



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE January 11, 2010

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 \$53,068,056 for the year ended June 30, 2009, which included \$1,654,495 in tax credits from the state. The County forwarded \$40,257,220 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$12,810,836 of the local tax revenue to finance County operations, a 5.9 percent increase over the prior year. Other revenues included charges for service of \$1,661,689, operating grants, contributions and restricted interest of \$9,082,426, capital grants, contributions and restricted interest of \$977,538, tax increment financing of \$2,710,391, local option sales tax of \$1,890,098, unrestricted investment earnings of \$244,238 and other general revenues of \$551,645.

Expenses for County operations totaled \$27,609,834, a 16.9 percent increase over the prior year. Expenses included \$7,646,838 for roads and transportation, \$6,909,670 for public safety and legal services and \$4,757,749 for mental health.

The significant increase in expenses is due primarily to FEMA funds received due to flooding and spent for start-up programs, demolition of damaged properties, buy out programs and road repairs.

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/index.html>.

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**MUSCATINE COUNTY**

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

**JUNE 30, 2009**

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**Muscatine County**

**Officials**

**(Before January 2009)**

<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

**(After January 2009)**

Esther Dean	Board of Supervisors	Jan 2011
Tom Furlong	Board of Supervisors	Jan 2011
Wayne Shoultz	Board of Supervisors	Jan 2011
David Watkins	Board of Supervisors	Jan 2013
Kas Kelly	Board of Supervisors	Jan 2013
Leslie Soule	County Auditor	Jan 2013
Jerry Coffman	County Treasurer	Jan 2011
Cindy Gray	County Recorder	Jan 2011
David White	County Sheriff	Jan 2013
Gary Allison	County Attorney	Jan 2011
Dale McCrea	County Assessor	Jan 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, 2009, 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.

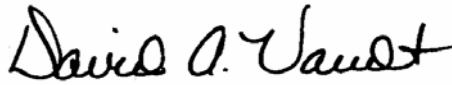
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2009, 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 December 8, 2009 on our consideration of Muscatine County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 46 through 49 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 eight years ended June 30, 2008 (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

December 8, 2009



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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 ended June 30, 2009. 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 increased 14%, or approximately \$3,608,000, from fiscal year 2008 (FY08) to FY09. Property tax increased approximately \$707,000 and operating and capital grants, contributions and restricted interest increased approximately \$3,124,000.
- Expenses of the County's governmental activities increased 17%, or approximately \$3,989,000, from FY08 to FY09.
- Muscatine County's net assets increased approximately \$2,319,000 from June 30, 2008 to June 30, 2009.

### **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 that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

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 Federal 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, 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. The 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 financial statements required for fiduciary funds include 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.

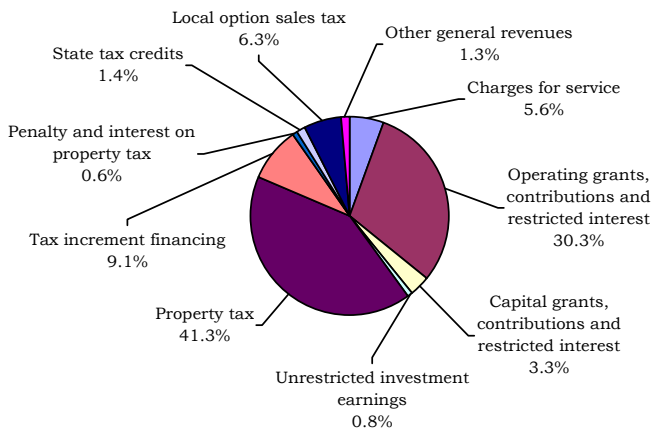
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2009	2008
Current and other assets	\$ 24,810	23,871
Capital assets	35,234	34,794
Total assets	<u>60,044</u>	<u>58,665</u>
Long-term liabilities	11,242	13,682
Other liabilities	18,201	16,701
Total liabilities	<u>29,443</u>	<u>30,383</u>
Net assets:		
Invested in capital assets, net of related debt	32,235	31,211
Restricted	4,091	3,688
Unrestricted	<u>(5,725)</u>	<u>(6,617)</u>
Total net assets	<u>\$ 30,601</u>	<u>28,282</u>

Muscatine County's total net assets increased approximately \$2.3 million from 2008 to 2009. 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 \$5.7 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.

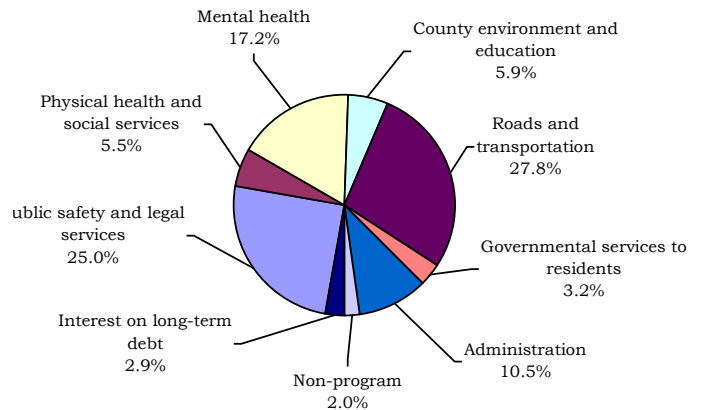
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2009	2008
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,662	2,246
Operating grants, contributions and restricted interest	9,082	6,521
Capital grants, contributions and restricted interest	978	415
<b>General revenues:</b>		
Property tax	12,378	11,671
Tax increment financing	2,710	2,779
Penalty and interest on property tax	172	108
State tax credits	433	420
Local option sales tax	1,890	1,526
Unrestricted investment earnings	244	459
Other general revenues	380	176
Total revenues	29,929	26,321
<b>Program expenses:</b>		
Public safety and legal services	6,910	6,648
Physical health and social services	1,517	1,404
Mental health	4,758	4,947
County environment and education	1,629	865
Roads and transportation	7,647	5,129
Governmental services to residents	889	817
Administration	2,903	2,249
Non-program	558	530
Interest on long-term debt	799	1,032
Total expenses	27,610	23,621
Increase in net assets	2,319	2,700
Net assets beginning of year	28,282	25,582
Net assets end of year	\$ 30,601	28,282

**Revenues by Source**



**Expenses by Program**



Muscatine County's property tax rates were increased \$.48 per \$1,000 of taxable valuation in FY09. The rural services levy was increased \$.55 per \$1,000 of taxable valuation in FY09. The mental health levy decreased due to a modest increase in taxable valuation. The debt service levy decreased \$.02 per \$1,000 of taxable valuation in FY09. Rural taxable property valuation increased \$18,218,166 and the countywide taxable property valuation increased \$62,221,216. Local option sales tax increased approximately \$364,000 during the fiscal year and FEMA reimbursements for flood related expenses increased revenues approximately \$1.6 million in FY09.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Muscatine County completed the year, its governmental funds reported a combined fund balance of approximately \$6.7 million, which is lower than the approximately \$7.1 million combined fund balance at the end of FY08.

The General Fund, the operating fund for Muscatine County, ended FY09 with a fund balance of approximately \$2.2 million. This was a decrease from the FY08 ending balance of approximately \$3 million. Property valuation increased from \$1,428,860,881 in FY08 to \$1,491,082,097 in FY09. The levy rate for the General Fund remained the same in FY09, increasing property tax revenue approximately \$340,000. Interest earned on investments decreased approximately \$200,000 due to decreasing interest rates and intergovernmental revenues decreased approximately \$95,000 due to a decrease in prisoner housing reimbursements from the Federal government. Expenditures increased in the public safety and legal services function due to salary and benefits increases for Sheriff's deputies and corrections officers. Administration function expenditures increased, primarily due to a workers compensation insurance premium increase of approximately \$137,000 and information technology system expenditures of approximately \$51,000. Additionally, the County transferred \$237,000 to the Capital Projects Fund for County building maintenance and repairs.

Muscatine County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. FY09 ended with a balance of approximately \$1.2 million, whereas FY08 ended with a balance of approximately \$1 million. The FY09 levy rate decreased \$.06 per \$1,000 of taxable valuation due to an increase in taxable valuation. Intergovernmental revenue increased approximately \$130,000 due to an increase in allowable growth funding by the State of Iowa and an increase in revenue from State cases of approximately \$120,000.

The Rural Services Fund ended FY09 with a fund balance of approximately \$211,000 compared to the prior year ending balance of approximately \$309,000. To respond to public requests to upgrade maintenance of rural county roads, the property tax levy rate for rural services increased \$.55 per \$1,000 of taxable valuation in FY09. The levy increase, along with a taxable valuation increase of approximately \$18 million, increased the amount of property tax collected approximately \$348,000. In FY09, the County transferred approximately \$600,000 more to the Secondary Roads Fund than in FY08 to cover the maintenance and upgrade of rural county roads.

The Secondary Roads Fund ended FY09 with a balance of approximately \$2.3 million, compared to the prior year ending balance of approximately \$2.1 million. Due to significant damage to roads caused by flooding in June 2008, scheduled capital projects were postponed to focus on repairing flood damaged roads. Capital project expenditures in the fund in FY09 decreased approximately \$1.7 million from FY08. Roads and transportation expenditures in the fund increased over FY08 approximately \$2.7 million. Local option sales tax revenue increased approximately \$364,000 and intergovernmental revenue increased approximately \$1.4 million, which was primarily flood related reimbursements. 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 \$2,710,000 and paid principal and interest on the IPSCO Urban Renewal Tax Increment Revenue Bonds of approximately \$2,710,000.

The Debt Service Fund ended FY09 with a fund balance of approximately a \$46,000 compared to the prior year ending balance of approximately \$152,000. FY09 payments from the Debt Service Fund include the VPA jail capital lease purchase agreement payment, principal and interest payments for the remodeling of the County Administration Building and 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 four times. The first amendment, made in September 2008, moved \$35,000 from the public safety function to the administration function for building maintenance at the jail.

The second amendment in November 2008 increased the following disbursements: public safety \$105,630, county environment and education \$1,704,330, the majority consisting of FEMA flood programs, governmental services to residents \$44,400, administration \$17,037, and moved \$12,000 from administration to the capital projects function. The following receipts were also amended: Intergovernmental \$1,733,600, of which the majority consisted of FEMA flood program reimbursements and miscellaneous receipts of \$35,000.

The third amendment, in March 2009, increased public safety disbursements \$52,650. Disbursements were also increased for physical health and social services \$79,580, roads and transportation \$1,952,000, administration \$84,234, debt service \$1,655 and reduced capital projects in the secondary roads fund \$606,000. The following receipts were also amended: intergovernmental \$1,493,980, of which the majority consisted of flood related reimbursements for road repairs and miscellaneous receipts of \$19,095.

The fourth amendment, in June 2009, increased the following disbursements: public safety \$260,679, physical health and social services \$13,776, mental health \$14,624, county environment and education \$8,896, roads and transportation \$22,400, governmental services to residents \$18,600, administration \$53,800 and capital projects \$5,000. The following receipts were also amended: intergovernmental \$103,600 and miscellaneous receipts \$30,000.

All four amendments were to adjust for disbursements and receipt changes after certification of the FY09 budget. None of the amendments made during the 2009 fiscal year should have any impact on the fiscal year 2010 budget.

The County's receipts were \$931,413 less than budgeted, a variance of three percent, primarily due to the FEMA buyout program being delayed/extended into FY10.

Total disbursements were approximately \$3,263,000 less than the amended budget. Actual disbursements for the county environment and education function were approximately \$1,382,000 less than budgeted due to the FEMA buyout program being delayed/extended into FY10, roads and transportation function disbursements were approximately \$244,000 less than budgeted and mental health function disbursements were approximately \$449,000 less than budgeted due to continued monitoring of mental health services. Capital projects disbursements were approximately \$586,000 less than budgeted due to the remodeling of the former county care facility for DHS use being delayed into FY10.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY09, Muscatine County had approximately \$62 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 \$26.7 million, Muscatine County's capital assets have a net value of approximately \$35.2 million. This is a net increase of approximately \$400,000 from FY08. See Note 5 to the financial statements for more information about the County's capital assets.

### **Debt**

At the end of FY09, Muscatine County had \$1,920,064 in capital lease purchase agreements outstanding, compared to \$2,535,999 at the end of FY08.

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 debt continues to carry the A1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the county's corporate limits. Muscatine County's outstanding general obligation debt of approximately \$10 million is significantly below its constitutional debt limit of \$131 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 2010 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 FY10 operating budget are approximately \$32 million, a decrease of less than 1% under the final 2009 budget. If these estimates are realized, Muscatine County's operating fund balances are expected to decrease from approximately \$5.3 million to approximately \$2.7 million by the close of FY10.

## **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, 2009

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 7,289,679
Receivables:	
Property tax:	
Delinquent	50,697
Succeeding year	13,152,000
Succeeding year tax increment financing	2,427,000
Interest and penalty on property tax	130,783
Accounts	30,321
Accrued interest	6,865
Due from other governments	1,397,854
Inventories	183,735
Prepaid expenses	141,452
Capital assets (net of accumulated depreciation)	35,234,037
<b>Total assets</b>	<u>60,044,423</u>
<b>Liabilities</b>	
Accounts payable	1,468,586
Accrued interest payable	131,324
Salaries and benefits payable	263,897
Due to other governments	479,504
Deferred revenue:	
Succeeding year property tax	13,281,000
Succeeding year tax increment financing	2,427,000
Other	149,631
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	626,848
Tax increment urban renewal revenue bonds	2,157,000
General obligation bonds	390,000
General obligation notes	94,000
Compensated absences	589,935
Portion due or payable after one year:	
Capital lease purchase agreements	1,293,216
Tax increment urban renewal revenue bonds	4,820,000
General obligation bonds	595,000
Compensation absences	641,821
Net OPEB liability	34,181
<b>Total liabilities</b>	<u>29,442,943</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	32,234,973
Restricted for:	
Supplemental levy purposes	308,998
Mental health purposes	1,074,810
Secondary roads purposes	2,012,892
Other purposes	694,723
Unrestricted	(5,724,916)
<b>Total net assets</b>	<u>\$ 30,601,480</u>

See notes to financial statements.

Muscatine County  
 Statement of Activities  
 Year ended June 30, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 6,909,670	482,637	1,047,481	-	(5,379,552)
Physical health and social services	1,517,410	61,528	310,433	-	(1,145,449)
Mental health	4,757,749	21,210	2,770,412	-	(1,966,127)
County environment and education	1,628,555	17,275	717,029	23,503	(870,748)
Roads and transportation	7,646,838	4,283	4,024,902	912,055	(2,705,598)
Governmental services to residents	889,142	527,916	29,995	-	(331,231)
Administration	2,902,692	58,550	182,174	41,980	(2,619,988)
Non-program	558,310	488,290	-	-	(70,020)
Interest on long-term debt	799,468	-	-	-	(799,468)
<b>Total</b>	<b>\$ 27,609,834</b>	<b>1,661,689</b>	<b>9,082,426</b>	<b>977,538</b>	<b>(15,888,181)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					11,320,134
Debt service					1,058,122
Tax increment financing					2,710,391
Penalty and interest on property tax					171,457
State tax credits					432,580
Local option sales tax					1,890,098
Unrestricted investment earnings					244,238
Miscellaneous					380,188
<b>Total general revenues</b>					<b>18,207,208</b>
Change in net assets					2,319,027
Net assets beginning of year					28,282,453
Net assets end of year					<b>\$ 30,601,480</b>

See notes to financial statements.

Muscatine County  
Balance Sheet  
Governmental Funds

June 30, 2009

	General	Mental Health	Special Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 2,345,902	1,489,167	251,857
Receivables:			
Property tax:			
Delinquent	31,300	7,740	7,869
Succeeding year	8,695,000	1,950,000	1,357,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	130,783	-	-
Accounts	23,790	2,982	119
Accrued interest	6,865	-	-
Due from other funds	114	-	-
Due from other governments	294,820	189,328	235,682
Inventories	-	-	-
Prepaid expenses	141,452	-	-
<b>Total assets</b>	<b>\$ 11,670,026</b>	<b>3,639,217</b>	<b>1,852,527</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 287,141	124,357	235,535
Salaries and benefits payable	174,123	25,159	2,949
Due to other funds	6,026	331	204
Due to other governments	16,802	314,593	-
Deferred revenue:			
Succeeding year property tax	8,779,000	1,971,000	1,370,000
Succeeding year tax increment financing	-	-	-
Other	162,083	7,740	32,869
Total liabilities	9,425,175	2,443,180	1,641,557
Fund balances:			
Reserved for:			
Debt service	-	-	-
Supplemental levy purposes	304,694	-	-
Unreserved:			
Undesignated, reported in:			
General fund	1,940,157	-	-
Special revenue funds	-	1,196,037	210,970
Capital projects fund	-	-	-
Total fund balances	2,244,851	1,196,037	210,970
<b>Total liabilities and fund balances</b>	<b>\$ 11,670,026</b>	<b>3,639,217</b>	<b>1,852,527</b>

See notes to financial statements.

Revenue				
Secondary Roads	IPSCO TIF	Debt Service	Nonmajor	Total
2,191,125	75	56,963	772,647	7,107,736
-	-	3,788	-	50,697
-	-	1,150,000	-	13,152,000
-	2,427,000	-	-	2,427,000
-	-	-	-	130,783
105	-	-	3,325	30,321
-	-	-	-	6,865
6,447	-	-	-	6,561
664,929	-	-	13,095	1,397,854
183,735	-	-	-	183,735
-	-	-	-	141,452
<b>3,046,341</b>	<b>2,427,075</b>	<b>1,210,751</b>	<b>789,067</b>	<b>24,635,004</b>
445,489	-	-	93,695	1,186,217
60,942	-	-	724	263,897
-	-	-	-	6,561
148,109	-	-	-	479,504
-	-	1,161,000	-	13,281,000
-	2,427,000	-	-	2,427,000
124,631	-	3,788	-	331,111
<b>779,171</b>	<b>2,427,000</b>	<b>1,164,788</b>	<b>94,419</b>	<b>17,975,290</b>
-	-	45,963	-	45,963
-	-	-	-	304,694
-	-	-	-	1,940,157
2,267,170	75	-	493,470	4,167,722
-	-	-	201,178	201,178
<b>2,267,170</b>	<b>75</b>	<b>45,963</b>	<b>694,648</b>	<b>6,659,714</b>
<b>3,046,341</b>	<b>2,427,075</b>	<b>1,210,751</b>	<b>789,067</b>	<b>24,635,004</b>

**Muscatine County**

Muscatine County

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

June 30, 2009

**Total governmental fund balances (page 19)** \$ 6,659,714

***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 \$61,996,664 and the accumulated depreciation is \$26,762,627. 35,234,037

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 181,480

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. (100,426)

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (11,373,325)

**Net assets of governmental activities (page 16)** \$ 30,601,480

See notes to financial statements.

Muscatine County

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

Year ended June 30, 2009

	General	Special	
		Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 8,027,088	1,984,561	1,305,174
Local option sales tax	-	-	-
Tax increment financing	-	-	-
Interest and penalty on property tax	158,370	-	-
Intergovernmental	1,843,184	2,839,192	699,474
Licenses and permits	500	-	55,452
Charges for service	738,398	21,210	-
Use of money and property	279,728	-	-
Miscellaneous	66,888	28,362	-
Total revenues	11,114,156	4,873,325	2,060,100
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	6,413,349	-	-
Physical health and social services	1,449,156	-	69,478
Mental health	-	4,686,393	-
County environment and education	584,875	-	866,112
Roads and transportation	-	-	-
Governmental services to residents	805,288	-	2,362
Administration	2,390,185	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	11,642,853	4,686,393	937,952
Excess (deficiency) of revenues over (under) expenditures	(528,697)	186,932	1,122,148
<b>Other financing sources (uses):</b>			
Sale of capital assets	7,876	-	-
Operating transfers in	3,420	-	-
Operating transfers out	(268,900)	-	(1,220,000)
General obligation bonds issued	-	-	-
Total other financing sources (uses)	(257,604)	-	(1,220,000)
Net change in fund balances	(786,301)	186,932	(97,852)
Fund balances beginning of year	3,031,152	1,009,105	308,822
Fund balances end of year	\$ 2,244,851	1,196,037	210,970

See notes to financial statements.



Revenue				
Secondary Roads	IPSCO TIF	Debt Service	Nonmajor	Total
-	-	1,058,094	-	12,374,917
1,890,098	-	-	-	1,890,098
-	2,710,391	-	-	2,710,391
-	-	-	-	158,370
4,079,646	-	33,788	130,619	9,625,903
2,245	-	-	-	58,197
2,038	-	-	25,235	786,881
-	-	-	196,981	476,709
25,687	-	-	156,845	277,782
5,999,714	2,710,391	1,091,882	509,680	28,359,248
-	-	-	247,895	6,661,244
-	-	-	-	1,518,634
-	-	-	-	4,686,393
-	-	-	63,384	1,514,371
6,741,764	-	-	-	6,741,764
-	-	-	11,724	819,374
-	-	-	96,325	2,486,510
-	2,710,388	1,198,188	-	3,908,576
278,228	-	-	726,760	1,004,988
7,019,992	2,710,388	1,198,188	1,146,088	29,341,854
(1,020,278)	3	(106,306)	(636,408)	(982,606)
900	-	-	300	9,076
1,200,000	-	-	288,900	1,492,320
-	-	-	(3,420)	(1,492,320)
-	-	-	500,000	500,000
1,200,900	-	-	785,780	509,076
180,622	3	(106,306)	149,372	(473,530)
2,086,548	72	152,269	545,276	7,133,244
2,267,170	75	45,963	694,648	6,659,714

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, 2009

**Net change in fund balances - Total governmental funds (page 23)** \$ (473,530)

**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	\$ 1,240,176	
Capital assets contributed by the Iowa Department of Transportation	857,312	
Depreciation expense	<u>(1,891,816)</u>	205,672

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. 234,146

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	16,429	
Other	<u>(18,035)</u>	(1,606)

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	(500,000)	
Repaid	<u>3,088,935</u>	2,588,935

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	(115,049)	
Other postemployment benefits	(34,181)	
Accrued interest on long-term debt	<u>36,108</u>	(113,122)

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. (121,468)

**Change in net assets of governmental activities (page 17)** \$2,319,027

See notes to financial statements.

Muscatine County  
Statement of Net Assets  
Proprietary Funds

June 30, 2009

	<u>Internal Service</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 181,943
<b>Liabilities</b>	
Accounts payable	<u>282,369</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ (100,426)</u></u>

See notes to financial statements.

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

Year ended June 30, 2009

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,609,637
Reimbursements from others	468,290
Total operating revenues	<u>2,077,927</u>
Operating expenses:	
Health claims and administrative services	2,003,848
Loss contingencies and deductibles	196,442
Miscellaneous	500
Total operating expenses	<u>2,200,790</u>
Operating loss	(122,863)
Non-operating revenues:	
Interest income	<u>1,395</u>
Change in net assets	(121,468)
Net assets beginning of year	<u>21,042</u>
Net assets end of year	<u><u>\$ (100,426)</u></u>

See notes to financial statements.

Muscatine County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2009

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating funds	\$ 1,609,637
Cash received from others	481,164
Cash paid to suppliers for services	<u>(2,143,966)</u>
Net cash used by operating activities	(53,165)
Cash flows from investing activities:	
Interest on investments	<u>1,395</u>
Net decrease in cash and cash equivalents	(51,770)
Cash and cash equivalents beginning of year	<u>233,713</u>
Cash and cash equivalents end of year	<u>\$ 181,943</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (122,863)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts receivable	12,874
Increase in accounts payable	<u>56,824</u>
Net cash used by operating activities	<u>\$ (53,165)</u>

See notes to financial statements.

Muscatine County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2009

**Assets**

Cash and pooled investments:

County Treasurer \$ 3,299,105

Other County officials 980,112

Receivables:

Property tax:

Delinquent 123,275

Succeeding year 38,801,000

Accounts 24,932

Accrued interest 1,557

Assessments 116,570

Due from other governments 46,768

**Total assets** 43,393,319**Liabilities**

Accounts payable 48,752

Salaries and benefits payable 46,815

Due to other governments 41,909,022

Trusts payable 1,295,322

Compensated absences 93,408

**Total liabilities** 43,393,319**Net assets**\$ -

See notes to financial statements.

Muscatine County

Notes to Financial Statements

June 30, 2009

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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, 2009, 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 unspent grant proceeds and 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, 2009. 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.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2009 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, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Mental Health	\$ 114
Special Revenue: Secondary Roads	General	6,026
	Special Revenue: Mental Health	217
	Rural Services	204
		<u>6,447</u>
Total		<u>\$ 6,561</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, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Resource Enhancement and Protection	\$ 3,420
Special Revenue: Conservation Youth Corp	General	4,000
Geographic Information System	General	20,000
	Special Revenue: Rural Services	20,000
Secondary Roads	Special Revenue: Rural Services	1,200,000
County Recorder's Records Management	General	7,900
Capital Projects	General	237,000
Total		<u>\$ 1,492,320</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, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
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	50,904	(95,544)	-
Construction in progress, road network	266,929	1,098,852	(376,180)	989,601
Total capital assets not being depreciated	<u>3,465,517</u>	<u>1,149,756</u>	<u>(471,724)</u>	<u>4,143,549</u>
Capital assets being depreciated:				
Buildings and improvements	20,750,908	413,639	-	21,164,547
Equipment and vehicles	6,269,115	954,062	(762,287)	6,460,890
Infrastructure, road network	29,202,842	376,180	-	29,579,022
Infrastructure, other	648,656	-	-	648,656
Total capital assets being depreciated	<u>56,871,521</u>	<u>1,743,881</u>	<u>(762,287)</u>	<u>57,853,115</u>
Less accumulated depreciation for:				
Buildings and improvements	8,786,918	374,185	-	9,161,103
Equipment and vehicles	4,052,375	685,377	(672,008)	4,065,744
Infrastructure, road network	12,538,807	806,911	-	13,345,718
Infrastructure, other	164,719	25,343	-	190,062
Total accumulated depreciation	<u>25,542,819</u>	<u>1,891,816</u>	<u>(672,008)</u>	<u>26,762,627</u>
Total capital assets being depreciated, net	<u>31,328,702</u>	<u>(147,935)</u>	<u>(90,279)</u>	<u>31,090,488</u>
Governmental activities capital assets, net	<u>\$ 34,794,219</u>	<u>1,001,821</u>	<u>(562,003)</u>	<u>35,234,037</u>
Governmental activities:				
Public safety and legal services				\$ 315,090
Physical health and social services				4,931
Mental health				60,507
County environment and education				97,245
Roads and transportation				1,279,214
Governmental services to residents				56,605
Administration				78,224
Total depreciation expense - governmental activities				<u>\$ 1,891,816</u>

The cost and accumulated depreciation of the leased county jail facility at June 30, 2009 were \$8,450,000 and \$2,366,000, 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	\$ 16,802
Special Revenue:		
Mental Health	Services	314,593
Secondary Roads	Services	148,109
		<u>462,702</u>
Total for governmental funds		<u>\$ 479,504</u>
Agency:		
County Assessor	Collections	\$ 687,713
Schools		22,760,367
Community Colleges		1,353,400
Corporations		14,391,697
Townships		345,273
Auto License and Use Tax		813,815
Drainage Districts		651,646
All other		905,111
Total for agency funds		<u>\$ 41,909,022</u>

**(7) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Capital Lease Purchase Agreements	Tax Incremental Revenue Bonds	General Obligation Building Bonds	General Obligation Computer Equipment Notes	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 2,535,999	8,982,000	860,000	187,000	1,116,707	-	13,681,706
Increases	-	-	500,000	-	761,704	34,181	1,295,885
Decreases	615,935	2,005,000	375,000	93,000	646,655	-	3,735,590
Balance end of year	<u>\$ 1,920,064</u>	<u>6,977,000</u>	<u>985,000</u>	<u>94,000</u>	<u>1,231,756</u>	<u>34,181</u>	<u>11,242,001</u>
Due within one year	\$ 626,848	2,157,000	390,000	94,000	589,935	-	3,857,783

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, 2009:

Year ending June 30,	Correctional Facility	Copiers			Total
		County Jail	Community Services	County Attorney	
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	2,026,996	11,088	2,652	7,590	2,048,326
Less amount representing interest	(126,996)	(241)	-	(1,025)	(128,262)
Present value of net minimum lease payments	\$ 1,900,000	10,847	2,652	6,565	1,920,064

Payments under these capital lease purchase agreements for the year ended June 30, 2009 totaled \$697,698.

#### 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, 2009, the County paid principal and interest of \$2,005,000 and \$705,388, respectively, on the bonds. The balance of the bonds at June 30, 2009 was \$6,977,000. 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, 2009 general obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates	Administrative Office Building		
		Principal	Interest	Total
2010	3.85%	\$ 290,000	22,670	312,670
2011	3.90	295,000	11,505	306,505
Total		\$ 585,000	34,175	619,175

Year ending June 30,	Interest Rates	Administrative Office Building - Remodeling		
		Principal	Interest	Total
2010	3.65%	\$ 100,000	14,803	114,803
2011	3.65	100,000	11,102	111,102
2012	3.65	100,000	7,422	107,422
2013	3.65	100,000	3,700	103,700
Total		\$ 400,000	37,027	437,027

During the year ended June 30, 2009, the County issued \$500,000 and retired \$375,000 of general obligation bonds for the administrative office building and remodeling.

General Obligation Notes Payable

A summary of the County's June 30, 2009 general obligation note indebtedness is as follows:

Year ending June 30,	Interest Rates	Computer Equipment		
		Principal	Interest	Total
2010	4.02%	\$ 94,000	3,779	97,779

During the year ended June 30, 2009, the County retired \$93,000 of 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 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$495,010, \$459,076 and \$432,575, respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

Muscatine County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description – The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 183 active and 4 retired members in the plan. Participants must be eligible for retirement under IPERS at age 55 and special services classes at age 55 or age 50 with 22 years of service at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 52,178
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>52,178</u>
Contributions made	<u>(17,997)</u>
Increase in net OPEB obligation	34,181
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 34,181</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the County contributed \$17,997 to the medical plan. Plan members eligible for benefits contributed \$172,200, or 90.5% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 52,178	34.49%	\$ 34,181

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$552,843, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$552,843. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,788,000 and the ratio of the UAAL to covered payroll was 7.1%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table projected to 2010 using Scale AA, applied on a gender-specific basis.

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

**(10) Risk Management**

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 577 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, 2009 were \$201,189.

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, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, 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.

**(11) Employee Health Insurance Plan**

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

Monthly payments of service fees and plan contributions to the Health Insurance Trust Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Health Insurance Trust Fund. The County’s contribution for the year ended June 30, 2009 was \$1,589,637.

Amounts payable from the Health Insurance Trust Fund at June 30, 2009 total \$281,879, 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, 2008	\$ 219,398
Incurred claims (including claims incurred but not reported at June 30, 2009)	2,066,329
Payment on claims during the fiscal year	<u>(2,003,848)</u>
Unpaid claims at June 30, 2009	<u><u>\$ 281,879</u></u>

**(12) Deficit Fund Balance**

The Internal Service, Health Insurance Trust Fund had an unrestricted deficit balance of \$120,233 at June 30, 2009. Monthly premiums paid to the Internal Service, Health Insurance Trust Fund increased as of July 1, 2009.

**(13) Jointly Governed Organizations**

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, 2009:

Additions:		
Contributions from governmental units:		
Muscatine County	\$ 492,112	
City of Muscatine	402,638	\$ 894,750
Miscellaneous		<u>839</u>
Total additions		<u>895,589</u>
Deductions:		
Salaries	542,174	
Benefits	203,462	
Office supplies	2,514	
Uniforms	1,013	
Legal representation and publications	8,055	
Telephone	9,428	
Travel	1,165	
Training	5,702	
Equipment replacement	4,637	
Maintenance and rentals	45,046	
Insurance	16,004	
Miscellaneous	2,545	<u>841,745</u>
Net		53,844
Balance beginning of year		<u>99,028</u>
Balance end of year		<u><u>\$ 152,872</u></u>

Muscatine County participates in the Muscatine County Drug Task Force, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are maintained by the County Attorney and included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2009:

Additions:		
Proceeds from sale of seized and forfeited property		\$ 280,959
Contributions and donations		10,262
Miscellaneous		<u>1,320</u>
Total additions		<u>292,541</u>
Deductions:		
Contributions to governmental units:		
Muscatine County Attorney	\$ 30,000	
Muscatine County Sheriff	30,000	
City of Muscatine Police Department	30,000	
Office supplies and equipment	10,773	
Utilities	344	
Training	8,183	
Task force equipment	39,875	
Investigations	57,786	
Miscellaneous	2,260	<u>209,221</u>
Net		83,320
Balance beginning of year		<u>-</u>
Balance end of year		<u><u>\$ 83,320</u></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, 2009

	Actual	Budgeted Amounts		Final to
		Original	Final	Net Variance
<b>Receipts:</b>				
Property and other county tax	\$ 14,181,095	13,925,900	13,925,900	255,195
Tax increment financing	2,710,391	2,800,000	2,800,000	(89,609)
Interest and penalty on property tax	158,370	136,000	136,000	22,370
Intergovernmental	9,250,608	6,908,293	10,239,473	(988,865)
Licenses and permits	58,672	98,700	98,700	(40,028)
Charges for service	790,405	908,040	908,040	(117,635)
Use of money and property	521,812	626,100	626,100	(104,288)
Miscellaneous	272,592	57,050	141,145	131,447
Total receipts	<u>27,943,945</u>	<u>25,460,083</u>	<u>28,875,358</u>	<u>(931,413)</u>
<b>Disbursements:</b>				
Public safety and legal services	6,681,494	6,553,495	6,937,454	255,960
Physical health and social services	1,441,351	1,486,042	1,579,398	138,047
Mental health	4,834,548	5,268,958	5,283,582	449,034
County environment and education	1,290,439	959,104	2,672,330	1,381,891
Roads and transportation	6,305,110	4,575,000	6,549,400	244,290
Governmental services to residents	818,653	778,035	841,035	22,382
Administration	2,446,562	2,309,690	2,499,761	53,199
Non-program	-	30,000	30,000	30,000
Debt service	3,908,578	4,003,455	4,010,110	101,532
Capital projects	933,669	1,889,000	1,520,000	586,331
Total disbursements	<u>28,660,404</u>	<u>27,852,779</u>	<u>31,923,070</u>	<u>3,262,666</u>
Excess (deficiency) of receipts over (under) disbursements	(716,459)	(2,392,696)	(3,047,712)	2,331,253
Other financing sources (uses), net	509,076	507,000	507,000	2,076
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(207,383)	(1,885,696)	(2,540,712)	2,333,329
Balance beginning of year	7,315,119	5,378,000	6,966,794	348,325
Balance end of year	<u>\$ 7,107,736</u>	<u>3,492,304</u>	<u>4,426,082</u>	<u>2,681,654</u>

See accompanying independent auditor's report.



Muscatine County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 27,943,945	415,303	28,359,248
Expenditures	28,660,404	681,450	29,341,854
Net	(716,459)	(266,147)	(982,606)
Other financing sources, net	509,076	-	509,076
Beginning fund balances	7,315,119	(181,875)	7,133,244
Ending fund balances	\$ 7,107,736	(448,022)	6,659,714

See accompanying independent auditor's report.

Muscatine County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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, four budget amendments increased budgeted disbursements by \$4,070,291. 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, 2009, disbursements did not exceed the amounts budgeted.

Muscatine County

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

Required Supplementary Information

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

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

**Muscatine County**

**Other Supplementary Information**

Muscatine County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2009

	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition	Conservation Youth Corp
<b>Assets</b>				
Cash and pooled investments	\$ 24,986	114,624	139,799	13,946
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 24,986</b>	<b>114,624</b>	<b>139,799</b>	<b>13,946</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	-	8,624	323
Salaries payable	-	-	-	724
Total liabilities	-	-	8,624	1,047
Fund balances:				
Unreserved:				
Undesignated, reported in:				
Special revenue funds	24,986	114,624	131,175	12,899
Capital projects fund	-	-	-	-
Total fund balances	24,986	114,624	131,175	12,899
<b>Total liabilities and fund equity</b>	<b>\$ 24,986</b>	<b>114,624</b>	<b>139,799</b>	<b>13,946</b>

See accompanying independent auditor's report.

Special Revenue								
Jail Commissary	County Sheriff's Forfeiture	County Sheriff's Canine/Community Policing	County Sheriff's Firearms Buyback	County Attorney's Forfeiture	Geographic Information System	Capital Projects	Total	
19,738	83,636	2,420	5,637	47,309	56,689	263,863	772,647	
673	-	-	2,652	-	-	-	3,325	
-	13,095	-	-	-	-	-	13,095	
20,411	96,731	2,420	8,289	47,309	56,689	263,863	789,067	
8,074	-	1,128	789	4,387	7,685	62,685	93,695	
-	-	-	-	-	-	-	724	
8,074	-	1,128	789	4,387	7,685	62,685	94,419	
12,337	96,731	1,292	7,500	42,922	49,004	-	493,470	
-	-	-	-	-	-	201,178	201,178	
12,337	96,731	1,292	7,500	42,922	49,004	201,178	694,648	
20,411	96,731	2,420	8,289	47,309	56,689	263,863	789,067	

Muscatine County

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

Year ended June 30, 2009

	County Recorder's Records Management	Resource Enhance- ment and Protection	Conservation Land Acquisition	Conservation Youth Corp
<b>Revenues:</b>				
Intergovernmental	\$ -	27,105	61,534	-
Charges for service	7,960	-	17,275	-
Use of money and property	197	682	2,761	-
Miscellaneous	-	-	7,791	8,525
Total revenues	8,157	27,787	89,361	8,525
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	50,960	12,424
Governmental services to residents Administration	11,724	-	-	-
Capital projects	-	-	50,125	-
Total expenditures	11,724	-	101,085	12,424
Excess (deficiency) of revenues over (under) expenditures	(3,567)	27,787	(11,724)	(3,899)
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	-	-
Operating transfers in	7,900	-	-	4,000
Operating transfers out	-	(3,420)	-	-
General obligation bonds issued	-	-	-	-
Total other financing sources (uses)	7,900	(3,420)	-	4,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	4,333	24,367	(11,724)	101
Fund balances beginning of year	20,653	90,257	142,899	12,798
Fund balances end of year	\$ 24,986	114,624	131,175	12,899

See accompanying independent auditor's report.



Special Revenue								
Jail Commissary	County Sheriff Forfeiture	County Sheriff's Canine/Community Policing	County Sheriff's Firearms Buyback	County Attorney's Forfeiture	Geographic Information System	Capital Projects	Total	
-	-	-	-	-	41,980	-	130,619	
-	-	-	-	-	-	-	25,235	
193,332	-	-	-	9	-	-	196,981	
-	76,839	-	2,853	60,697	140	-	156,845	
193,332	76,839	-	2,853	60,706	42,120	-	509,680	
203,529	22,601	1,128	2,853	17,784	-	-	247,895	
-	-	-	-	-	-	-	63,384	
-	-	-	-	-	-	-	11,724	
-	-	-	-	-	96,325	-	96,325	
-	-	-	-	-	-	676,635	726,760	
203,529	22,601	1,128	2,853	17,784	96,325	676,635	1,146,088	
(10,197)	54,238	(1,128)	-	42,922	(54,205)	(676,635)	(636,408)	
-	300	-	-	-	-	-	300	
-	-	-	-	-	40,000	237,000	288,900	
-	-	-	-	-	-	-	(3,420)	
-	-	-	-	-	-	500,000	500,000	
-	300	-	-	-	40,000	737,000	785,780	
(10,197)	54,538	(1,128)	-	42,922	(14,205)	60,365	149,372	
22,534	42,193	2,420	7,500	-	63,209	140,813	545,276	
12,337	96,731	1,292	7,500	42,922	49,004	201,178	694,648	

**Schedule 3**

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Muscatine County  
Combining Schedule of Net Assets  
Internal Service Funds

June 30, 2009

	Health Insurance Trust	County Insurance Trust	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 161,646	20,297	181,943
<b>Liabilities</b>			
Accounts payable	281,879	490	282,369
<b>Net Assets</b>			
Unrestricted	\$ (120,233)	19,807	(100,426)

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, 2009

	Health Insurance Trust	County Insurance Trust	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,589,637	20,000	1,609,637
Reimbursements from others	328,397	139,893	468,290
Total operating revenues	<u>1,918,034</u>	<u>159,893</u>	<u>2,077,927</u>
Operating expenses:			
Health claims and administrative services	2,003,848	-	2,003,848
Loss contingencies and deductibles	-	196,442	196,442
Miscellaneous	500	-	500
Total operating expenses	<u>2,004,348</u>	<u>196,442</u>	<u>2,200,790</u>
Operating loss	(86,314)	(36,549)	(122,863)
Non-operating revenues:			
Interest income	1,395	-	1,395
Change in net assets	(84,919)	(36,549)	(121,468)
Net assets beginning of year	(35,314)	56,356	21,042
Net assets end of year	<u>\$ (120,233)</u>	<u>19,807</u>	<u>(100,426)</u>

See accompanying independent auditor's report.

**Schedule 5**

Muscatine County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2009

	Health Insurance Trust	County Insurance Trust	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 1,589,637	20,000	1,609,637
Cash received from others	341,271	139,893	481,164
Cash paid to suppliers for services	(1,941,867)	(202,099)	(2,143,966)
Net cash used by operating activities	(10,959)	(42,206)	(53,165)
Cash flows from investing activities:			
Interest on investments	1,395	-	1,395
Net decrease in cash and cash equivalents	(9,564)	(42,206)	(51,770)
Cash and cash equivalents beginning of year	171,210	62,503	233,713
Cash and cash equivalents end of year	\$ 161,646	20,297	181,943
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (86,314)	(36,549)	(122,863)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Decrease in accounts receivable	12,874	-	12,874
Increase (decrease) in accounts payable	62,481	(5,657)	56,824
Net cash used by operating activities	\$ (10,959)	(42,206)	(53,165)

See accompanying independent auditor's report.

**Muscatine County**

Muscatine County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
<b>Assets</b>						
Cash and pooled investments:						
County Treasurer	\$ -	3,579	282,635	368,047	14,980	255,070
Other County officials	896,792	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	817	1,657	84,320	3,420	30,627
Succeeding year	-	216,000	478,000	22,308,000	1,335,000	14,106,000
Accounts	285	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 897,077</b>	<b>220,396</b>	<b>762,292</b>	<b>22,760,367</b>	<b>1,353,400</b>	<b>14,391,697</b>
<b>Liabilities</b>						
Accounts payable	\$ -	-	456	-	-	-
Salaries and benefits payable	-	-	17,310	-	-	-
Due to other governments	29,001	220,396	687,713	22,760,367	1,353,400	14,391,697
Trusts payable	868,076	-	-	-	-	-
Compensated absences	-	-	56,813	-	-	-
<b>Total liabilities</b>	<b>\$ 897,077</b>	<b>220,396</b>	<b>762,292</b>	<b>22,760,367</b>	<b>1,353,400</b>	<b>14,391,697</b>

See accompanying independent auditor's report.

Townships	City Special Assessments	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
5,046	-	813,815	649,822	152,872	-	753,239	3,299,105
-	-	-	-	-	83,320	-	980,112
2,227	-	-	-	-	-	207	123,275
338,000	-	-	-	-	-	20,000	38,801,000
-	-	-	-	-	-	24,647	24,932
-	-	-	1,557	-	-	-	1,557
-	116,303	-	267	-	-	-	116,570
-	-	-	-	-	-	46,768	46,768
<b>345,273</b>	<b>116,303</b>	<b>813,815</b>	<b>651,646</b>	<b>152,872</b>	<b>83,320</b>	<b>844,861</b>	<b>43,393,319</b>
-	-	-	-	3,454	-	44,842	48,752
-	-	-	-	26,227	-	3,278	46,815
345,273	116,303	813,815	651,646	123,191	83,320	332,900	41,909,022
-	-	-	-	-	-	427,246	1,295,322
-	-	-	-	-	-	36,595	93,408
<b>345,273</b>	<b>116,303</b>	<b>813,815</b>	<b>651,646</b>	<b>152,872</b>	<b>83,320</b>	<b>844,861</b>	<b>43,393,319</b>

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

Year ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
<b>Assets and Liabilities</b>						
Balances beginning of year	\$ 701,119	213,093	773,816	21,854,156	891,009	14,216,226
Additions:						
Property and other county tax	-	216,495	467,684	22,504,090	1,337,915	14,146,391
E911 surcharge	-	-	-	-	-	-
State tax credits	-	7,260	14,727	745,791	30,388	409,628
Office fees and collections	639,871	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	3,309,656	-	-	-	-	-
Miscellaneous	6,369	-	16,628	36,955	-	32,680
Total additions	<u>3,955,896</u>	<u>223,755</u>	<u>499,039</u>	<u>23,286,836</u>	<u>1,368,303</u>	<u>14,588,699</u>
Deductions:						
Agency remittances:						
To other funds	402,840	-	-	-	-	-
To other governments	238,561	216,452	510,563	22,380,625	905,912	14,413,228
Trusts paid out	3,118,537	-	-	-	-	-
Total deductions	<u>3,759,938</u>	<u>216,452</u>	<u>510,563</u>	<u>22,380,625</u>	<u>905,912</u>	<u>14,413,228</u>
Balances end of year	<u>\$ 897,077</u>	<u>220,396</u>	<u>762,292</u>	<u>22,760,367</u>	<u>1,353,400</u>	<u>14,391,697</u>

See accompanying independent auditor's report.



Townships	City Special Assess- ments	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
331,502	131,284	739,741	613,113	99,028	-	1,086,002	41,650,089
338,794	-	-	-	-	-	23,936	39,035,305
-	-	-	-	-	-	179,175	179,175
13,222	-	-	-	-	-	899	1,221,915
-	-	-	-	-	-	-	639,871
-	-	8,609,827	-	-	-	-	8,609,827
-	21,565	-	92,828	-	-	-	114,393
-	-	-	-	-	-	2,425,390	5,735,046
-	-	-	116,907	895,589	292,541	1,328,769	2,726,438
352,016	21,565	8,609,827	209,735	895,589	292,541	3,958,169	58,261,970
-	-	293,766	-	-	-	-	696,606
338,245	36,546	8,241,987	171,202	841,745	209,221	4,199,310	52,703,597
-	-	-	-	-	-	-	3,118,537
338,245	36,546	8,535,753	171,202	841,745	209,221	4,199,310	56,518,740
345,273	116,303	813,815	651,646	152,872	83,320	844,861	43,393,319

Muscatine County

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

For the Last Nine Years

	2009	2008	2007
<b>Revenues:</b>			
Property and other county tax	\$ 12,374,917	11,687,141	10,903,381
Local option sales tax	1,890,098	1,525,736	1,612,758
Tax increment financing	2,710,391	2,779,066	2,728,449
Interest and penalty on property tax	158,370	177,397	135,701
Intergovernmental	9,625,903	7,279,800	8,658,921
Licenses and permits	58,197	71,353	90,155
Charges for service	786,881	953,362	1,044,584
Use of money and property	476,709	671,957	808,911
Miscellaneous	277,782	119,239	400,300
<b>Total</b>	<b>\$ 28,359,248</b>	<b>25,265,051</b>	<b>26,383,160</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	\$ 6,661,244	6,430,196	6,190,825
Physical health and social services	1,518,634	1,397,525	1,345,536
Mental health	4,686,393	4,899,395	4,560,083
County environment and education	1,514,371	855,660	862,523
Roads and transportation	6,741,764	3,995,683	3,965,737
Governmental services to residents	819,374	744,212	772,229
Administration	2,486,510	2,202,626	2,149,595
Non-program	-	482	329
Debt service	3,908,576	3,862,312	3,873,429
Capital projects	1,004,988	2,229,263	2,543,108
<b>Total</b>	<b>\$ 29,341,854</b>	<b>26,617,354</b>	<b>26,263,394</b>

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

See accompanying independent auditor's report.

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

**Schedule 9**

## Muscatine County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Corporation for National and Community Service: AMERICORPS	94.006		\$ 7,388
U.S. Department of Homeland Security: Emergency Food and Shelter National Board Program	97.024	27-2992-00	5,269
Total direct			<u>12,657</u>
Indirect:			
Office of National Drug Control Policy: Iowa Department of Public Safety: High Intensity Drug Trafficking Area Program	07.000	G09MW0002A	22,041
High Intensity Drug Trafficking Area Program	07.000	I6PMWP556Z	1,795
High Intensity Drug Trafficking Area Program	07.000	I7PMWP556Z	5,453
High Intensity Drug Trafficking Area Program	07.000	I8MPWP556Z	32,700
			<u>61,989</u>
U.S. Department of Agriculture: Iowa Department of Human Services: State Administrative Matching Grants for Food Stamp Program	10.561		<u>22,315</u>
U.S. Department of Justice: Iowa Attorney General: Violence Against Women Formula Grants	16.588	VW-09-48A	<u>1,513</u>
Governor's Office of Drug Control Policy: Edward Byrne Memorial Justice Assistance Grant Program	16.738	08JAG/C06-A11	<u>96,551</u>
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	DDIR-70-001/ LER-(F70)--7X-70	<u>859,705</u>
Iowa Department of Public Safety: Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	08-410 Task 49	14,242
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	09-410 Task 49	<u>15,820</u>
			<u>30,062</u>

Muscatine County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2009

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		20,696
Refugee and Entrant Assistance-State Administered Programs	93.566		36
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		5,876
Foster Care - Title IV-E	93.658		12,444
Adoption Assistance	93.659		3,006
Children's Health Insurance Program	93.767		171
Medical Assistance Program	93.778		27,202
Social Services Block Grant	93.667		13,565
Social Services Block Grant	93.667		182,509
			<u>196,074</u>
Des Moines County, Iowa:			
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	BT70	42,443
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1763 DRIA	780,915
Hazard Mitigation Grant	97.039	DR-1688-0005-00	19,195
Emergency Management Performance Grants	97.042		30,849
Total indirect			<u>2,211,042</u>
Total			<u>\$ 2,223,699</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Muscatine County and is presented on the modified accrual basis of accounting. The information 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

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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, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 8, 2009. 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, including a deficiency we consider to be a material weakness.

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, of the significant deficiencies described above, we believe item II-D-09 is a material weakness.

#### Compliance and Other Matters

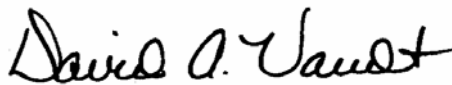
As part of obtaining reasonable assurance about whether Muscatine County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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, 2009 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.

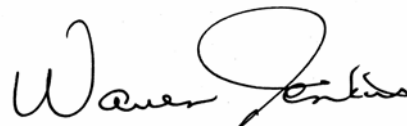
Muscatine County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Muscatine County's responses and, accordingly, we express no opinion on them.

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

December 8, 2009



**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**



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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 each of its major federal programs for the year ended June 30, 2009. Muscatine County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Muscatine County's management. Our responsibility is to express an opinion on Muscatine County's compliance based on our audit.

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

In our opinion, Muscatine County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

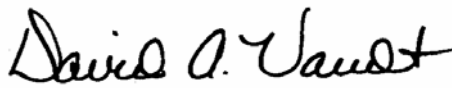
The management of Muscatine County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Muscatine County's internal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

December 8, 2009

Muscatine County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**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, including a material weakness.
- (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 programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each 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 programs were as follows:
  - CFDA Number 20.205 Highway Planning and Construction
  - CFDA Number 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Muscatine County did not qualify as a low-risk auditee.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

II-A-09 Board of Supervisors – The County has a credit card policy allowing County purchases using a credit card. One credit card purchase included a payment of \$60.50 for sales tax even though the County has tax exempt status.

A number of offices and departments within the County provide a cellular telephone to employees for business use. One cellular telephone service billing reviewed included \$95 in roaming charges, all of which were assessed from out of state calling areas when the employee was not there for business reasons. Although several of the calls were to County phone numbers, there were other calls where the business justification is not apparent. Therefore, we could not determine the public purpose served by the calls.

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. On April 13, 2009, the County adopted a “Jail Commissary Expenditure Policy” addressing the use of profits generated from these activities. Prior to adoption of this policy, the County purchased a number of items, including “eotech sight tactical holographic weapon sights” and a “defense technology exact impact sponge round, 40 MM”, from the Jail Commissary Fund.

Recommendation – The Board should ensure credit card purchases do not include sales tax payments since the County has tax exempt status.

The cellular phone bills should be scrutinized for proper usage by office and department heads, the County Auditor’s office and the Board of Supervisors.

Although the expenditures listed above from the Jail Commissary Fund may all be appropriate Sheriff’s expenditures, the Board of Supervisors and the Sheriff’s office should ensure future purchases are in agreement with established written policies and guidelines, “Jail Commissary Expenditure Policy”, governing the use of Jail Commissary Fund profits.

Response – The County Auditor has issued a reminder to departments the County is tax exempt as a government entity and as such no sales tax should be charged on County purchases from any vendor including online purchases.

The County will make every effort to review cell phone usage charges and document public purpose.

Purchases not in agreement with the Jail Commissary Expenditure Policy will not be approved.

Conclusion – Response accepted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- II-B-09 Zoning Department – The Zoning Department has a petty cash fund. However, the fund is not maintained on an imprest basis and the detailed record of activity was not accurate.

Recommendation – Petty cash should be maintained on an imprest basis with the detailed record of activity reconciled with the imprest cash amount periodically.

Response – Currently, the department maintains the petty cash on an imprest basis and recognizes the importance of accurate detailed fiscal record keeping.

Conclusion – Response accepted.

- II-C-09 County Sheriff's Office – A reconciliation of book to bank balances was performed for all accounts as of June 30, 2009. The Jail Inmate account had a variance of \$3,885 between the book and bank balances at that date. A listing of individual inmate account balances was maintained at June 30, 2009. However, the listing was not complete or accurate. Also, the Trust and Jail Inmate accounts have outstanding checks over one year old.

Additionally, the quarterly fees for the quarters ended September 30, 2008 and December 31, 2008 were not remitted to the County Treasurer until October 16, 2008 and January 19, 2009, respectively.

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

Quarterly fees should be remitted to the County Treasurer timely.

Response – The Inmate account variance has been on the books for several years and has a positive account balance caused by the failure of inmates to cash checks that were issued to them when they were released from jail. We are currently investigating different options to eliminate writing checks when inmates leave the facilities possibly issuing debit cards or going back to cash distribution. When an appropriate method is selected this account will stay open until two years has passed since the issuance of the last check, then the entire balance will be transferred to the County Treasurer.

All outstanding checks over one year will be canceled and removed from the outstanding check list in accordance with Chapter 331.554 (6) in the Code of Iowa.

Quarterly fees will be remitted to the treasurers office by the 15<sup>th</sup> of every month they are due.

Conclusion – Response accepted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

II-D-09 Financial Reporting – During the audit, we identified material amounts of accounts payable/due to other governments and related expenditures which were not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all accounts payable/due to other governments and related expenditures are properly recorded and included in the County’s financial statements.

Response – The County upgraded to a new computer system in January 2009. Some payables were coded as accruals in the wrong field, causing those amounts to not print on accrual reports. Departments have been made aware of the appropriate field to code payments as accrued.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



Muscatine County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**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 programs were noted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- IV-B-09 Questionable Expenditures – Except as noted in item II-A-09, 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-09 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-09 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Esther Dean, Board of Supervisors, Court appointed attorney	Legal services	\$ 1,105
William Wilson, Deputy Sheriff, Owner of Wilson Vehicle Maintenance/Repair	Vehicle repairs	182
Tina Bacorn, Jail Employee, performs sewing repair services	Inmate clothing repairs	120

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-09 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.
- IV-F-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-09 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-09 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-09 Financial Condition – The Internal Service, Health Insurance Trust Fund had an unrestricted deficit balance (on an accrual basis) of \$120,233 at June 30, 2009.

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

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Response – Monthly premiums paid to the Health Insurance Fund increased as of July 1, 2009. The County is making every effort to return the fund to a sound financial position.

Conclusion – Response accepted.

IV-J-09 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, 2009 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 – We will work on getting these signed.

Conclusion – Response accepted.

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Muscatine County

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager  
Darryl J. Brumm, CPA, Senior Auditor II  
Carrie L. Livingston, CPA, Senior Auditor  
Gelu Sherpa, Staff Auditor  
Jacqueline E. Gulick, Assistant Auditor  
Reza Sepehri, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State