into a capital lease purchase agreement, dated December 1, 1991, with the Veterans' Plaza Authority (Authority), a jointly governed organization, for the purpose of leasing a new correctional facility to the County which the Authority agreed to construct. The lease payments correspond in timing and amount with the debt service obligations of the Authority for bonds the Authority issued to fund construction of the correctional facility. Muscatine County has an annual Debt Service Fund levy for which collections have been pledged to the Authority for the purpose of paying the Authority's bond and interest amounts due. The lease term continues until all bonds are retired or a purchase option is exercised by the County, which requires a payment from the County to the Authority sufficient to retire all remaining outstanding bonds and interest. At the end of the lease term, the Authority surrenders ownership rights in the property to the County. The County makes lease payments directly to the Authority's Trustee pursuant to an Indenture of Trust which the Authority established to retire the bonds and interest.

The County has also entered into capital lease purchase agreements for copy machines for the County Sheriff and the County Attorney.

The following is a schedule of the future minimum lease payments, including interest at rates ranging from 0.0% to 3.40% per annum, for the correctional facility and various copy machines and the present value of net minimum lease payments under the agreements in effect at June 30, 2010:

Year Ending June 30,	Correctional Facility	Copiers		Total
		County Sheriff	County Attorney	
2011	\$ 677,908	3,528	3,450	684,886
2012	677,270	3,528	-	680,798
2013	-	3,528	-	3,528
2014	-	3,528	-	3,528
2015	-	3,528	-	3,528
Total minimum lease payments	1,355,178	17,640	3,450	1,376,268
Less amount representing interest	(65,178)	-	(234)	(65,412)
Present value of net minimum lease payments	\$ 1,290,000	17,640	3,216	1,310,856

Payments under the capital lease purchase agreements totaled \$689,698 for the year ended June 30, 2010.

Urban Renewal Tax Increment Revenue Bonds

On August 3, 1995, the County issued \$23,550,000 of urban renewal tax increment revenue bonds. The bonds bear interest at 7.49% per annum with final maturity on April 10, 2012. The proceeds were used to make an economic development grant to IPSCO Steel, Inc. as an incentive to encourage it to construct and equip a steel manufacturing facility in the County.

Since repayment of the bonds is dependent upon the amount of tax increment financing revenues collected each year, a formal repayment schedule has not been established for the urban renewal tax increment revenue bonds. Interest is due and payable from tax increment financing revenues on October 10, 1997 and semi-annually thereafter until final maturity on April 10, 2012.

During the year ended June 30, 2010, the County paid principal and interest of \$2,157,000 and \$482,918, respectively, on the bonds. The balance of the bonds at June 30, 2010 was \$4,820,000. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

General Obligation Bonds/Notes Payable

A summary of the County’s June 30, 2010 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Administrative Office Building and Remodeling		
		Principal	Interest	Total
2011	3.65-3.90%	\$ 395,000	22,607	417,607
2012	3.65	100,000	7,422	107,422
2013	3.65	100,000	3,700	103,700
Total		\$ 595,000	33,729	628,729

During the year ended June 30, 2010, the County retired \$390,000 of general obligation bonds for the administrative office building and remodeling and the remaining \$94,000 of general obligation notes for computer equipment.

General Obligation Urban Renewal Build America Bonds

A summary of the County's June 30, 2010 general obligation urban renewal Build America bond indebtedness is as follows:

Year Ending June 30,	Interest Rates	Jail		
		Principal	Interest *	Total
2011	-	\$ -	438,214	438,214
2012	2.00%	365,000	438,214	803,214
2013	2.63	375,000	430,914	805,914
2014	3.20	385,000	421,070	806,070
2015	3.50	400,000	408,750	808,750
2016-2020	4.00-4.90	2,220,000	1,794,280	4,014,280
2021-2025	5.00-5.40	2,750,000	1,213,199	3,963,199
2026-2029	5.50-5.80	2,705,000	394,760	3,099,760
Total		\$ 9,200,000	5,539,401	14,739,401

* - The County is eligible to receive a 35% tax credit toward interest payments made upon its application to the federal government.

During the year ended June 30, 2010, the County issued \$9,200,000 of general obligation urban renewal Build America bonds for the jail expansion/remodel project.

(8) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$614,279, \$495,010 and \$459,076, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 184 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 54,789
Interest on net OPEB obligation	1,367
Adjustment to annual required contribution	<u>(1,358)</u>
Annual OPEB cost	54,798
Contributions made	<u>(18,177)</u>
Increase in net OPEB obligation	36,621
Net OPEB obligation beginning of year	<u>34,181</u>
Net OPEB obligation end of year	<u>\$ 70,802</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$18,177 to the medical plan. Plan members eligible for benefits contributed \$184,766, or 91.0% of the premium costs.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 54,798	33.17%	\$ 70,802

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$552,843, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$552,843. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,909,582 and the ratio of the UAAL to covered payroll was 7.0%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend

information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial report as of June 30, 2007.

The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2010 were \$213,136.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in the aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Traveler's Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The Internal Service, Health Insurance Trust Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$75,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Health Insurance Trust Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Health Insurance Trust Fund. The County's contribution for the year ended June 30, 2010 was \$1,951,632.

Amounts payable from the Health Insurance Trust Fund at June 30, 2010 total \$58,559, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. A liability has

been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 281,879
Incurred claims (including claims incurred but not reported at June 30, 2010)	1,635,697
Payment on claims during the fiscal year	<u>(1,859,017)</u>
Unpaid claims end of year	<u><u>\$ 58,559</u></u>

(12) Jointly Governed Organizations

The County participates in the Muscatine County Joint Communications Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2010:

Additions:		
Contributions from Muscatine County		\$ 913,949
Miscellaneous		<u>666</u>
Total additions		914,615
Deductions:		
Salaries	\$ 569,690	
Benefits	218,767	
Office supplies	3,628	
Uniforms	2,051	
Legal representation and publications	511	
Telephone	8,864	
Travel	2,294	
Training	7,750	
Equipment replacement	4,998	
Maintenance and rentals	49,855	
Insurance	18,722	
Miscellaneous	<u>1,717</u>	<u>888,847</u>
Net		25,768
Balance beginning of year		<u>152,872</u>
Balance end of year		<u><u>\$ 178,640</u></u>

The County participates in the Muscatine County Drug Task Force, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are maintained by the County Attorney and included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2010:

Additions:		
Proceeds from the sale of seized and forfeited property		\$ 57,552
Contributions and donations		16,796
Miscellaneous		3,870
Total additions		<u>78,218</u>
Deductions:		
Contributions to governmental units:		
Muscatine County Attorney	\$ 7,886	
Muscatine County Sheriff	7,886	
City of Muscatine Police Department	7,886	
Iowa Department of Public Safety	7,886	
Office supplies and equipment	7,541	
Utilities	6,770	
Training	864	
Task force equipment	9,750	
Investigations	73,668	
Miscellaneous	4,488	<u>134,625</u>
Net		(56,407)
Balance beginning of year		<u>83,320</u>
Balance end of year		<u><u>\$ 26,913</u></u>

A special investigation by the Office of Auditor of State was requested by Iowa Division of Criminal Investigation (DCI) officials as a result of concerns regarding controls over cash held at the Task Force. The investigation covered the period January 1, 2004 through November 30, 2009. The special investigation identified a number of variances between the property held by the Task Force and the documentation related to the property, which were included in a separate report issued on July 8, 2010.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during the year ended June 30, 2010. Beginning net assets and capital assets for governmental activities were restated to retroactively report intangible assets acquired prior to July 1, 2009, as follows:

	<u>Net</u> <u>Assets</u>	<u>Capital</u> <u>Assets</u>
Balances June 30, 2009, as previously reported	\$ 30,601,480	35,234,037
Increase for intangible assets, less accumulated amortization	<u>146,601</u>	<u>146,601</u>
Balances July 1, 2009, as restated	<u><u>\$ 30,748,081</u></u>	<u><u>35,380,638</u></u>

(14) Subsequent Event

On September 1, 2010, the County issued \$950,000 of general obligation bonds to pay the costs of installing a new heating and cooling system in the County Courthouse. The bonds are payable from property tax levied against all of the taxable property in the County.

(15) Restatement of Financial Statements

The County's previously issued financial statements for the year ended June 30, 2010 were reissued due to material misstatements discovered subsequent to issuance. The County overstated deferred revenues and understated accounts payable related to FEMA revenues and expenditures/expenses. Adjustments have been made to the County's financial statements as follows:

	<u>Governmental Activities</u>	<u>Special Revenue, Secondary Roads Fund</u>
<u>Statement of Net Assets/Balance Sheet (Exhibits A and C):</u>		
Decrease deferred revenue	\$ 812,000	812,000
Increase accounts payable	(189,000)	(189,000)
Increase net assets/fund balance, end of year	<u>\$ 623,000</u>	<u>623,000</u>
 <u>Statement of Activities/Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibits B and E):</u>		
Increase operating grants, contributions and restricted interest/ intergovernmental revenues	\$ 812,000	812,000
Increase roads and transportation expenses/capital projects expenditures	(189,000)	(189,000)
Increase net assets/fund balance, end of year	<u>\$ 623,000</u>	<u>623,000</u>

In addition, the condensed financial statements in the government-wide financial analysis section and the individual major fund analysis section of Management's Discussion and Analysis were revised for these adjustments to the Special Revenue, Secondary Roads Fund.

Required Supplementary Information

Muscatine County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2010

	Actual	Budgeted Amounts		Final to
		Original	Final	Net Variance
Receipts:				
Property and other county tax	\$ 14,852,634	15,073,681	15,073,681	(221,047)
Tax increment financing	2,426,949	2,800,000	2,800,000	(373,051)
Interest and penalty on property tax	143,331	135,500	135,500	7,831
Intergovernmental	9,450,456	9,741,598	11,390,745	(1,940,289)
Licenses and permits	53,928	70,350	70,350	(16,422)
Charges for service	931,523	861,450	861,450	70,073
Use of money and property	321,716	474,500	349,500	(27,784)
Miscellaneous	197,208	103,050	163,050	34,158
Total receipts	<u>28,377,745</u>	<u>29,260,129</u>	<u>30,844,276</u>	<u>(2,466,531)</u>
Disbursements:				
Public safety and legal services	7,256,021	7,294,180	7,476,880	220,859
Physical health and social services	1,406,345	1,534,736	1,742,633	336,288
Mental health	4,746,636	5,325,749	5,340,845	594,209
County environment and education	1,836,605	2,554,218	3,743,099	1,906,494
Roads and transportation	6,509,284	6,500,000	6,946,000	436,716
Governmental services to residents	787,313	810,997	820,997	33,684
Administration	2,570,257	2,632,821	2,715,806	145,549
Non-program	83,815	30,000	30,000	(53,815)
Debt service	3,835,638	3,995,214	4,395,214	559,576
Capital projects	4,050,150	1,225,000	11,109,800	7,059,650
Total disbursements	<u>33,082,064</u>	<u>31,902,915</u>	<u>44,321,274</u>	<u>11,239,210</u>
Excess (deficiency) of receipts over (under) disbursements	(4,704,319)	(2,642,786)	(13,476,998)	8,772,679
Other financing sources, net	9,120,296	7,000	9,207,000	(86,704)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	4,415,977	(2,635,786)	(4,269,998)	8,685,975
Balance beginning of year	7,107,736	5,374,000	6,880,840	226,896
Balance end of year	<u>\$ 11,523,713</u>	<u>2,738,214</u>	<u>2,610,842</u>	<u>8,912,871</u>

See accompanying independent auditor's report.

Muscatine County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 28,377,745	(149,298)	28,228,447
Expenditures	33,082,064	423,110	33,505,174
Net	(4,704,319)	(572,408)	(5,276,727)
Other financing sources, net	9,120,296	31,941	9,152,237
Beginning fund balances	7,107,736	(448,022)	6,659,714
Ending fund balances	\$ 11,523,713	(988,489)	10,535,224

See accompanying independent auditor's report.

Muscatine County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Agency Funds and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$12,418,359. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the non-program function.

Muscatine County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	-	\$ 553	553	0.00%	\$ 7,788	7.1%
2010	Jul 1, 2008	-	553	553	0.00	7,910	7.0

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Muscatine County

Other Supplementary Information

Muscatine County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2010

	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition	Conservation Youth Corp
Assets				
Cash and pooled investments	\$ 26,874	57,190	96,442	13,349
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 26,874	57,190	96,442	13,349
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	1,500	146	60
Salaries payable	-	-	-	1,898
Total liabilities	-	1,500	146	1,958
Fund balances:				
Unreserved	26,874	55,690	96,296	11,391
Total liabilities and fund balances	\$ 26,874	57,190	96,442	13,349

See accompanying independent auditor's report.

Special Revenue						
Jail Commissary	County Sheriff's Forfeiture	Sheriff Special	County Sheriff's Firearms Buyback	County Attorney's Forfeiture	Geographic Information System	Total
31,540	45,793	1,634	3,677	40,921	31,291	348,711
16,286	-	-	3,823	-	-	20,109
-	1,200	-	-	-	-	1,200
47,826	46,993	1,634	7,500	40,921	31,291	370,020
13,801	-	-	-	-	-	15,507
-	-	-	-	-	-	1,898
13,801	-	-	-	-	-	17,405
34,025	46,993	1,634	7,500	40,921	31,291	352,615
47,826	46,993	1,634	7,500	40,921	31,291	370,020

Muscatine County

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2010

	County Recorder's Records Management	Resource Enhance- ment and Protection	Conservation Land Acquisition	Conservation Youth Corp
Revenues:				
Intergovernmental	\$ -	26,375	-	-
Charges for service	7,281	-	26,010	-
Use of money and property	2	5	3,692	-
Miscellaneous	-	-	10,497	6,800
Total revenues	7,283	26,380	40,199	6,800
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	46,141	12,308
Governmental services to residents Administration	1,445	85,314	-	-
Capital projects	-	-	28,937	-
Total expenditures	1,445	85,314	75,078	12,308
Excess (deficiency) of revenues over (under) expenditures	5,838	(58,934)	(34,879)	(5,508)
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	4,000
Operating transfers out	(3,950)	-	-	-
Total other financing sources (uses)	(3,950)	-	-	4,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,888	(58,934)	(34,879)	(1,508)
Fund balances beginning of year	24,986	114,624	131,175	12,899
Fund balances end of year	\$ 26,874	55,690	96,296	11,391

See accompanying independent auditor's report.

Special Revenue							
Jail Commissary	County Sheriff Forfeiture	Sheriff Special	County Sheriff's Firearms Buyback	County Attorney's Forfeiture	Geographic Information System	Total	
-	-	-	-	-	58,214	84,589	
-	-	-	-	-	-	33,291	
192,655	-	-	-	3	-	196,357	
-	66,721	1,009	4,588	8,558	-	98,173	
192,655	66,721	1,009	4,588	8,561	58,214	412,410	
175,018	126,709	667	4,588	10,562	-	317,544	
-	-	-	-	-	-	58,449	
-	-	-	-	-	-	86,759	
-	-	-	-	-	115,927	115,927	
-	-	-	-	-	-	28,937	
175,018	126,709	667	4,588	10,562	115,927	607,616	
17,637	(59,988)	342	-	(2,001)	(57,713)	(195,206)	
4,051	10,250	-	-	-	-	14,301	
-	-	-	-	-	40,000	44,000	
-	-	-	-	-	-	(3,950)	
4,051	10,250	-	-	-	40,000	54,351	
21,688	(49,738)	342	-	(2,001)	(17,713)	(140,855)	
12,337	96,731	1,292	7,500	42,922	49,004	493,470	
34,025	46,993	1,634	7,500	40,921	31,291	352,615	

Schedule 3

Muscatine County
Combining Schedule of Net Assets
Internal Service Funds

June 30, 2010

	Health Insurance Trust	County Insurance Trust	Total
Assets			
Cash and cash equivalents	\$ 66,099	48,058	114,157
Liabilities			
Accounts payable	58,559	84	58,643
Net Assets			
Unrestricted	\$ 7,540	47,974	55,514

See accompanying independent auditor's report.

Muscatine County

Combining Schedule of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds

Year ended June 30, 2010

	Health Insurance Trust	County Insurance Trust	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,951,632	20,000	1,971,632
Reimbursements from others	35,150	24,126	59,276
Total operating revenues	1,986,782	44,126	2,030,908
Operating expenses:			
Health claims and administrative services	1,859,017	-	1,859,017
Loss contingencies and deductibles	-	15,959	15,959
Total operating expenses	1,859,017	15,959	1,874,976
Operating income	127,765	28,167	155,932
Non-operating revenues:			
Interest income	8	-	8
Change in net assets	127,773	28,167	155,940
Net assets beginning of year	(120,233)	19,807	(100,426)
Net assets end of year	\$ 7,540	47,974	55,514

See accompanying independent auditor's report.

Schedule 5

Muscatine County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2010

	Health Insurance Trust	County Insurance Trust	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 1,951,632	20,000	1,971,632
Cash received from others	35,150	24,126	59,276
Cash paid to suppliers for services	(2,082,337)	(16,365)	(2,098,702)
Net cash provided (used) by operating activities	(95,555)	27,761	(67,794)
Cash flows from investing activities:			
Interest on investments	8	-	8
Net decrease in cash and cash equivalents	(95,547)	27,761	(67,786)
Cash and cash equivalents beginning of year	161,646	20,297	181,943
Cash and cash equivalents end of year	\$ 66,099	48,058	114,157
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating income	\$ 127,765	28,167	155,932
Adjustment to reconcile operating income to net cash provided (used) by operating activities:			
Decrease in accounts payable	(223,320)	(406)	(223,726)
Net cash provided (used) by operating activities	\$ (95,555)	27,761	(67,794)

See accompanying independent auditor's report.

Muscatine County

Muscatine County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
Assets						
Cash and pooled investments:						
County Treasurer	\$ -	2,734	230,798	283,371	16,789	202,416
Other County officials	908,022	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	982	2,169	102,253	6,015	32,634
Succeeding year	-	224,000	543,000	22,803,000	1,418,000	15,037,000
Accounts	468	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Assessments	-	-	-	-	-	121,728
Due from other governments	-	-	-	-	-	-
Total assets	\$ 908,490	227,716	775,967	23,188,624	1,440,804	15,393,778
Liabilities						
Accounts payable	\$ -	-	1,158	-	-	-
Salaries and benefits payable	-	-	10,397	-	-	-
Due to other governments	31,727	227,716	706,598	23,188,624	1,440,804	15,393,778
Trusts payable	876,763	-	-	-	-	-
Compensated absences	-	-	57,814	-	-	-
Total liabilities	\$ 908,490	227,716	775,967	23,188,624	1,440,804	15,393,778

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
3,952	858,944	674,672	178,640	-	548,170	3,000,486
-	-	-	-	26,913	-	934,935
2,798	-	-	-	-	306	147,157
332,000	-	-	-	-	22,000	40,379,000
-	-	-	80	-	25,469	26,017
-	-	1,557	-	-	-	1,557
-	-	217	-	-	-	121,945
-	-	-	-	-	53,976	53,976
338,750	858,944	676,446	178,720	26,913	649,921	44,665,073
-	-	-	689	-	15,051	16,898
-	-	-	28,200	-	1,901	40,498
338,750	858,944	676,446	149,831	26,913	204,130	43,244,261
-	-	-	-	-	416,366	1,293,129
-	-	-	-	-	12,473	70,287
338,750	858,944	676,446	178,720	26,913	649,921	44,665,073

Muscatine County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
Assets and Liabilities						
Balances beginning of year	\$ 897,077	220,396	762,292	22,760,367	1,353,400	14,508,000
Additions:						
Property and other county tax	-	224,531	543,173	22,992,900	1,432,574	15,068,112
E911 surcharge	-	-	-	-	-	-
State tax credits	-	6,801	15,015	703,646	41,675	383,017
Office fees and collections	758,294	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	121,728
Trusts	4,047,965	-	-	-	-	-
Miscellaneous	8,790	-	1,411	64,148	-	-
Total additions	<u>4,815,049</u>	<u>231,332</u>	<u>559,599</u>	<u>23,760,694</u>	<u>1,474,249</u>	<u>15,572,857</u>
Deductions:						
Agency remittances:						
To other funds	414,859	-	-	-	-	-
To other governments	349,464	224,012	545,924	23,332,437	1,386,845	14,687,079
Trusts paid out	4,039,313	-	-	-	-	-
Total deductions	<u>4,803,636</u>	<u>224,012</u>	<u>545,924</u>	<u>23,332,437</u>	<u>1,386,845</u>	<u>14,687,079</u>
Balances end of year	<u>\$ 908,490</u>	<u>227,716</u>	<u>775,967</u>	<u>23,188,624</u>	<u>1,440,804</u>	<u>15,393,778</u>

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
345,273	813,815	651,646	152,872	83,320	844,861	43,393,319
334,145	-	-	-	-	25,651	40,621,086
-	-	-	-	-	182,713	182,713
12,211	-	-	-	-	774	1,163,139
-	-	-	-	-	-	758,294
-	9,218,451	-	-	-	-	9,218,451
-	-	140,380	-	-	-	262,108
-	-	-	-	-	-	4,047,965
-	-	14,240	914,695	78,159	4,421,044	5,502,487
346,356	9,218,451	154,620	914,695	78,159	4,630,182	61,756,243
-	314,355	-	-	-	-	729,214
352,879	8,858,967	129,820	888,847	134,566	4,825,122	55,715,962
-	-	-	-	-	-	4,039,313
352,879	9,173,322	129,820	888,847	134,566	4,825,122	60,484,489
338,750	858,944	676,446	178,720	26,913	649,921	44,665,073

Muscatine County
 Schedule of Revenues By Source and Expenditures By Function -
 All Governmental Funds
 For the Last Ten Years

	2010	2009	2008
Revenues:			
Property and other county tax	\$ 13,301,678	12,374,917	11,687,141
Local option sales tax	1,569,049	1,890,098	1,525,736
Tax increment financing	2,426,949	2,710,391	2,779,066
Interest and penalty on property tax	143,331	158,370	177,397
Intergovernmental	9,280,544	9,625,903	7,279,800
Licenses and permits	57,704	58,197	71,353
Charges for service	949,125	786,881	953,362
Use of money and property	336,494	476,709	671,957
Miscellaneous	163,573	277,782	119,239
Total	\$ 28,228,447	28,359,248	25,265,051
Expenditures:			
Operating:			
Public safety and legal services	\$ 7,263,162	6,661,244	6,430,196
Physical health and social services	1,295,177	1,518,634	1,397,525
Mental health	4,673,403	4,686,393	4,899,395
County environment and education	1,611,528	1,514,371	855,660
Roads and transportation	6,087,223	6,741,764	3,995,683
Governmental services to residents	874,604	819,374	744,212
Administration	2,526,382	2,486,510	2,202,626
Non-program	-	-	482
Debt service	3,835,638	3,908,576	3,862,312
Capital projects	5,338,057	1,004,988	2,229,263
Total	\$ 33,505,174	29,341,854	26,617,354

* Restated to include financial activity related to the Special Revenue, IPSCO TIF Fund.

See accompanying independent auditor's report.

Modified Accrual Basis						
2007	2006	2005	2004	2003*	2002*	2001*
10,903,381	9,427,758	8,929,409	9,126,056	9,291,992	9,076,263	8,739,212
1,612,758	1,426,194	1,207,208	1,376,438	1,310,286	1,237,943	1,405,978
2,728,449	2,518,739	2,659,483	2,458,523	2,457,784	2,908,378	2,889,528
135,701	129,222	134,751	127,342	144,830	212,979	104,846
8,658,921	7,917,815	7,448,135	7,603,530	7,927,276	8,021,297	8,353,920
90,155	134,265	110,512	55,094	15,572	13,029	14,213
1,044,584	993,581	1,012,192	1,034,421	1,014,933	949,760	1,483,781
808,911	690,112	496,672	318,069	527,125	993,777	677,912
400,300	267,666	171,141	670,697	559,391	435,417	171,515
26,383,160	23,505,352	22,169,503	22,770,170	23,249,189	23,848,843	23,840,905
6,190,825	5,995,995	5,980,757	5,294,006	5,020,243	4,813,687	4,694,131
1,345,536	1,244,312	1,367,221	1,286,790	1,360,473	1,465,092	1,500,002
4,560,083	4,872,925	4,361,931	4,108,575	4,364,043	4,251,095	6,718,152
862,523	811,459	771,303	691,276	682,378	648,066	667,141
3,965,737	3,679,065	4,706,304	3,974,820	3,774,979	3,485,159	3,054,161
772,229	1,045,653	770,148	671,631	625,204	584,730	597,979
2,149,595	2,060,956	1,967,755	1,869,951	1,898,196	1,968,484	1,883,392
329	94	83,479	443,908	-	55,881	43,410
3,873,429	3,395,626	3,332,801	3,113,051	3,638,246	3,423,630	3,375,245
2,543,108	1,205,609	2,643,201	575,768	440,019	824,947	2,730,522
26,263,394	24,311,694	25,984,900	22,029,776	21,803,781	21,520,771	25,264,135

Muscatine County

Schedule of Expenditures of Federal Awards - Revised

Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Corporation for National and Community Service: Americorps	94.006		\$ 10,413
U.S. Department of Homeland Security:			
Emergency Food and Shelter National Board Program	97.024	27-2992-00	1,657
ARRA - Emergency Food and Shelter National Board Program	97.024	27-2992-00	10,146
Emergency Food and Shelter National Board Program	97.024	28-2992-00	1,919
			<u>13,722</u>
Total direct			<u>24,135</u>
Indirect:			
Office of National Drug Control Policy:			
Iowa Department of Public Safety:			
High Intensity Drug Trafficking Area Program	07.000	G10MW0002A	39,111
High Intensity Drug Trafficking Area Program	07.000	G09MW0002A	48,392
High Intensity Drug Trafficking Area Program	07.000	I8MPWP556Z	5,433
			<u>92,936</u>
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>26,433</u>
U.S. Department of Justice:			
Iowa Attorney General:			
Violence Against Women Formula Grants	16.588	VW-09-48A	<u>2,349</u>
Iowa Governor's Office of Drug Control Policy:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.738	09JAG/ARRA-225	<u>102,076</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.804	2010-DJ-BX-0788	<u>60,005</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction (Federal-Aid Highway Planning)	20.205	DDIR-70-001/ LER-(F70)--7X-70	<u>102,823</u>
Iowa Department of Public Safety:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	10-410 Task 51	16,592
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	09-410 Task 52	7,533
			<u>24,125</u>
U.S. Department of Education:			
Treasurer of the State of Iowa:			
ARRA - State Fiscal Stabilization Fund - Government Services	84.397	5397A090016A	<u>25,461</u>

Muscatine County
 Schedule of Expenditures of Federal Awards - Revised
 Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		10,654
Refugee and Entrant Assistance-State Administered Programs	93.566		73
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		6,864
Foster Care - Title IV-E	93.658		13,769
Adoption Assistance	93.659		3,453
Children's Health Insurance Program	93.767		152
Medical Assistance Program	93.778		29,383
Social Services Block Grant	93.667		13,093
Social Services Block Grant	93.667		185,112
			<u>198,205</u>
Des Moines County, Iowa:			
Centers for Disease Control and Prevention- Investigation and Technical Assistance	93.283	5880BT70	152,646
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1763 DRIA	1,465,788
Hazard Mitigation Grant	97.039	DR-1688-0005-00	28,126
Emergency Management Performance Grants	97.042		34,733
Total indirect			<u>2,380,054</u>
Total			<u>\$ 2,404,189</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Muscatine County and is presented on the modified 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 basic financial statements.

The Schedule of Expenditures of Federal Awards (SEFA) has been restated to increase expenditures for CFDA Number 97.036, Disaster Grants – Public Assistance (Presidentially Declared Disasters) by \$723,000 which were originally inadvertently excluded.

See accompanying independent auditor's report.

Muscatine County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 Officials of Muscatine County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Muscatine County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 7, 2011 except for Exhibits A through F, Note 15 and Schedules 8 and 9 as to which the date is January 18, 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-F-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-10 through II-E-10 to be significant deficiencies.

Compliance and Other Matters

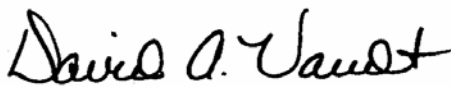
As part of obtaining reasonable assurance about whether Muscatine County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

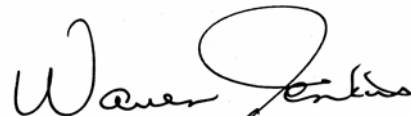
Muscatine County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Muscatine County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Muscatine County and other parties to whom Muscatine County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Muscatine County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 7, 2011, except for Exhibits A through F,
Note 15 and Schedules 8 and 9 as to which the
date is January 18, 2012

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Muscatine County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Muscatine County:

Compliance

We have audited the compliance of Muscatine County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Muscatine County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Muscatine County's management. Our responsibility is to express an opinion on Muscatine County'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 non-compliance 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 Muscatine County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Muscatine County's compliance with those requirements.

In our opinion, Muscatine County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Muscatine County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Muscatine County'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 Muscatine County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

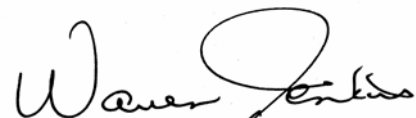
A deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item III-B-10 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a significant deficiency.

Muscatine County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Muscatine County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Muscatine County and other parties to whom Muscatine County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 7, 2011 except for Schedule 9,
as to which the date is January 18, 2012

Muscatine County
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results - Revised:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness and a significant deficiency in internal control over a major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
 - CFDA Number 93.667 Social Services Block Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Muscatine County did not qualify as a low-risk auditee.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Financial Reporting – During the audit, we identified a material receivable not recorded in the County’s Internal Service, Health Insurance Trust Fund. We also determined the capital asset listing was not updated for a material addition. In addition, payables and deferred revenue related to FEMA were materially misstated in the Special Revenue, Secondary Roads Fund. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, capital asset additions, payables and deferred revenue are identified and included in the County’s financial statements.

Response – We will include all receivables, capital asset additions, payables and deferred revenues in the financial statements in the future.

Conclusion – Response accepted.

II-B-10 Zoning Department – The Zoning Department has a petty cash fund, and all employees in the Zoning Department have access to the petty cash.

Receipts were not deposited with the County Treasurer on a timely basis.

There is no reconciliation between cash receipts and the manual receipt books. In addition, there is no reconciliation between radon kits ordered, collections from the sale of radon kits per the receipt books and the number of radon kits still available to be sold.

Recommendation – Petty cash should be the responsibility of one person and only that person should have access to the petty cash fund. Receipts should be deposited with the County Treasurer timely. In addition, a reconciliation should be performed between cash receipts and the manual receipt books. This reconciliation should evidence the independent review performed. Also, a reconciliation should be performed between the number of radon kits ordered, collections from the sale of radon kits per the receipt books and the number of radon kits still available to be sold. This reconciliation should also evidence the independent review performed.

Response – Petty cash will continue to be the responsibility of one person with only that lone person having access to the petty cash fund. Receipts will be deposited with the County Treasurer timely. Also, regular reconciliations will be performed between receipts and the manual receipt books as well as radon kit inventory – with evidence of such reconciliation shown.

Conclusion – Response accepted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- II-C-10 County Sheriff's Office – A reconciliation of book to bank balances was performed for all accounts as of June 30, 2010. The Jail Inmate account had a variance of \$1,713.03 between the book and bank balances at that date. A listing of individual inmate account balances was maintained at June 30, 2010. However, the listing was not complete or accurate. Also, the Trust and Jail Inmate accounts have outstanding checks over one year old.

Recommendation – A complete and accurate listing of individual inmate account balances should be prepared and reconciled to the book and bank balances monthly. Variances, if any, should be resolved timely. Also, outstanding checks over one year old should be canceled and removed from the outstanding check listing as required by Chapter 331.554(6) in the Code of Iowa.

Response – We will attempt to reconcile the bank balance to the book balance every month when we receive the bank statements and all variances will be resolved. All outstanding checks over one year will be cancelled and removed from the list.

Conclusion – Response accepted.

- II-D-10 County Recorder's Office – The Recorder does not maintain the petty cash fund on an imprest basis. There was no ledger of activity and there was a variance of \$1.85.

During our review of the internal control, we noted the following:

The employee who opens the mail should prepare a listing of cash and checks received. An employee independent of receipting, recording and custody functions should compare the listing to the cash receipts records.

Recommendation – To improve accountability, paid receipts should be retained and a detailed record of activity should be kept in order to reconcile to the imprest cash amount. The fund should be replenished on a periodic basis.

We realize segregation of duties is difficult with a limited number of office employees. However, the Recorder should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances. The Recorder should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Response – We acknowledge the petty cash issue - additional postings for which receipts were not retained. The account was reimbursed. All employees are responsible for receipting. So, staffing issues limit accountability. We do very limited receipting so when daily indexing is proofed, checks are proofed with the documents.

Conclusion – Response accepted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- II-E-10 County Community Services – Several receipts were not deposited with the County Treasurer timely.

Recommendation – Receipts should be deposited with the County Treasurer timely.

Response – This was an oversight by the bookkeeper, counseled to be aware of timely deposit by supervisor. Our policy is to process within one working day of receipt.

Conclusion – Response accepted.

- II-F-10 County Engineer's Office – Receipts were not deposited with the County Treasurer timely. Also, there is no evidence of review by an independent person of the cash receipts log and deposit.

In addition, the County Engineer completes an infrastructure report on the Iowa County Engineer's Association Service Bureau. Two projects, totaling \$837,956, were entered incorrectly causing them to bypass Construction in Progress and Placed in Service and appear directly as infrastructure. This caused an understatement in both Construction in Progress and Placed in Service for fiscal year 2010. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – Receipts should be deposited with the County Treasurer timely and someone independent of deposit preparation should review the cash receipt log and deposit with evidence of this review being recorded.

In addition, someone should review the infrastructure report prior to its online submission.

Response – Receipts will be deposited at least weekly with the County Treasurer and the log will be periodically reviewed by another individual. We typically perform the majority of the infrastructure input process (which is all online) at the end of the fiscal year. When projects are complete, the new project is added to the online tool. The dollars spent on that project are entered (as Construction In Progress (CIP) which is the only place you can add a project) and the dollars are placed into service if the project is complete. We do not see any steps which can be skipped in this process – so the projects have to go through CIP and be placed in service. We cannot explain why these do not appear in the Net Change CIP or the Placed In Service section. In the future, we plan to review the report after online submission is complete and contact the Service Bureau to make any corrections, if necessary.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

**CFDA Number 93.667: Social Services Block Grant
U.S. Department of Health and Human Services
Passed through the Iowa Department of Human Services**

III-A-10 County Community Services - Segregation of Duties - During our review of internal control, the existing procedures are evaluated to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. No one is reviewing cash receipts to ensure the amounts received by Community Services are correct.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, Community Services should review the operating procedures to obtain the maximum internal control possible under the circumstances. Community Services should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Response and Corrective Action Planned - The receipt record will be signed after review. We plan to implement these changes immediately.

Conclusion - Response accepted.

III-B-10 Financial Reporting - A material misstatement of the federal expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) was identified. An adjustment was made to properly report the expenditures in the SEFA.

Recommendation - The County should implement procedures to ensure federal expenditures are properly included in the County's Schedule of Expenditures of Federal Awards.

Response and Corrective Action Planned - The tracking for FEMA is more complicated than most federal programs due to numerous projects and differences in funding for small and large projects. We will make every effort to ensure the SEFA is complete and accurate.

Conclusion - Response accepted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amount budgeted for the non-program function.

Recommendation - The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will continue to make every effort to assure departments do not exceed their budgets.

Conclusion – Response accepted.

IV-B-10 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-10 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Esther Dean, Board of Supervisors, Court appointed attorney	Legal service	\$ 1,413
William Wilson, Deputy Sheriff, Owner of Wilson Vehicle Maintenance/Repair	Vehicle repair	23

In accordance with Chapter 331.342(10) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since the cumulative amount for each individual was less than \$1,500 during the fiscal year.

IV-E-10 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

IV-H-10 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-10 Emergency Management – The Emergency Management budget was not certified prior to the specified date in accordance with Chapter 29C.17(5) of the Code of Iowa.

Recommendation – The Emergency Management Budget should have been certified prior to February 28, 2009 in accordance with Chapter 29C.17(5) of the Code of Iowa.

Response – We will make every effort to publish on time.

Conclusion – Response accepted.

IV-J-10 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

Muscatine County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Jennifer Campbell, CPA, Manager
Scott P. Boisen, Senior Auditor II
Jacqueline E. Gulick, Staff Auditor
Kristen M. Ockenfels, Staff Auditor
Reza Sepehri, Staff Auditor
Gelu Sherpa, Staff Auditor
Clinton J. Krapfl, Assistant Auditor
Ann C. McMinimee, Auditor Intern

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State