



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

January 12, 2009

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on Muscatine County, Iowa.

The County had local tax revenue of \$50,833,652 for the year ended June 30, 2008, which included \$1,663,106 in tax credits from the state. The County forwarded \$38,741,657 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$12,091,995 of the local tax revenue to finance County operations, a 6.7 percent increase over the prior year. Other revenues included charges for service of \$2,245,587, operating grants, contributions and restricted interest of \$6,521,063, capital grants, contributions and restricted interest of \$414,781, tax increment financing of \$2,779,066, local option sales tax of \$1,525,736, unrestricted investment earnings of \$458,719 and other general revenues of \$284,718.

Expenses for County operations totaled \$23,620,994, a 2.1 percent increase over the prior year. Expenses included \$6,647,636 for public safety and legal services, \$5,129,087 for roads and transportation and \$4,946,649 for mental health.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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MUSCATINE COUNTY

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

JUNE 30, 2008

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Muscatine County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Watkins	Board of Supervisors	Jan 2009
Kas Kelly	Board of Supervisors	Jan 2009
Esther Dean	Board of Supervisors	Jan 2011
Tom Furlong	Board of Supervisors	Jan 2011
Wayne Shoultz	Board of Supervisors	Jan 2011
Leslie Soule	County Auditor	Jan 2009
Jerry Coffman	County Treasurer	Jan 2011
Cindy Gray	County Recorder	Jan 2011
R. Greg Orr	County Sheriff	Jan 2009
Gary Allison	County Attorney	Jan 2011
Dale McCrea	County Assessor	Jan 2010

Muscatine County



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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, 2008, 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.

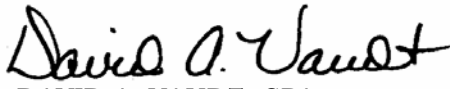
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2008, 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.

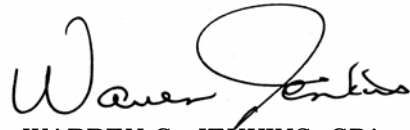
In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2008 on our consideration of Muscatine County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 and budgetary comparison information on pages 7 through 13 and 44 through 47 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 seven years ended June 30, 2007 (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

October 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Muscatine County provides this Management's Discussion and Analysis of Muscatine County's annual financial statements. This narrative overview and analysis of the financial activities of Muscatine County is for the fiscal year (FY) ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 1.7%, or approximately \$461,000, from FY2007 to FY2008. Property tax increased approximately \$754,000 and operating and capital grants, contributions and restricted interest decreased approximately \$1,119,000.
- Expenses of the County's governmental activities increased 2.1%, or approximately \$479,000, from FY2007 to FY2008.
- Muscatine County's net assets increased approximately \$2.7 million from June 30, 2007 to June 30, 2008.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as 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.

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 represent an overall view of the County's finances.

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

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

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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 about the County as a whole and about its activities in a way that 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 event or change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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 fund statements 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 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 government 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 financial statements required 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 proprietary funds required financial statements 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 trust or agency capacity for others and 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.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position.

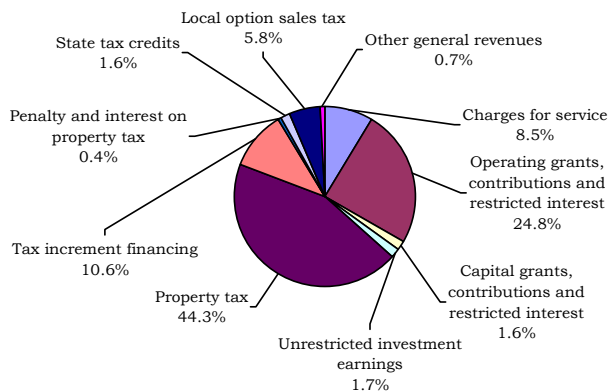
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2008	2007
Current and other assets	\$ 23,871	24,308
Capital assets	34,794	33,702
Total assets	58,665	58,010
Long-term liabilities	13,682	16,145
Other liabilities	16,701	16,283
Total liabilities	30,383	32,428
Net assets:		
Invested in capital assets, net of related debt	31,211	29,451
Restricted	3,688	5,142
Unrestricted	(6,617)	(9,011)
Total net assets	\$ 28,282	25,582

Muscatine County's total net assets increased approximately \$2.7 million from 2007 to 2008. 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 \$6.6 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.

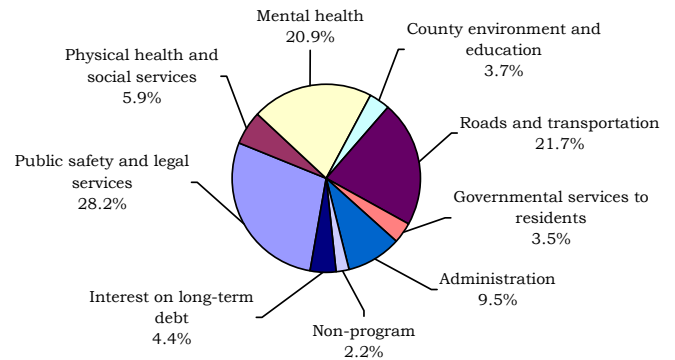
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 2,246	2,143
Operating grants, contributions and restricted interest	6,521	7,715
Capital grants, contributions and restricted interest	415	340
General revenues:		
Property tax	11,671	10,917
Tax increment financing	2,779	2,728
Penalty and interest on property tax	108	171
State tax credits	420	412
Local option sales tax	1,526	1,613
Unrestricted investment earnings	459	597
Other general revenues	176	146
Total revenues	<u>26,321</u>	<u>26,782</u>
Program expenses:		
Public safety and legal services	6,648	6,542
Physical health and social services	1,404	1,355
Mental health	4,947	4,615
County environment and education	865	873
Roads and transportation	5,129	5,160
Governmental services to residents	817	826
Administration	2,249	2,309
Non-program	530	331
Interest on long-term debt	1,032	1,131
Total expenses	<u>23,621</u>	<u>23,142</u>
Increase in net assets	2,700	3,640
Net assets beginning of year	25,582	21,942
Net assets end of year	<u>\$ 28,282</u>	<u>25,582</u>

Revenue by Source



Expenses by Program



Muscatine County's property tax rates increased \$.37 per \$1,000 of taxable valuation for FY08. The Rural Services Fund levy remained the same in FY07 and FY08. The Mental Health Fund levy was decreased \$.03 due to a modest increase in taxable valuation. The Debt Service Fund levy increased \$.03 to fund the computer hardware and software upgrade. There was an increase in rural taxable property valuation of \$22,938,689 and an increase in countywide taxable property valuation of \$27,132,924. Since the FY07 MH/DD fund balance was over 25%, revenues from the State of Iowa in the form of mental health funding decreased approximately \$1.2 million. Local option sales tax decreased approximately \$87,000 during the fiscal year.

INDIVIDUAL MAJOR FUND ANALYSIS

As Muscatine County completed the year, its governmental funds reported a combined fund balance of approximately \$7.1 million, which is lower than the approximately \$8.1 million combined fund balance at the end of FY07.

The General Fund, the operating fund for Muscatine County, ended FY08 with a fund balance of approximately \$3 million, an increase of \$348,084 over the FY07 ending balance of approximately \$2.7 million. Property valuation increased from \$1,401,727,957 in FY07 to \$1,428,860,881 in FY08. The levy rate for the General Fund increased \$.37 per \$1,000 of taxable valuation in FY08.

Muscatine County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. FY08 ended with a balance of approximately \$1 million, whereas FY07 ended with a balance of approximately \$1.4 million. The FY08 levy rate decreased \$.03 due to a modest increase in taxable valuation.

The Rural Services Fund ended FY08 with a balance of approximately \$309,000 compared to the prior year ending balance of approximately \$178,000. The property tax levy rate for the Rural Services Fund remained the same in FY07 and FY08. The taxable valuation increase of approximately \$23 million increased the amount of property tax collected approximately \$40,000.

The Secondary Roads Fund ended FY08 with a balance of approximately \$2.1 million, compared to the prior year ending balance of approximately \$3.2 million. Capital project expenditures in the fund in FY08 increased approximately \$505,000 from FY07. Roads and transportation expenditures in the fund increased from FY07 approximately \$30,000. Local option sales tax revenue decreased \$87,000 and intergovernmental revenue decreased \$169,000. Due to significant damage to roads caused by wet spring weather requiring additional gravel, the County did not purchase a motor grader that had been budgeted for FY08. Although the FY08 flood damage estimates have not been finalized, the majority is expected to be reimbursed by FEMA. 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 \$2,779,000 and paid principal and interest on the IPSCO Urban Renewal Tax Increment Revenue Bonds of approximately \$2,779,000.

The Debt Service Fund ended FY08 with a balance of approximately \$152,000 compared to the prior year ending balance of approximately \$150,000. FY08 payments from the Debt Service Fund include the VPA jail capital lease purchase agreement payment of \$672,068, a bond payment of \$308,057 for the remodeling of the County Administration Building and \$103,193 for the computer hardware and software upgrades.

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 twice. The first amendment, made in March 2008, increased Sheriff's Office disbursements \$29,905, jail disbursements \$46,500, DHS disbursements \$3,244, juvenile court services disbursements \$75,000, general services disbursements \$68,391, Sheriff's forfeiture disbursements \$105,000 and decreased mental health disbursements \$200,000. Mental health receipts were decreased \$760,000, interest on investments increased \$100,000, Sheriff's Office receipts increased \$19,905 and Sheriff's forfeiture receipts increased \$36,000.

The second amendment, made in June 2008, increased Sheriff's Office disbursements \$8,500, which was offset by an additional \$8,500 in receipts. Disbursements were also increased \$5,000 for the County Attorney's Office, \$21,000 for the Medical Examiner, \$1,765 for the County Recorder, \$10,275 for the County Auditor's Office, offset by \$9,582 in increased receipts and \$49,600 for general services. Capital projects disbursements were decreased \$135,000, which was moved to the FY08/09 budget, and case management indirect fees increased \$10,000. Both amendments were to adjust for disbursements and receipts changes after certification of the FY08 budget.

None of the amendments made during the 2008 fiscal year should have any impact on the fiscal year 2009 budget.

The County's receipts were approximately \$312,000 more than budgeted, a variance of one percent.

Total disbursements were approximately \$1,721,000 less than the amended budget. Actual disbursements for the roads and transportation function were approximately \$559,000 less than budgeted. Repairs to roads damaged by flooding along the Cedar River, along with poor gravel road conditions caused by unusually wet spring weather, were main priorities and due to time constraints, the purchase of two motor graders was postponed. Capital projects function disbursements were approximately \$463,000 less than budgeted due to construction projects not completed by June 30. Mental health function disbursements were approximately \$147,000 less than budgeted due to continued monitoring of mental health services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY08, Muscatine County had approximately \$60.3 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 \$25.5 million, Muscatine County's capital assets have a net value of approximately \$34.8 million. This is a net increase of approximately \$1.1 million from FY07. See Note 5 to the financial statements for more information about the County's capital assets.

Debt

At the end of FY08, Muscatine County had \$2,535,999 in capital lease purchase agreements outstanding, compared to \$3,126,108 at the end of FY07.

Muscatine County's outstanding debt decreased as a result of the IPSCO Tax Increment Urban Renewal Revenue Bond payments, lease purchase payments for the Muscatine County Jail, Administration Building GO Bond payments and copier lease payments. Muscatine County's general obligation bond rating continues to be an 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 \$12.6 million is significantly below its constitutional debt limit of approximately \$124 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Muscatine County's elected and appointed officials considered many factors when setting the fiscal year 2009 budget and tax rates. In an ongoing effort to maintain quality County services, the Muscatine County Board of Supervisors may be required to increase tax levies to offset the effect inflation has on program costs. Wage adjustments for employees represent the largest portion of the increased expenses. Amounts available for appropriation in the FY09 operating budget are approximately \$27.8 million, an increase of 2% over the final 2008 budget. If these estimates are realized, Muscatine County's operating fund balances are expected to decrease from approximately \$5.3 million to approximately \$3.5 million by the close of FY09.

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, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,548,832
Receivables:	
Property tax:	
Delinquent	47,359
Succeeding year	12,217,000
Succeeding year tax increment financing	2,710,000
Interest and penalty on property tax	117,696
Accounts	62,884
Accrued interest	36,852
Due from other governments	795,108
Inventories	202,269
Prepaid expenses	133,008
Capital assets (net of accumulated depreciation)	34,794,219
Total assets	<u>58,665,227</u>
Liabilities	
Accounts payable	749,442
Accrued interest payable	167,432
Salaries and benefits payable	237,853
Due to other governments	492,341
Deferred revenue:	
Succeeding year property tax	12,344,000
Succeeding year tax increment financing	2,710,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	615,935
Tax increment urban renewal revenue bonds	2,005,000
General obligation bonds	275,000
General obligation notes	93,000
Compensated absences	522,851
Portion due or payable after one year:	
Capital lease purchase agreements	1,920,064
Tax increment urban renewal revenue bonds	6,977,000
General obligation bonds	585,000
General obligation notes	94,000
Compensation absences	593,856
Total liabilities	<u>30,382,774</u>
Net Assets	
Invested in capital assets, net of related debt	31,211,220
Restricted for:	
Supplemental levy purposes	368,462
Mental health purposes	932,348
Secondary roads purposes	1,842,540
Other purposes	545,276
Unrestricted	(6,617,393)
Total net assets	<u>\$ 28,282,453</u>

See notes to financial statements.

Muscatine County
Statement of Activities
Year ended June 30, 2008

	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	\$ 6,647,636	548,796	1,154,236	-	(4,944,604)
Physical health and social services	1,404,178	94,165	296,096	-	(1,013,917)
Mental health	4,946,649	21,325	2,407,021	-	(2,518,303)
County environment and education	865,269	19,568	41,460	-	(804,241)
Roads and transportation	5,129,087	286,272	2,427,175	371,471	(2,044,169)
Governmental services to residents	816,589	556,755	34,179	-	(225,655)
Administration	2,249,419	41,664	160,896	-	(2,046,859)
Non-program	529,938	677,042	-	43,310	190,414
Interest on long-term debt	1,032,229	-	-	-	(1,032,229)
Total	\$ 23,620,994	2,245,587	6,521,063	414,781	(14,439,563)
General Revenues:					
Property and other county tax levied for:					
General purposes					10,622,929
Debt service					1,048,740
Tax increment financing					2,779,066
Penalty and interest on property tax					108,382
State tax credits					420,326
Local option sales tax					1,525,736
Unrestricted investment earnings					458,719
Miscellaneous					176,336
Total general revenues					17,140,234
Change in net assets					2,700,671
Net assets beginning of year					25,581,782
Net assets end of year					\$ 28,282,453

See notes to financial statements.

Muscatine County
Balance Sheet
Governmental Funds

June 30, 2008

	General	Mental Health	Special Rural Services
Assets			
Cash and pooled investments	\$ 3,020,328	1,530,686	332,876
Receivables:			
Property tax:			
Delinquent	30,236	7,841	5,522
Succeeding year	7,918,000	1,954,000	1,302,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	117,696	-	-
Accounts	21,794	1,059	7,581
Accrued interest	36,852	-	-
Due from other funds	674	-	-
Due from other governments	291,111	129,984	-
Inventories	-	-	-
Prepaid expenses	133,008	-	-
Total assets	\$ 11,569,699	3,623,570	1,647,979
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 183,943	141,499	18,574
Salaries and benefits payable	154,099	21,723	2,480
Due to other funds	8,859	1,057	581
Due to other governments	41,714	448,314	-
Deferred revenue:			
Succeeding year property tax	8,002,000	1,976,000	1,312,000
Succeeding year tax increment financing	-	-	-
Other	147,932	25,872	5,522
Total liabilities	8,538,547	2,614,465	1,339,157
Fund balances:			
Reserved for:			
Debt service	-	-	-
Supplemental levy purposes	364,659	-	-
Unreserved:			
Designated for conservation equipment	2,896	-	-
Undesignated, reported in:			
General fund	2,663,597	-	-
Special revenue funds	-	1,009,105	308,822
Capital projects fund	-	-	-
Total fund balances	3,031,152	1,009,105	308,822
Total liabilities and fund balances	\$ 11,569,699	3,623,570	1,647,979

See notes to financial statements.

Revenue				
Secondary Roads	IPSCO TIF	Debt Service	Nonmajor	Total
1,727,829	72	163,269	540,059	7,315,119
-	-	3,760	-	47,359
-	-	1,043,000	-	12,217,000
-	2,710,000	-	-	2,710,000
-	-	-	-	117,696
855	-	-	18,721	50,010
-	-	-	-	36,852
9,823	-	-	-	10,497
372,778	-	-	1,235	795,108
202,269	-	-	-	202,269
-	-	-	-	133,008
2,313,554	2,710,072	1,210,029	560,015	23,634,918
170,398	-	-	9,483	523,897
54,295	-	-	5,256	237,853
-	-	-	-	10,497
2,313	-	-	-	492,341
-	-	1,054,000	-	12,344,000
-	2,710,000	-	-	2,710,000
-	-	3,760	-	183,086
227,006	2,710,000	1,057,760	14,739	16,501,674
-	-	152,269	-	152,269
-	-	-	-	364,659
-	-	-	-	2,896
-	-	-	-	2,663,597
2,086,548	72	-	404,463	3,809,010
-	-	-	140,813	140,813
2,086,548	72	152,269	545,276	7,133,244
2,313,554	2,710,072	1,210,029	560,015	23,634,918

Muscatine County

Muscatine County

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

June 30, 2008

Total governmental fund balances (page 19) \$ 7,133,244

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 \$60,337,038 and the accumulated depreciation is \$25,542,819. 34,794,219

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 183,086

The Internal Service Funds are used by management to charge the costs of 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 in governmental activities in the Statement of Net Assets. 21,042

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (13,849,138)

Net assets of governmental activities (page 16) \$ 28,282,453

See notes to financial statements.

Muscatine County

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

Year ended June 30, 2008

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 7,686,400	1,992,815	956,984
Local option sales tax	-	-	-
Tax increment financing	-	-	-
Interest and penalty on property tax	177,397	-	-
Intergovernmental	1,937,933	2,472,788	57,404
Licenses and permits	100	-	67,872
Charges for service	903,339	21,325	-
Use of money and property	484,512	-	-
Miscellaneous	15,872	5,819	683
Total revenues	11,205,553	4,492,747	1,082,943
Expenditures:			
Operating:			
Public safety and legal services	6,117,527	-	-
Physical health and social services	1,327,534	-	69,991
Mental health	-	4,899,395	-
County environment and education	550,224	-	258,390
Roads and transportation	-	-	-
Governmental services to residents	727,150	-	2,532
Administration	2,124,576	-	-
Non-program	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	10,847,011	4,899,395	330,913
Excess (deficiency) of revenues over (under) expenditures	358,542	(406,648)	752,030
Other financing sources (uses):			
Sale of capital assets	10,450	-	-
Operating transfers in	4,092	-	-
Operating transfers out	(25,000)	-	(621,000)
General obligation note proceeds	-	-	-
Total other financing sources (uses)	(10,458)	-	(621,000)
Net change in fund balances	348,084	(406,648)	131,030
Fund balances beginning of year	2,683,068	1,415,753	177,792
Fund balances end of year	\$ 3,031,152	1,009,105	308,822

See notes to financial statements.

Revenue				
Secondary Roads	IPSCO TIF	Debt Service	Nonmajor	Total
-	-	1,050,942	-	11,687,141
1,525,736	-	-	-	1,525,736
-	2,779,066	-	-	2,779,066
-	-	-	-	177,397
2,708,694	-	34,421	68,560	7,279,800
3,381	-	-	-	71,353
1,371	-	-	27,327	953,362
-	-	-	187,445	671,957
11,124	-	-	85,741	119,239
4,250,306	2,779,066	1,085,363	369,073	25,265,051
-	-	-	312,669	6,430,196
-	-	-	-	1,397,525
-	-	-	-	4,899,395
-	-	-	47,046	855,660
3,995,683	-	-	-	3,995,683
-	-	-	14,530	744,212
-	-	-	78,050	2,202,626
-	-	-	482	482
-	2,778,994	1,083,318	-	3,862,312
2,023,812	-	-	205,451	2,229,263
6,019,495	2,778,994	1,083,318	658,228	26,617,354
(1,769,189)	72	2,045	(289,155)	(1,352,303)
62,165	-	-	-	72,615
600,000	-	-	46,158	650,250
-	-	-	(4,250)	(650,250)
-	-	-	280,000	280,000
662,165	-	-	321,908	352,615
(1,107,024)	72	2,045	32,753	(999,688)
3,193,572	-	150,224	512,523	8,132,932
2,086,548	72	152,269	545,276	7,133,244

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, 2008

Net change in fund balances - Total governmental funds (page 23) \$ (999,688)

**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 expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 2,493,787	
Capital assets contributed by the Iowa Department of Transportation	371,471	
Depreciation expense	<u>(1,798,971)</u>	1,066,287

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 25,733

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	(17,280)	
Other	<u>(62,439)</u>	(79,719)

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 debt repayments exceeded debt issuances, as follows:

Issued	(280,000)	
Repaid	<u>2,810,109</u>	2,530,109

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	(66,583)	
Accrued interest on long-term debt	<u>35,083</u>	(31,500)

The Internal Service Funds are used by management to charge the costs of 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. 189,449

Change in net assets of governmental activities (page 17) \$ 2,700,671

See notes to financial statements.

Muscatine County
Statement of Net Assets
Proprietary Funds

June 30, 2008

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 233,713
Accounts receivable	12,874
Total assets	<u>246,587</u>
Liabilities	
Accounts payable	<u>225,545</u>
Net Assets	
Unrestricted	<u>\$ 21,042</u>

See notes to financial statements.

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

Year ended June 30, 2008

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,389,462
Reimbursements from others	646,835
Total operating revenues	<u>2,036,297</u>
Operating expenses:	
Health claims and administrative services	1,781,480
Loss contingencies and deductibles	66,800
Miscellaneous	500
Total operating expenses	<u>1,848,780</u>
Operating income	187,517
Non-operating revenues:	
Interest income	<u>1,932</u>
Change in net assets	189,449
Net assets beginning of year	<u>(168,407)</u>
Net assets end of year	<u><u>\$ 21,042</u></u>

See notes to financial statements.

Muscatine County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2008

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating funds	\$ 1,389,462
Cash received from others	633,961
Cash paid to suppliers for services	<u>(1,847,837)</u>
Net cash provided by operating activities	175,586
Cash flows from investing activities:	
Interest on investments	<u>1,932</u>
Net increase in cash and cash equivalents	177,518
Cash and cash equivalents beginning of year	<u>56,195</u>
Cash and cash equivalents end of year	<u><u>\$ 233,713</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 187,517
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in accounts receivable	(12,874)
Increase in accounts payable	<u>943</u>
Net cash provided by operating activities	<u><u>\$ 175,586</u></u>

See notes to financial statements.

Muscatine County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2008

Assets

Cash and pooled investments:

County Treasurer	\$ 3,143,654
Other County officials	700,986

Receivables:

Property tax:	123,450
Delinquent	37,194,000
Succeeding year	45,023

Accounts	1,071
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Assessments	125,692
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Due from other governments	316,213
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Total assets	<u>41,650,089</u>
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Liabilities

Accounts payable	45,040
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Salaries and benefits payable	38,990
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Due to other governments	40,380,252
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Trusts payable	1,108,490
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Compensated absences	77,317
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Total liabilities	<u>41,650,089</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Muscatine County

Notes to Financial Statements

June 30, 2008

(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 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 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.

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 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 period or soon enough thereafter to pay liabilities of the current period. 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 and similar arrangements 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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 that 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, 2008, 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 in the Special Revenue Funds 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, 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 or estimated 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
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	20 - 50
Infrastructure	10 - 65
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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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.

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 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, 2008. 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, 2008, disbursements in certain departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 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, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Mental Health	\$ 674
Special Revenue: Secondary Roads	General Special Revenue: Mental Health Rural Services	8,859 383 581 <u>9,823</u>
Total		<u>\$ 10,497</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, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Resource Enhancement and Protection	\$ 4,092
Special Revenue: Conservation Youth Corp Geographic Information System	General General Special Revenue: Rural Services	4,000 21,000 21,000
Secondary Roads	Special Revenue: Rural Services	600,000
County Recorder's Records Management	County Recorder's Electronic Transaction Fee	158 <u>646,158</u>
Total		<u>\$ 650,250</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, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,958,235	-	-	1,958,235
Land, road network	1,195,713	-	-	1,195,713
Construction in progress	-	44,640	-	44,640
Construction in progress, road network	38,948	2,512,649	(2,284,668)	266,929
Total capital assets not being depreciated	<u>3,192,896</u>	<u>2,557,289</u>	<u>(2,284,668)</u>	<u>3,465,517</u>
Capital assets being depreciated:				
Buildings and improvements	20,744,670	6,238	-	20,750,908
Equipment and vehicles	6,166,933	327,464	(225,282)	6,269,115
Infrastructure, road network	26,918,174	2,284,668	-	29,202,842
Infrastructure, other	648,656	-	-	648,656
Total capital assets being depreciated	<u>54,478,433</u>	<u>2,618,370</u>	<u>(225,282)</u>	<u>56,871,521</u>
Less accumulated depreciation for:				
Buildings and improvements	8,422,918	364,000	-	8,786,918
Equipment and vehicles	3,671,036	606,621	(225,282)	4,052,375
Infrastructure, road network	11,735,800	803,007	-	12,538,807
Infrastructure, other	139,376	25,343	-	164,719
Total accumulated depreciation	<u>23,969,130</u>	<u>1,798,971</u>	<u>(225,282)</u>	<u>25,542,819</u>
Total capital assets being depreciated, net	<u>30,509,303</u>	<u>819,399</u>	<u>-</u>	<u>31,328,702</u>
Governmental activities capital assets, net	<u>\$ 33,702,199</u>	<u>3,376,688</u>	<u>(2,284,668)</u>	<u>34,794,219</u>
Governmental activities:				
Public safety and legal services				\$ 298,740
Physical health and social services				4,931
Mental health				24,750
County environment and education				87,138
Roads and transportation				1,219,771
Governmental services to residents				56,605
Administration				<u>107,036</u>
Total depreciation expense - governmental activities				<u>\$ 1,798,971</u>

The cost and accumulated depreciation of the leased county jail facility at June 30, 2008 were \$8,450,000 and \$2,197,000, respectively.

(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	\$ 41,714
Special Revenue:		
Mental Health	Services	448,314
Secondary Roads	Services	2,313
		<u>450,627</u>
Total for governmental funds		<u>\$ 492,341</u>
Agency:		
County Assessor	Collections	\$ 711,240
Schools		21,854,156
Community Colleges		891,009
Corporations		14,216,226
Townships		331,502
Auto License and Use Tax		739,741
Drainage Districts		613,113
All other		1,023,265
Total for agency funds		<u>\$ 40,380,252</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Capital Lease Purchase Agreements	Tax Increment Urban Renewal Revenue Bonds	General Obligation Building Bonds	General Obligation Computer Equipment Notes	Compensated Absences	Total
Balance beginning of year	\$ 3,126,108	10,844,000	1,125,000	-	1,050,124	16,145,232
Increases	-	-	-	280,000	673,400	953,400
Decreases	590,109	1,862,000	265,000	93,000	606,817	3,416,926
Balance end of year	<u>\$ 2,535,999</u>	<u>8,982,000</u>	<u>860,000</u>	<u>187,000</u>	<u>1,116,707</u>	<u>13,681,706</u>
Due within one year	<u>\$ 615,935</u>	<u>2,005,000</u>	<u>275,000</u>	<u>93,000</u>	<u>522,851</u>	<u>3,511,786</u>

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 Muscatine 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 Jail, Community Services 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, 2008:

Year ending June 30,	Correctional Facility	Copiers			Total
		County Jail	Community Services	County Attorney	
2009	\$ 679,818	11,088	2,652	4,140	697,698
2010	671,818	11,088	2,652	4,140	689,698
2011	677,908	-	-	3,450	681,358
2012	677,270	-	-	-	677,270
Total minimum lease payments	2,706,814	22,176	5,304	11,730	2,746,024
Less amount representing interest	(206,814)	(914)	-	(2,297)	(210,025)
Present value of net minimum lease payments	\$ 2,500,000	21,262	5,304	9,433	2,535,999

Payments under these capital lease purchase agreements for the year ended June 30, 2008 totaled \$689,948.

Tax Increment Urban Renewal 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 tax increment urban renewal 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, 2008, the County paid principal and interest of \$1,862,000 and \$916,994, respectively, on the bonds. The balance of the bonds at June 30, 2008 was \$8,982,000. 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 Payable

A summary of the County's June 30, 2008 general obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.80%	\$ 275,000	33,120	308,120
2010	3.85	290,000	22,670	312,670
2011	3.90	295,000	11,505	306,505
Total		\$ 860,000	67,295	927,295

During the year ended June 30, 2008, the County retired general obligation bonds for the administrative office building and remodeling of \$265,000.

General Obligation Notes Payable

A summary of the County's June 30, 2008 general obligation note indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.02%	\$ 93,000	7,517	100,517
2010	4.02	94,000	3,779	97,779
Total		\$ 187,000	11,296	198,296

During the year ended June 30, 2008, the County issued \$280,000 and retired \$93,000 in general obligation notes for computer equipment.

(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 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$459,076, \$432,575 and \$415,830, respectively, equal to the required contributions for each year.

(9) Risk Management

Muscatine County is a member in 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 with over 563 members from 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, 2008 were \$200,373.

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 \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

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, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, 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 capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual 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.

(10) 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, 2008 was \$1,369,462.

Amounts payable from the Health Insurance Trust Fund at June 30, 2008 total \$219,398, 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. 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 at July 1, 2007	\$ 222,211
Incurred claims (including claims incurred but not reported at June 30, 2008)	1,778,667
Payment on claims during the fiscal year	<u>(1,781,480)</u>
Unpaid claims at June 30, 2008	<u><u>\$ 219,398</u></u>

(11) Subsequent Events

On August 4, 2008, the County approved a bid of \$800,878 for emergency repairs to County Route F70 due to flood damages. Additionally, on August 25, 2008, the County approved a bid of \$310,310 for emergency repairs to Saulsbury Road due to flood damages.

(12) Deficit Fund Balance

The Internal Service, Health Insurance Trust Fund had an unrestricted deficit of \$35,314 at June 30, 2008. Monthly premiums paid to the Health Insurance Trust Fund increased as of July 1, 2008.

(13) Jointly Governed Organization

Muscatine 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, 2008:

Additions:		
Contributions from governmental units:		
Muscatine County	\$ 470,924	
City of Muscatine	385,301	\$ 856,225
Miscellaneous		8,306
Total additions		<u>864,531</u>
Deductions:		
Salaries	518,614	
Benefits	187,199	
Office supplies	2,983	
Uniforms	2,103	
Legal representation and publications	7,192	
Telephone	9,654	
Travel	2,560	
Training	9,371	
Equipment replacement	56,984	
Maintenance and rentals	34,828	
Insurance	29,346	
Miscellaneous	3,370	864,204
Net		<u>327</u>
Balance beginning of year		<u>98,701</u>
Balance end of year		<u>\$ 99,028</u>

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, 2008

	Actual
Receipts:	
Property and other county tax	\$ 13,374,795
Tax increment financing	2,710,000
Interest and penalty on property tax	177,397
Intergovernmental	7,220,222
Licenses and permits	70,706
Charges for service	950,202
Use of money and property	735,911
Miscellaneous	123,295
Total receipts	25,362,528
Disbursements:	
Public safety and legal services	6,420,493
Physical health and social services	1,422,781
Mental health	4,829,657
County environment and education	859,630
Roads and transportation	3,973,765
Governmental services to residents	739,165
Administration	2,169,243
Non-program	482
Debt service	3,862,312
Capital projects	1,401,123
Total disbursements	25,678,651
Excess (deficiency) of receipts over (under) disbursements	(316,123)
Other financing sources (uses), net	352,615
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	36,492
Balance beginning of year	7,278,627
Balance end of year	\$ 7,315,119

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
13,179,396	13,179,396	195,399
2,800,000	2,800,000	(90,000)
131,500	131,500	45,897
7,771,849	7,065,703	154,519
95,200	95,200	(24,494)
955,150	955,150	(4,948)
614,700	717,300	18,611
62,550	106,350	16,945
<u>25,610,345</u>	<u>25,050,599</u>	<u>311,929</u>
6,288,645	6,505,815	85,322
1,501,159	1,579,403	156,622
5,176,228	4,976,228	146,571
881,226	881,226	21,596
4,533,000	4,533,000	559,235
757,543	769,583	30,418
2,242,949	2,376,440	207,197
30,000	30,000	29,518
3,881,126	3,883,319	21,007
1,993,000	1,864,300	463,177
<u>27,284,876</u>	<u>27,399,314</u>	<u>1,720,663</u>
(1,674,531)	(2,348,715)	2,032,592
287,000	291,000	61,615
(1,387,531)	(2,057,715)	2,094,207
5,384,000	6,893,470	385,157
<u>3,996,469</u>	<u>4,835,755</u>	<u>2,479,364</u>

Muscatine County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 25,362,528	(97,477)	25,265,051
Expenditures	25,678,651	938,703	26,617,354
Net	(316,123)	(1,036,180)	(1,352,303)
Other financing sources, net	352,615	-	352,615
Beginning fund balances	7,278,627	854,305	8,132,932
Ending fund balances	\$ 7,315,119	(181,875)	7,133,244

See accompanying independent auditor's report.

Muscatine County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

This 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 10 major classes of expenditures known as functions, not by fund. These 10 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, two budget amendments increased budgeted disbursements by \$114,438. 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, 2008, disbursements did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated.

Muscatine County

Other Supplementary Information

Muscatine County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2008

	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition	Special Conservation Youth Corp
Assets				
Cash and pooled investments	\$ 22,056	90,257	143,914	18,487
Accounts receivable	-	-	60	-
Due from other governments	-	-	-	-
Total assets	\$ 22,056	90,257	143,974	18,487
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 1,403	-	1,075	433
Salaries payable	-	-	-	5,256
Total liabilities	1,403	-	1,075	5,689
Fund balances:				
Unreserved:				
Undesignated, reported in:				
Special revenue funds	20,653	90,257	142,899	12,798
Capital projects fund	-	-	-	-
Total fund balances	20,653	90,257	142,899	12,798
Total liabilities and fund equity	\$ 22,056	90,257	143,974	18,487

See accompanying independent auditor's report.

Revenue							
Jail Commissary	County Sheriff's Forfeiture	County Sheriff's Canine/ Community Policing	County Sheriff's Firearms Buyback	Geographic Information System	Capital Projects		Total
12,945	41,399	2,420	4,559	63,209	140,813		540,059
15,720	-	-	2,941	-	-		18,721
-	1,235	-	-	-	-		1,235
28,665	42,634	2,420	7,500	63,209	140,813		560,015
6,131	441	-	-	-	-		9,483
-	-	-	-	-	-		5,256
6,131	441	-	-	-	-		14,739
22,534	42,193	2,420	7,500	63,209	-		404,463
-	-	-	-	-	140,813		140,813
22,534	42,193	2,420	7,500	63,209	140,813		545,276
28,665	42,634	2,420	7,500	63,209	140,813		560,015

Muscatine County

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

Year ended June 30, 2008

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhance- ment and Protection	Conservation Land Acquisition	Special Conservation Youth Corp
Revenues:					
Intergovernmental	\$ -	-	28,185	-	-
Charges for service	7,758	-	-	19,569	-
Use of money and property	849	-	2,346	7,377	-
Miscellaneous	-	-	-	2,934	13,276
Total revenues	8,607	-	30,531	29,880	13,276
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	-	-
County environment and education	-	-	-	28,538	18,508
Governmental services to residents	14,530	-	-	-	-
Administration	-	-	-	-	-
Non-program	-	-	482	-	-
Capital projects	-	-	-	35,602	-
Total expenditures	14,530	-	482	64,140	18,508
Excess (deficiency) of revenues over (under) expenditures	(5,923)	-	30,049	(34,260)	(5,232)
Other financing sources (uses):					
Operating transfers in	158	-	-	-	4,000
Operating transfers out	-	(158)	(4,092)	-	-
General obligation note proceeds	-	-	-	-	-
Total other financing sources (uses)	158	(158)	(4,092)	-	4,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(5,765)	(158)	25,957	(34,260)	(1,232)
Fund balances beginning of year	26,418	158	64,300	177,159	14,030
Fund balances end of year	\$ 20,653	-	90,257	142,899	12,798

See accompanying independent auditor's report.

Revenue							
Jail Commissary	County Sheriff Forfeiture	County Sheriff's Canine/ Community Policing	County Sheriff's Firearms Buyback	Geographic Information System	Capital Projects	Total	
-	-	-	-	40,375	-	68,560	
-	-	-	-	-	-	27,327	
176,873	-	-	-	-	-	187,445	
-	41,035	1,000	2,496	-	25,000	85,741	
176,873	41,035	1,000	2,496	40,375	25,000	369,073	
197,637	111,703	833	2,496	-	-	312,669	
-	-	-	-	-	-	47,046	
-	-	-	-	-	-	14,530	
-	-	-	-	78,050	-	78,050	
-	-	-	-	-	-	482	
-	-	-	-	-	169,849	205,451	
197,637	111,703	833	2,496	78,050	169,849	658,228	
(20,764)	(70,668)	167	-	(37,675)	(144,849)	(289,155)	
-	-	-	-	42,000	-	46,158	
-	-	-	-	-	-	(4,250)	
-	-	-	-	-	280,000	280,000	
-	-	-	-	42,000	280,000	321,908	
(20,764)	(70,668)	167	-	4,325	135,151	32,753	
43,298	112,861	2,253	7,500	58,884	5,662	512,523	
22,534	42,193	2,420	7,500	63,209	140,813	545,276	

Schedule 3

Muscatine County

Combining Schedule of Net Assets
Internal Service Funds

June 30, 2008

	Health Insurance Trust	County Insurance Trust	Total
Assets			
Cash and cash equivalents	\$ 171,210	62,503	233,713
Accounts receivable	12,874	-	12,874
Total assets	184,084	62,503	246,587
Liabilities			
Liabilities:			
Accounts payable	219,398	6,147	225,545
Net Assets			
Unrestricted	\$ (35,314)	56,356	21,042

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, 2008

	Health Insurance Trust	County Insurance Trust	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,369,462	20,000	1,389,462
Reimbursements from others	592,829	54,006	646,835
Total operating revenues	1,962,291	74,006	2,036,297
Operating expenses:			
Health claims and administrative services	1,781,480	-	1,781,480
Loss contingencies and deductibles	-	66,800	66,800
Miscellaneous	500	-	500
Total operating expenses	1,781,980	66,800	1,848,780
Operating income	180,311	7,206	187,517
Non-operating revenues:			
Interest income	1,932	-	1,932
Change in net assets	182,243	7,206	189,449
Net assets beginning of year	(217,557)	49,150	(168,407)
Net assets end of year	\$ (35,314)	56,356	21,042

See accompanying independent auditor's report.

Schedule 5

Muscatine County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2008

	Health Insurance Trust	County Insurance Trust	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 1,369,462	20,000	1,389,462
Cash received from others	579,955	54,006	633,961
Cash paid to suppliers for services	(1,784,793)	(63,044)	(1,847,837)
Net cash provided by operating activities	164,624	10,962	175,586
Cash flows from investing activities:			
Interest on investments	1,932	-	1,932
Net increase in cash and cash equivalents	166,556	10,962	177,518
Cash and cash equivalents beginning of year	4,654	51,541	56,195
Cash and cash equivalents end of year	\$ 171,210	62,503	233,713
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 180,311	7,206	187,517
Adjustments to reconcile operating income to net cash provided by operating activities:			
(Increase) in accounts receivable	(12,874)	-	(12,874)
Increase (decrease) in accounts payable	(2,813)	3,756	943
Net cash provided by operating activities	\$ 164,624	10,962	175,586

See accompanying independent auditor's report.

Muscatine County

Muscatine County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
Assets						
Cash and pooled investments:						
County Treasurer	\$ -	3,296	336,909	340,831	13,696	269,283
Other county officials	700,986	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	797	1,971	82,325	3,313	32,943
Succeeding year	-	209,000	420,000	21,431,000	874,000	13,914,000
Accounts	133	-	14,936	-	-	-
Accrued interest	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Total assets	\$ 701,119	213,093	773,816	21,854,156	891,009	14,216,226
Liabilities						
Accounts payable	\$ -	-	-	-	-	-
Salaries and benefits payable	-	-	7,606	-	-	-
Due to other governments	24,146	213,093	711,240	21,854,156	891,009	14,216,226
Trusts payable	676,973	-	-	-	-	-
Compensated absences	-	-	54,970	-	-	-
Total liabilities	\$ 701,119	213,093	773,816	21,854,156	891,009	14,216,226

See accompanying independent auditor's report.

Townships	City Special Assessments	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Other	Total
4,585	5,749	739,741	611,785	99,028	718,751	3,143,654
-	-	-	-	-	-	700,986
1,917	-	-	-	-	184	123,450
325,000	-	-	-	-	21,000	37,194,000
-	-	-	-	-	29,954	45,023
-	-	-	1,071	-	-	1,071
-	125,535	-	157	-	-	125,692
-	-	-	100	-	316,113	316,213
331,502	131,284	739,741	613,113	99,028	1,086,002	41,650,089
-	-	-	-	17,270	27,770	45,040
-	-	-	-	28,850	2,534	38,990
331,502	131,284	739,741	613,113	52,908	601,834	40,380,252
-	-	-	-	-	431,517	1,108,490
-	-	-	-	-	22,347	77,317
331,502	131,284	739,741	613,113	99,028	1,086,002	41,650,089

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

Year ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 673,801	205,641	839,133	21,135,702	852,481
Additions:					
Property and other county tax	-	209,132	438,929	21,643,587	876,862
E911 surcharge	-	-	-	-	-
State tax credits	-	7,296	18,039	751,071	30,321
Office fees and collections	669,952	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	3,238,941	-	-	-	-
Miscellaneous	5,486	-	-	-	-
Total additions	3,914,379	216,428	456,968	22,394,658	907,183
Deductions:					
Agency remittances:					
To other funds	403,885	-	-	-	-
To other governments	280,144	208,976	522,285	21,676,204	868,655
Trusts paid out	3,203,032	-	-	-	-
Total deductions	3,887,061	208,976	522,285	21,676,204	868,655
Balances end of year	\$ 701,119	213,093	773,816	21,854,156	891,009

See accompanying independent auditor's report.

Corporations	Townships	City Special Assess- ments	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Other	Total
14,212,236	315,257	133,131	765,592	622,324	98,701	753,495	40,607,494
13,981,130	324,408	-	-	-	-	24,829	37,498,877
-	-	-	-	-	-	176,417	176,417
422,429	12,709	-	-	-	-	915	1,242,780
-	-	-	-	-	-	-	669,952
-	-	-	-	-	-	7,793	7,793
-	-	-	8,669,825	-	-	-	8,669,825
-	-	45,012	-	97,883	-	-	142,895
-	-	-	-	-	-	1,715,286	4,954,227
-	-	-	-	24,591	864,531	1,156,817	2,051,425
14,403,559	337,117	45,012	8,669,825	122,474	864,531	3,082,057	55,414,191
-	-	-	339,541	-	-	-	743,426
14,399,569	320,872	46,859	8,356,135	131,685	864,204	2,749,550	50,425,138
-	-	-	-	-	-	-	3,203,032
14,399,569	320,872	46,859	8,695,676	131,685	864,204	2,749,550	54,371,596
14,216,226	331,502	131,284	739,741	613,113	99,028	1,086,002	41,650,089

Muscatine County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Eight Years

	2008	2007	2006
Revenues:			
Property and other county tax	\$ 11,687,141	10,903,381	9,427,758
Local option sales tax	1,525,736	1,612,758	1,426,194
Tax increment financing	2,779,066	2,728,449	2,518,739
Interest and penalty on property tax	177,397	135,701	129,222
Intergovernmental	7,279,800	8,658,921	7,917,815
Licenses and permits	71,353	90,155	134,265
Charges for service	953,362	1,044,584	993,581
Use of money and property	671,957	808,911	690,112
Miscellaneous	119,239	400,300	267,666
Total	\$ 25,265,051	26,383,160	23,505,352
Expenditures:			
Operating:			
Public safety and legal services	\$ 6,430,196	6,190,825	5,995,995
Physical health and social services	1,397,525	1,345,536	1,244,312
Mental health	4,899,395	4,560,083	4,872,925
County environment and education	855,660	862,523	811,459
Roads and transportation	3,995,683	3,965,737	3,679,065
Governmental services to residents	744,212	772,229	1,045,653
Administration	2,202,626	2,149,595	2,060,956
Non-program	482	329	94
Debt service	3,862,312	3,873,429	3,395,626
Capital projects	2,229,263	2,543,108	1,205,609
Total	\$ 26,617,354	26,263,394	24,311,694

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

See accompanying independent auditor's report.

Modified Accrual Basis				
2005	2004	2003*	2002*	2001*
8,929,409	9,126,056	9,291,992	9,076,263	8,739,212
1,207,208	1,376,438	1,310,286	1,237,943	1,405,978
2,659,483	2,458,523	2,457,784	2,908,378	2,889,528
134,751	127,342	144,830	212,979	104,846
7,448,135	7,603,530	7,927,276	8,021,297	8,353,920
110,512	55,094	15,572	13,029	14,213
1,012,192	1,034,421	1,014,933	949,760	1,483,781
496,672	318,069	527,125	993,777	677,912
171,141	670,697	559,391	435,417	171,515
22,169,503	22,770,170	23,249,189	23,848,843	23,840,905
5,980,757	5,294,006	5,020,243	4,813,687	4,694,131
1,367,221	1,286,790	1,360,473	1,465,092	1,500,002
4,361,931	4,108,575	4,364,043	4,251,095	6,718,152
771,303	691,276	682,378	648,066	667,141
4,706,304	3,974,820	3,774,979	3,485,159	3,054,161
770,148	671,631	625,204	584,730	597,979
1,967,755	1,869,951	1,898,196	1,968,484	1,883,392
83,479	443,908	-	55,881	43,410
3,332,801	3,113,051	3,638,246	3,423,630	3,375,245
2,643,201	575,768	440,019	824,947	2,730,522
25,984,900	22,029,776	21,803,781	21,520,771	25,264,135

Schedule 9

Muscatine County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Corporation for National and Community Service: AMERICORPS	94.006		\$ 7,435
U.S. Department of Homeland Security: Emergency Food and Shelter National Board Program	97.024	26-2992-00	1,449
Total direct			<u>8,884</u>
Indirect:			
Office of National Drug Control Policy: Iowa Department of Public Safety: High Intensity Drug Trafficking Area Program	07.000	15PMWP556	276
High Intensity Drug Trafficking Area Program	07.000	I6PMWP556Z	3,101
High Intensity Drug Trafficking Area Program	07.000	I7PMWP556Z	28,999
High Intensity Drug Trafficking Area Program	07.000	18MPWP556	35,072
			<u>67,448</u>
U.S. Department of Agriculture: Iowa Department of Human Services: State Administrative Matching Grants for Food Stamp Program	10.561		22,406
U.S. Department of Justice: Iowa Attorney General: Violence Against Women Formula Grants	16.588	VW-07-50	1,248
Governor's Office of Drug Control Policy: Edward Byrne Memorial Justice Assistance Grant Program	16.738	07JAG/C06-07	58,496
City of Muscatine: Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-0013	1,039
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-0189	15,206
			<u>74,741</u>
U.S. Department of Transportation: Iowa Department of Public Safety: Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	07-410 Task 25	6,864
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	07-163 Task 49	7,950
			<u>14,814</u>
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	07-163 Task 60	12,379

Muscatine County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2008

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		24,290
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		5,905
Foster Care - Title IV-E	93.658		14,243
Adoption Assistance	93.659		3,389
State Children's Insurance Program	93.767		202
Medical Assistance Program	93.778		30,929
Social Services Block Grant	93.667		15,935
Social Services Block Grant	93.667		189,264
			205,199
Des Moines County, Iowa:			
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	BT70	6,609
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		10,709
Total indirect			494,511
Total			\$ 503,395

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 on 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.

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

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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, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated October 28, 2008. 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 in order to determine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Muscatine County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Muscatine County's financial statements that is more than inconsequential will not be prevented or detected by Muscatine County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

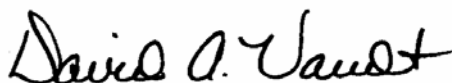
As part of obtaining reasonable assurance about whether Muscatine County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 that 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, 2008 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.

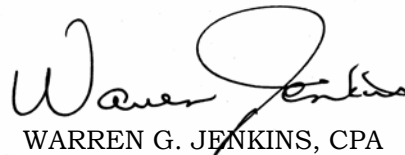
Muscatine County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Muscatine County's responses and, accordingly, we express no opinion on them.

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. This report 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

October 28, 2008

**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

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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 its major federal program for the year ended June 30, 2008. Muscatine County's major federal program is 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 its major federal program 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 program for the year ended June 30, 2008.

Internal Control Over Compliance

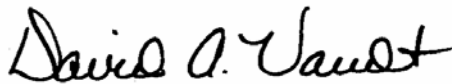
The management of Muscatine County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Muscatine County's internal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

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

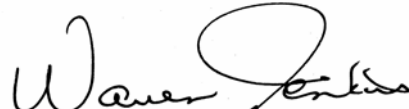
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

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

This report, 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. This report 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

October 28, 2008

Muscatine County
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, none of which were considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was 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 qualify as a low-risk auditee.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- II-A-08 Board of Supervisors – The County has adopted a credit card policy allowing County purchases using a credit card. The policy requires all credit card bills to be supported by a statement and detailed itemized vendor receipts.

Credit card bills were not always supported by statements and detailed itemized vendor receipts. Also, six of the credit card billings tested included late fees and interest totaling \$82.63.

Credit card charges included pizza and drinks for \$188 from Happy Joe’s Pizza for an E911 Service Board and Emergency Management Board budget meeting. Additionally, food items were purchased for \$85 from HyVee for a “goal planning session.” These expenditures may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

The County maintains a Jail Commissary Fund to account for the sale of personal and convenience items to inmates at the County Jail and Work Release Center. Although there is no Code of Iowa section or County policy addressing the use of profits generated from these activities, the County publishes an “Adopted Budget Report” which indicates “profits are to be used for purposes of prisoner welfare and rehabilitation.” The County purchased a number of items, including a Ford Expedition, ammunition, a tactical team rappel package and pepper ball supplies, from the Jail Commissary Fund. Additionally, several payments from the Jail Commissary Funds were not supported by an invoice or other supporting documentation.

Recommendation – The Board should ensure credit card bills are properly supported by statements and detailed itemized vendor receipts and credit card billings are paid timely to avoid late fees and interest charges.

It is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin. The County should determine and document the public purpose served by these expenditures for pizza and food items before authorizing any further payments.

Although the expenditures listed above from the Jail Commissary Fund may all be appropriate Sheriff’s expenditures, the Board of Supervisors, in conjunction with Sheriff’s office, should establish written policies and guidelines to govern the use of Jail Commissary Fund profits if they are to be used for purposes of prisoner welfare and rehabilitation as noted in the “Adopted Budget Report”. Although invoices were subsequently obtained upon the State Auditor’s request, all payments should be supported by an original invoice or other supporting documentation prior to payment.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Response – We will make every effort to ensure credit card receipts have more specific detail and are paid timely to avoid late fees.

The County will try to be more judicious in documenting public purpose.

The County will establish a Jail Commissary policy and guidelines for expenditures.

Conclusion – Response accepted.

- II-B-08 County Attorney – Forfeiture and Confiscated Property Collections – The County Attorney received forfeited and confiscated property collections. These collections were not reflected in the County's accounting system and have not been included in the County's annual budget or monthly financial reports.

Recommendation – This activity should be included in the County's annual budget and financial statements in a separate Special Revenue Fund. Proceeds are accepted by the County with the understanding they are for additional law enforcement efforts. This means monies so designated are not to replace those already budgeted. All proceeds disbursed should be charged to the appropriate expenditure account in accordance with the Uniform Chart of Accounts for County Governments in Iowa.

Response – My office has drafted an Agreement with the Board of Supervisors to transfer the County Attorney's Forfeiture Account to the County. This Agreement has been approved by the Attorney General and the State Auditor. It will be presented to the Board for approval in the next few weeks.

Conclusion – Response accepted.

- II-C-08 County Sheriff's Office – A reconciliation of book to bank balances was performed for all accounts as of June 30, 2008. However, the reconciliations are not reviewed by an independent person. Additionally, a complete and accurate listing of trusts on hand and listing of individual inmate account balances was not maintained/or retained at June 30, 2008. The Jail Inmate account had a variance of \$3,420 between the book and bank balances at that date.

Additionally, the quarterly fees for the quarters ended September 30, 2007 and December 31, 2007 were not remitted to the County Treasurer until October 23, 2007 and January 16, 2008, respectively.

Recommendation – Book to bank account balance reconciliations should be reviewed by an independent person. A complete and accurate listing of trusts on hand and listing of individual inmate account balances should be prepared and reconciled to this balance monthly. Variances, if any, should be resolved timely.

Quarterly fees should be remitted to the County Treasurer timely.

Response – We will have an independent person review book to bank account balances.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

We will attempt to have a complete and accurate listing of trusts on hand and a listing of individual inmate account balances monthly.

Quarterly fees will be to the County Treasurer's Office by the 15th of the month that they are due.

Conclusion – Response accepted.

II-D-08 Timesheets and Payroll Records – All County personnel do not prepare and file timesheets.

Recommendation – Except for elected officials, timesheets should be prepared by all personnel in all departments, salaried as well as hourly. The timesheets/records should be signed by the employee and should be reviewed and signed by the employee's immediate supervisor. The timesheets/records should support all hours worked and all hours taken as vacation, sick leave, compensatory time, holiday hours, and personal days. For internal control, as well as for potential legal claims (payroll dispute/grievance), timesheets/records would provide an accurate record of hours worked and leave time earned and taken.

Response – The County will review the payroll process to determine the feasibility of the recommended change.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Muscatine County
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.

Disbursements in certain departments exceeded the appropriations.

Recommendation - Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by decreasing or increasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The County will make every effort to increase appropriations before disbursements are allowed which exceed the appropriations.

Conclusion – Response accepted.

IV-B-08 Questionable Expenditures – Except as described in Finding II-A-08, 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-08 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-08 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>
William Wilson, Deputy Sheriff	Vehicle repairs	\$ 211
Esther Dean, Board of Supervisors	Court appointed attorney	593
Joe Wedekind, Secondary Roads Employee	Lawn care and mowing	167

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-08 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 insure the coverage is adequate for current operations.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

IV-F-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-08 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.

IV-H-08 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-08 Financial Condition - The Internal Service, Health Insurance Trust Fund had an unrestricted deficit (on an accrual basis) of \$35,314 at June 30, 2008.

Recommendation – The County should investigate alternatives to eliminate the deficit to return this fund to a sound financial position.

Response – Monthly premiums paid to the Health Insurance Fund increased as of July 1, 2007 and again July 1, 2008 to return the fund to a sound financial position.

Conclusion – Response accepted.

IV-J-08 E911 Services Board and Emergency Management Board – Credit card charges included pizza and drink for \$188 from Happy Joe's Pizza for the E911 Service Board and Emergency Management Board budget meeting. These expenditures may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Recommendation – It is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin. The Board should determine and document the public purpose served by these expenditures for pizza and food items before authorizing any further payments.

Response – The E911 Board and the EMA Board is made up of mainly volunteers. We have the meetings at 6:00 PM to allow for them to work their regular jobs, then, come to the board meetings. These board members receive no pay for their service. When we have meetings that last longer than normal, they have requested a meal, because they would receive no dinner as the meetings last well into the night. Because of this, I have purchased meals for them when the agenda is long.

Conclusion – The Board should determine and document the public purpose served by these expenditures for pizza and food items before authorizing any further payments.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

- IV-K-08 County Agricultural 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, 2008 for the County Extension Office did not exceed the amount budgeted.

Certain minutes of the County Agricultural Extension Council were not signed as required by Chapter 176A.14(3) of the Code of Iowa.

Recommendation - The minutes should be signed to authenticate the record as required.

Response – Will work on a new system to get the minutes signed in a timely manner.

Conclusion – Response accepted.

- IV-L-08 County Agricultural Extension Office – The balance of unencumbered funds to carry over to the next year in the County Agricultural Extension Education Fund exceeded one-half the amount expended from the fund in the previous year. Chapter 176A.8, section 13 of the Iowa Code requires unencumbered funds in the County Agricultural Extension Education Fund in excess of one-half the amount expended from the fund in the previous year to be paid over to the County Treasurer.

Recommendation – The County Agricultural Extension Office should pay \$19,095 to the County Treasurer to comply with Chapter 176A of the Code of Iowa.

Response – The \$19,095 will be repaid to the County Treasurer. Over the 18 months between developing the budget and the close of the fiscal year, several unexpected situations happened that attributed to the larger than anticipated carryover, thus putting the final carryover out of compliance with the Code of Iowa.

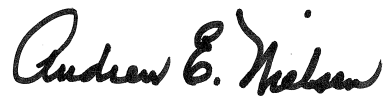
Conclusion – Response accepted.

Muscatine County

Staff

This audit was performed by:

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