



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

February 10, 2012

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$60,526,836 for the year ended June 30, 2011, which included \$1,503,327 in tax credits from the state. The County forwarded \$46,032,287 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$14,494,549 of the local tax revenue to finance County operations, a 5% increase over the prior year. Other revenues included charges for service of \$2,496,859, operating grants, contributions and restricted interest of \$7,843,183, capital grants, contributions and restricted interest of \$2,113,380, tax increment financing of \$2,524,868, local option sales tax of \$1,515,990, unrestricted investment earnings of \$78,708 and other general revenues of \$343,936.

Expenses for County operations totaled \$25,660,801, a 6% decrease from the prior year. Expenses included \$8,236,422 for public safety and legal services, \$5,130,318 for mental health and \$4,969,821 for roads and transportation.

The decrease in expenses is due primarily to less being paid for FEMA projects from the roads and transportation function in the current year.

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/1110-0070-B00F.pdf>.

###

MUSCATINE COUNTY

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

JUNE 30, 2011

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-45
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		48
Budget to GAAP Reconciliation		49
Notes to Required Supplementary Information – Budgetary Reporting		50
Schedule of Funding Progress for the Retiree Health Plan		51
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	54-55
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	56-57
Internal Service Funds:		
Combining Schedule of Net Assets	3	58
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4	59
Combining Schedule of Cash Flows	5	60
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	6	62-63
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7	64-65
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8	66-67
Schedule of Expenditures of Federal Awards	9	68-69
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 <u>Government Auditing Standards</u>		71-72
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		75-76
Schedule of Findings and Questioned Costs		77-83
Staff		84

Muscatine County

Officials

(Before January 2011)

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

(After January 2011)

Kas Kelly	Board of Supervisors	Jan 2013
David Watkins	Board of Supervisors	Jan 2013
Tom Furlong	Board of Supervisors	Jan 2015
Robert Howard	Board of Supervisors	Jan 2015
Jeff Sorensen	Board of Supervisors	Jan 2015
Leslie Soule	County Auditor	Jan 2013
Jerry Coffman	County Treasurer	Jan 2015
Cindy Gray	County Recorder	Jan 2015
David White	County Sheriff	Jan 2013
Alan Ostergren	County Attorney	Jan 2015
Dale McCrea	County Assessor	Jan 2016

Muscatine County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Officials of Muscatine County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Muscatine County, Iowa, as of and for the year ended June 30, 2011, 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.

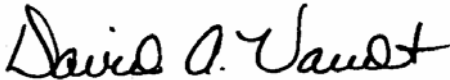
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2011, 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.

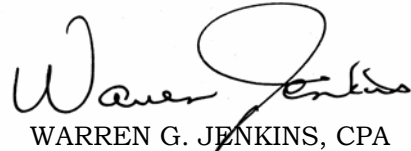
In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2012 on our consideration of Muscatine County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Muscatine County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 18, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Muscatine County provides this Management's Discussion and Analysis of Muscatine County's annual financial statements. This narrative overview and analysis of the financial activities of Muscatine County is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 3.4%, or approximately \$1.0 million, from fiscal year 2010 to fiscal year 2011. Property tax increased approximately \$699,000, charges for service increased approximately \$808,000 and operating and capital grants, contributions and restricted interest decreased approximately \$552,000.
- Expenses of the County's governmental activities decreased 6%, or approximately \$1.6 million, from fiscal year 2010 to fiscal year 2011.
- Muscatine County's net assets increased approximately \$5.8 million from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Muscatine County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Muscatine County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

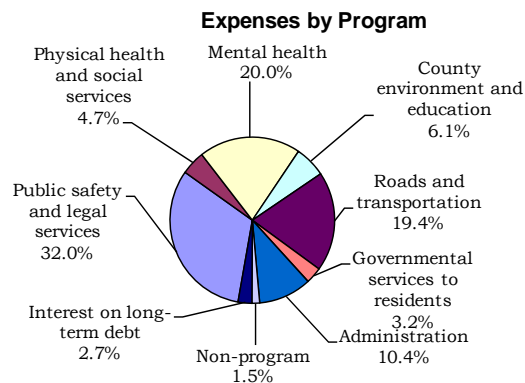
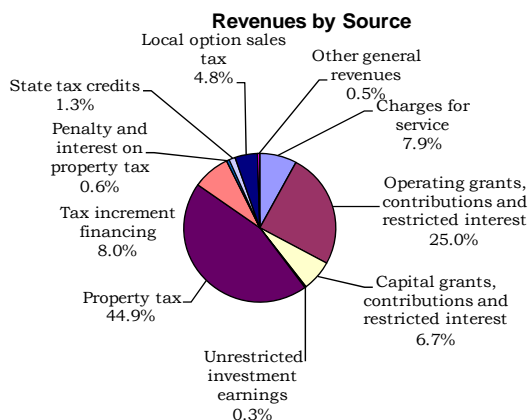
As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2011	2010
Current and other assets	\$ 25,916	30,025
Capital assets	47,508	40,447
Total assets	<u>73,424</u>	<u>70,472</u>
Long-term liabilities	14,762	17,273
Other liabilities	19,064	19,351
Total liabilities	<u>33,826</u>	<u>36,624</u>
Net assets:		
Invested in capital assets, net of related debt	37,263	35,341
Restricted	3,415	2,412
Unrestricted	<u>(1,080)</u>	<u>(3,905)</u>
Total net assets	<u>\$ 39,598</u>	<u>\$ 33,848</u>

Muscatine County’s total net assets increased approximately \$5.8 million from fiscal year 2010 to fiscal year 2011. 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 \$1.1 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,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 2,497	1,689
Operating grants, contributions and restricted interest	7,843	8,671
Capital grants, contributions and restricted interest	2,113	1,837
General revenues:		
Property tax	14,088	13,389
Tax increment financing	2,525	2,427
Penalty and interest on property tax	181	158
State tax credits	406	420
Local option sales tax	1,516	1,569
Unrestricted investment earnings	79	101
Other general revenues	163	113
Total revenues	31,411	30,374
Program expenses:		
Public safety and legal services	8,237	7,619
Physical health and social services	1,196	1,318
Mental health	5,130	4,755
County environment and education	1,570	1,709
Roads and transportation	4,970	7,601
Governmental services to residents	823	946
Administration	2,665	2,632
Non-program	385	114
Interest on long-term debt	685	580
Total expenses	25,661	27,274
Increase in net assets	5,750	3,100
Net assets beginning of year	33,848	30,748
Net assets end of year	\$ 39,598	\$ 33,848



Muscatine County's property tax rates increased \$.34 per \$1,000 of taxable valuation in fiscal year 2011. The County's general basic levy increased \$.06 per \$1,000 of taxable valuation and the general supplemental levy increased \$.30 per \$1,000 of taxable valuation. The rural services and debt service levies remained the same. The mental health levy decreased \$.02 per \$1,000 of taxable valuation due to a modest increase in taxable valuation.

There was an increase in rural taxable property valuation of \$13,799,599 and an increase in countywide taxable property valuation of \$20,443,996. The increase in charges for service is due to revenue from prisoner care. Operating grants, contributions and restricted interest decreased, due primarily to a decrease in FEMA revenue. Capital grants, contributions and restricted interest increased due to receiving two energy grants to replace the courthouse HVAC system.

INDIVIDUAL MAJOR FUND ANALYSIS

As Muscatine County completed the year, its governmental funds reported a combined fund balance of approximately \$6.4 million, which is lower than the combined fund balance at the end of fiscal year 2010 of approximately \$10.5 million.

- The General Fund, the operating fund for Muscatine County, ended fiscal year 2011 with a fund balance of approximately \$2.7 million. This was an increase of approximately \$451,000 over the fiscal year 2010 ending balance. Property valuation increased from \$1,556,048,069 in fiscal year 2010 to \$1,576,492,065 in fiscal year 2011. Total General Fund revenue increased approximately \$1.2 million. The combined levy rate for the General Fund increased \$.36 per \$1,000 of taxable valuation in fiscal year 2011, increasing tax revenues approximately \$707,000. Intergovernmental revenues increased approximately \$141,000 due to increased Federal prisoner housing reimbursements, charges for service increased approximately \$55,000 and use of money and property increased approximately \$193,000 due to inclusion of the jail commissary in the General Fund for fiscal year 2011. General Fund expenditures increased approximately \$986,000, or 8%. The public safety and legal services function increased approximately \$914,000 due to increased costs of operating the new jail and inclusion of the jail commissary and sheriff's firearm buyback in the General Fund for fiscal year 2011.
- Muscatine County has continued to look for ways to effectively manage the cost of mental health services in the Special Revenue, Mental Health Fund. Fiscal year 2010 ended with a balance of approximately \$1 million, whereas fiscal year 2011 ended with a balance of approximately \$450,000. The fiscal year 2011 levy rate decreased \$.02 per \$1,000 of taxable valuation due to an increase in taxable valuation. Mental Health Fund revenues were slightly higher in fiscal year 2011 while expenditures increased approximately \$395,000.
- The Special Revenue, Rural Services Fund ended fiscal year 2011 with a balance of approximately \$264,000 compared to the prior year ending balance of approximately \$220,000. There was no increase to the rural services levy in fiscal year 2011. The taxable valuation increase of \$13.8 million increased property tax revenue approximately \$38,000. In fiscal year 2011, transfers were made to the Special Revenue, Secondary Roads Fund of \$1,100,000 to cover the maintenance and upgrade of rural county roads.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2011 with a balance of approximately \$1.8 million compared to the prior year ending balance of approximately \$692,000. Because the majority of road work related to the 2009 flood was completed in fiscal year 2010, capital project expenditures in the fund in fiscal year 2011 decreased approximately \$1.5 million and roads and transportation expenditures in the fund decreased approximately \$2 million from fiscal year 2010. Local option sales tax revenue decreased approximately \$53,000 and intergovernmental revenue decreased approximately \$757,000. Muscatine County maintained 415 miles of gravel, 21 miles of dirt, 43 miles of seal coated and 129 miles of paved roads and 110 bridges with the resources of this fund.

- The Special Revenue, IPSCO TIF Fund collected revenues and paid principal and interest on the IPSCO Urban Renewal Tax Increment Revenue Bonds of approximately \$2.5 million.
- The Debt Service Fund ended fiscal year 2011 with a balance of approximately \$405,000 compared to the prior year ending balance of approximately \$187,000. Fiscal year 2011 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, County jail expansion/remodel, Courthouse HVAC replacement and courthouse window replacement.
- The Capital Projects Fund ended fiscal year 2011 with a balance of approximately \$680,000, a decrease from the fiscal year 2010 ending balance of approximately \$6,002,000. This decrease is due to the completion of the jail expansion/remodel project.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except Internal Service and Agency Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function 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 one time. The amendment was made in May 2011 and primarily adjusted capital project function disbursements for the jail expansion/remodel project.

The amendment was to adjust for disbursement and receipt changes after certification of the fiscal year 2011 budget. The amendment made during fiscal year 2011 should not have any impact on the fiscal year 2012 budget.

The County's receipts were approximately \$769,000 less than budgeted, a variance of 3%, largely due to actual TIF and other county tax receipts being less than budgeted.

Total disbursements were approximately \$4 million less than the amended budget. Along with a concerted effort by departments to reduce spending in order to maintain adequate fund balance, disbursements for the county environment and education function were approximately \$671,000 less than budgeted due to FEMA flood programs extending into fiscal year 2012, roads and transportation function disbursements were approximately \$1.3 million less than budgeted due to slower progress on projects, mental health function disbursements were approximately \$313,000 less than budgeted due to continued monitoring of mental health services and capital projects disbursements were approximately \$949,000 less than budgeted due to projects extending into fiscal year 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, Muscatine County had approximately \$78.1 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 \$30.6 million, Muscatine County's capital assets have a net value of approximately \$47.5 million. This is a net increase of approximately \$7.1 million from fiscal year 2010. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At the end of fiscal year 2010, Muscatine County had \$669,112 in capital lease purchase agreements outstanding, compared to \$1,310,856 at the end of fiscal year 2010.

Muscatine County's outstanding debt increased as a result of the September 2010 general obligation note of \$950,000 for the replacement of the Courthouse HVAC system. Muscatine County's general obligation bond rating continues to be 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% of the assessed value of all taxable property within the County's corporate limits. Muscatine County's outstanding general obligation debt of approximately \$13.4 million is significantly below its constitutional debt limit of approximately \$139 million. Additional information about the County's long-term debt is presented in Note 7 of 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 2012 budget and tax rates. In an ongoing effort to minimize tax levy increases and maintain quality County services, all county departments were required to maintain fiscal year 2011 budget amounts. The amount available for appropriation in the fiscal year 2012 operating budget is approximately \$31 million, an increase of 3% over the final fiscal year 2011 budget. Muscatine County's other operating fund balances are expected to decrease from approximately \$4 million to approximately \$3.5 million by the close of fiscal year 2012.

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, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,807,279
Receivables:	
Property tax:	
Delinquent	69,896
Succeeding year	14,297,000
Succeeding year tax increment financing	2,698,000
Interest and penalty on property tax	162,552
Accounts	27,511
Accrued interest	8,357
Due from other governments	1,409,896
Inventories	135,167
Prepaid expenses	301,490
Capital assets (net of accumulated depreciation/amortization)	47,507,594
Total assets	<u>73,424,742</u>
Liabilities	
Accounts payable	924,760
Accrued interest payable	82,729
Salaries and benefits payable	438,282
Due to other governments	483,585
Deferred revenue:	
Succeeding year property tax	14,437,000
Succeeding year tax increment financing	2,698,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	658,528
Tax increment urban renewal revenue bonds	2,498,000
General obligation bonds/notes	560,000
Compensated absences	602,810
Portion due or payable after one year:	
Capital lease purchase agreements	10,584
General obligation bonds/notes	9,695,000
Compensated absences	625,253
Net OPEB liability	111,857
Total liabilities	<u>33,826,388</u>
Net Assets	
Invested in capital assets, net of related debt	37,263,448
Restricted for:	
Supplemental levy purposes	565,538
Mental health purposes	313,035
Rural services	257,175
Secondary roads purposes	1,687,181
Conservation land acquisition	94,613
Debt service	328,097
Other purposes	169,107
Unrestricted	(1,079,840)
Total net assets	<u>\$ 39,598,354</u>

See notes to financial statements.

Muscatine County
Statement of Activities
Year ended June 30, 2011

	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	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 8,236,422	801,742	1,314,573	-	(6,120,107)
Physical health and social services	1,196,191	52,528	272,945	-	(870,718)
Mental health	5,130,318	23,000	2,424,654	-	(2,682,664)
County environment and education	1,569,484	27,664	525,335	-	(1,016,485)
Roads and transportation	4,969,821	30,355	2,972,256	1,732,972	(234,238)
Governmental services to residents	823,365	585,975	1,122	-	(236,268)
Administration	2,665,197	50,282	178,923	380,408	(2,055,584)
Non-program	385,453	430,601	-	-	45,148
Interest on long-term debt	684,550	494,712	153,375	-	(36,463)
Total	\$ 25,660,801	2,496,859	7,843,183	2,113,380	(13,207,379)
General Revenues:					
Property and other county tax levied for:					
General purposes					12,898,660
Debt service					1,189,555
Tax increment financing					2,524,868
Penalty and interest on property tax					180,910
State tax credits					406,334
Local option sales tax					1,515,990
Unrestricted investment earnings					78,708
Gain on disposition of captial assets					32,965
Miscellaneous					130,061
Total general revenues					18,958,051
Change in net assets					5,750,672
Net assets beginning of year					33,847,682
Net assets end of year					\$ 39,598,354

See notes to financial statements.

Muscatine County
Balance Sheet
Governmental Funds

June 30, 2011

Assets	Special Revenue		
	General	Mental Health	Rural Services
Cash and pooled investments	\$ 2,996,111	806,501	214,778
Receivables:			
Property tax:			
Delinquent	45,400	9,577	9,625
Succeeding year	9,686,000	1,964,000	1,674,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	162,552	-	-
Accounts	6,817	177	1,064
Accrued interest	8,350	-	-
Due from other funds	-	-	-
Due from other governments	165,254	191,710	70,735
Inventories	-	-	-
Prepaid expenditures	153,490	-	-
Total assets	\$ 13,223,974	2,971,965	1,970,202
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 240,103	128,763	667
Salaries and benefits payable	294,514	34,514	3,380
Due to other funds	9,081	161	154
Due to other governments	7,896	365,007	250
Deferred revenue:			
Succeeding year property tax	9,780,000	1,984,000	1,688,000
Succeeding year tax increment financing	-	-	-
Other	207,952	9,577	13,546
Total liabilities	10,539,546	2,522,022	1,705,997
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	153,490	-	-
Restricted for:			
Supplemental levy purposes	482,038	-	-
Mental health purposes	-	449,943	-
Rural services purposes	-	-	264,205
Secondary roads purposes	-	-	-
Conservation land acquisition/capital improvements	94,613	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	1,954,287	-	-
Total fund balances	2,684,428	449,943	264,205
Total liabilities and fund balances	\$ 13,223,974	2,971,965	1,970,202

See notes to financial statements.

Secondary Roads	IPSCO TIF	Debt Service	Capital Projects	Nonmajor	Total
1,565,043	163	65,240	730,703	173,088	6,551,627
-	-	5,294	-	-	69,896
-	-	973,000	-	-	14,297,000
-	2,698,000	-	-	-	2,698,000
-	-	-	-	-	162,552
-	-	-	15,200	-	23,258
-	-	-	-	-	8,350
9,396	-	-	-	-	9,396
629,305	-	352,292	-	600	1,409,896
135,167	-	-	-	-	135,167
-	-	-	-	-	153,490
2,338,911	2,698,163	1,395,826	745,903	173,688	25,518,632
195,422	-	-	65,937	232	631,124
101,362	-	-	-	4,512	438,282
-	-	-	-	-	9,396
110,432	-	-	-	-	483,585
-	-	985,000	-	-	14,437,000
-	2,698,000	-	-	-	2,698,000
181,000	-	5,294	-	-	417,369
588,216	2,698,000	990,294	65,937	4,744	19,114,756
135,167	-	-	-	-	135,167
-	-	-	-	-	153,490
-	-	-	-	-	482,038
-	-	-	-	-	449,943
-	-	-	-	-	264,205
1,615,528	-	-	-	-	1,615,528
-	-	-	-	-	94,613
-	163	405,532	-	-	405,695
-	-	-	679,966	-	679,966
-	-	-	-	168,944	168,944
-	-	-	-	-	1,954,287
1,750,695	163	405,532	679,966	168,944	6,403,876
2,338,911	2,698,163	1,395,826	745,903	173,688	25,518,632

Muscatine County

Muscatine County

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

June 30, 2011

Total governmental fund balances (page 19) \$ 6,403,876

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 \$78,127,422 and the accumulated depreciation/amortization is \$30,619,828. 47,507,594

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 417,369

The Internal Service Funds are used by management to charge the costs of the partial self funding of the County's health insurance benefit plan and county insurance to individual funds. The assets and liabilities of the Internal Service Funds are included with governmental activities in the Statement of Net Assets. 114,276

Long-term liabilities, including capital lease purchase agreements payable, bonds/notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (14,844,761)

Net assets of governmental activities (page 16) \$ 39,598,354

See notes to financial statements.

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

Year ended June 30, 2011

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 9,495,618	1,984,065	1,413,384
Local option sales tax	-	-	-
Tax increment financing	-	-	-
Interest and penalty on property tax	163,591	-	-
Intergovernmental	2,352,609	2,480,721	545,497
Licenses and permits	150	-	46,665
Charges for service	941,128	23,000	-
Use of money and property	333,308	-	-
Miscellaneous	71,431	13,252	50
Total revenues	<u>13,357,835</u>	<u>4,501,038</u>	<u>2,005,596</u>
Expenditures:			
Operating:			
Public safety and legal services	7,859,128	-	-
Physical health and social services	1,114,445	-	63,824
Mental health	-	5,068,043	-
County environment and education	609,073	-	767,352
Roads and transportation	-	-	-
Governmental services to residents	798,159	-	2,953
Administration	2,562,491	-	-
Debt service	-	-	-
Capital projects	9,260	-	-
Total expenditures	<u>12,952,556</u>	<u>5,068,043</u>	<u>834,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>405,279</u>	<u>(567,005)</u>	<u>1,171,467</u>
Other financing sources (uses):			
Sale of capital assets	13,706	-	-
Operating transfers in	36,069	-	-
Operating transfers out	(4,000)	-	(1,127,000)
General obligation bonds issued	-	-	-
Total other financing sources (uses)	<u>45,775</u>	<u>-</u>	<u>(1,127,000)</u>
Net change in fund balances	451,054	(567,005)	44,467
Fund balances beginning of year, as restated	<u>2,233,374</u>	<u>1,016,948</u>	<u>219,738</u>
Fund balances end of year	<u>\$ 2,684,428</u>	<u>449,943</u>	<u>264,205</u>

See notes to financial statements.

Secondary Roads	IPSCO TIF	Debt Service	Capital Projects	Nonmajor	Total
-	-	1,189,154	-	-	14,082,221
1,515,990	-	-	-	-	1,515,990
-	2,524,868	-	-	-	2,524,868
-	-	-	-	-	163,591
2,912,193	-	679,717	349,900	22,659	9,343,296
2,425	-	-	-	-	49,240
27,930	-	-	-	7,417	999,475
-	-	-	-	-	333,308
3,080	-	-	-	27,836	115,649
4,461,618	2,524,868	1,868,871	349,900	57,912	29,127,638
-	-	-	-	46,312	7,905,440
-	-	-	-	-	1,178,269
-	-	-	-	-	5,068,043
-	-	-	-	20,125	1,396,550
4,101,712	-	-	-	-	4,101,712
-	-	-	-	18,965	820,077
-	-	-	-	-	2,562,491
-	2,524,861	1,650,745	-	-	4,175,606
401,167	-	-	6,622,077	-	7,032,504
4,502,879	2,524,861	1,650,745	6,622,077	85,402	34,240,692
(41,261)	7	218,126	(6,272,177)	(27,490)	(5,113,054)
-	-	-	-	18,000	31,706
1,100,000	-	-	-	4,000	1,140,069
-	-	-	-	(9,069)	(1,140,069)
-	-	-	950,000	-	950,000
1,100,000	-	-	950,000	12,931	981,706
1,058,739	7	218,126	(5,322,177)	(14,559)	(4,131,348)
691,956	156	187,406	6,002,143	183,503	10,535,224
1,750,695	163	405,532	679,966	168,944	6,403,876

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, 2011

Net change in fund balances - Total governmental funds (page 23) \$ (4,131,348)

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

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

Expenditures for capital assets	\$ 7,601,731	
Capital assets contributed by the Iowa Department of Transportation	1,612,035	
Depreciation/amortization expense	<u>(2,154,745)</u>	7,059,021

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. 1,259

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	5,994	
Other	<u>208,240</u>	208,234

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 repayments exceeded issuances, as follows:

Issued	(950,000)	
Repaid	<u>3,453,744</u>	2,503,744

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	47,999	
Other postemployment benefits	(41,055)	
Interest on long-term debt	<u>44,056</u>	51,000

The Internal Service Funds are used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan and county insurance to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities. 58,762

Change in net assets of governmental activities (page 17) \$ 5,750,672

See notes to financial statements.

Muscatine County
 Statement of Net Assets
 Proprietary Funds

June 30, 2011

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 255,652
Receivables:	
Accounts	4,253
Accrued interest	7
Prepaid expenses	<u>148,000</u>
Total assets	<u>407,912</u>
Liabilities	
Accounts payable	<u>293,636</u>
Net Assets	
Unrestricted	<u><u>\$ 114,276</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, 2011

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 2,260,323
Reimbursements from employees and others	<u>79,112</u>
Total operating revenues	2,339,435
Operating expenses:	
Health claims and administrative services	\$ 2,254,123
Loss contingencies and deductibles	<u>26,628</u>
	<u>2,280,751</u>
Operating income	58,684
Non-operating revenues:	
Interest income	<u>78</u>
Net income	58,762
Net assets beginning of year	<u>55,514</u>
Net assets end of year	<u><u>\$ 114,276</u></u>

See notes to financial statements.

Muscatine County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2011

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 2,331,702
Cash received from employees and others	53,204
Cash paid to suppliers for services	<u>(2,243,482)</u>
Net cash provided by operating activities	141,424
Cash flows from investing activities:	
Interest on investments	<u>71</u>
Net increase in cash and cash equivalents	141,495
Cash and cash equivalents beginning of year	<u>114,157</u>
Cash and cash equivalents end of year	<u><u>\$ 255,652</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 58,684
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(4,253)
Increase in prepaid insurance	(148,000)
Increase in accounts payable	<u>234,993</u>
Net cash provided by operating activities	<u><u>\$ 141,424</u></u>

See notes to financial statements.

Muscatine County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

Assets

Cash and pooled investments:

County Treasurer	\$ 3,120,688
Other County officials	825,623

Receivables:

Property tax:

Delinquent	171,665
Succeeding year	42,312,000

Accounts	23,689
----------	--------

Accrued interest	1,571
------------------	-------

Assessments	159,029
-------------	---------

Due from other governments	25,757
----------------------------	--------

Total assets	<u>46,640,022</u>
---------------------	-------------------

Liabilities

Accounts payable	31,305
------------------	--------

Salaries and benefits payable	44,450
-------------------------------	--------

Due to other governments	45,288,952
--------------------------	------------

Trusts payable	1,205,059
----------------	-----------

Compensated absences	70,256
----------------------	--------

Total liabilities	<u>46,640,022</u>
--------------------------	-------------------

Net assets	<u><u>\$ -</u></u>
-------------------	--------------------

See notes to financial statements.

Muscatine County

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from other funds and other revenues to be used for secondary road construction and maintenance.

The IPSCO TIF Fund is used to account for tax increment financing revenues to be used 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 property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, fund balances are classified as follows:

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund 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, 2011 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.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ 9,081
	Special Revenue:	
	Mental Health	161
	Rural Services	154
		\$ 9,396
Total		

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, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Rural Services	\$ 27,000
	County Recorder's Records Management	3,950
	Resource Enhancement and Protection	5,119
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	1,100,000
Conservation Youth Corp	General	4,000
Total		<u>\$ 1,140,069</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, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 1,958,235	-	-	1,958,235
Intangibles, road network	1,195,713	-	-	1,195,713
Construction in progress	2,966,880	6,614,130	(8,576,102)	1,004,908
Construction in progress, road network	1,357,190	2,128,794	(1,919,665)	1,566,319
Total capital assets not being depreciated	<u>7,478,018</u>	<u>8,742,924</u>	<u>(10,495,767)</u>	<u>5,725,175</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	21,578,291	8,576,102	-	30,154,393
Equipment and vehicles	6,350,941	487,928	(162,598)	6,676,271
Intangibles	347,771	-	-	347,771
Infrastructure, road network	32,612,091	1,919,665	-	34,531,756
Infrastructure, other	692,056	-	-	692,056
Total capital assets being depreciated/amortized	<u>61,581,150</u>	<u>10,983,695</u>	<u>(162,598)</u>	<u>72,402,247</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	9,554,544	537,321	-	10,091,865
Equipment and vehicles	4,465,285	557,097	(146,771)	4,875,611
Intangibles	148,489	44,574	-	193,063
Infrastructure, road network	14,225,961	988,240	-	15,214,201
Infrastructure, other	217,575	27,513	-	245,088
Total accumulated depreciation/amortization	<u>28,611,854</u>	<u>2,154,745</u>	<u>(146,771)</u>	<u>30,619,828</u>
Total capital assets being depreciated/amortized, net	<u>32,969,296</u>	<u>8,828,950</u>	<u>(15,827)</u>	<u>41,782,419</u>
Governmental activities capital assets, net	<u>\$ 40,447,314</u>	<u>17,571,874</u>	<u>(10,511,594)</u>	<u>47,507,594</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 527,386
Physical health and social services	13,825
Mental health	58,507
County environment and education	100,892
Roads and transportation	1,355,290
Governmental services to residents	676
Administration	98,169
Total depreciation/amortization expense - governmental activities	<u>\$ 2,154,745</u>

(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	\$ 7,896
Special Revenue:		
Mental Health	Services	365,007
Rural Services	Services	250
Secondary Roads	Services	110,432
		<u>475,689</u>
Total for governmental funds		<u>\$ 483,585</u>
Agency:		
County Assessor	Collections	\$ 758,294
Schools		24,536,194
Community Colleges		1,696,477
Corporations		15,887,338
Townships		362,123
Auto License and Use Tax		852,057
Drainage Districts		546,000
All other		650,469
Total for agency funds		<u>\$ 45,288,952</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Capital Lease Purchase Agreements	Urban Renewal Tax Increment Revenue Bonds	General Obligation Building Bonds	General Obligation Capital Project Geothermal Note	General Obligation Urban Renewal Bonds	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 1,310,856	4,820,000	595,000	-	9,200,000	1,276,062	70,802	17,272,720
Increases	-	-	-	950,000	-	756,206	41,055	1,747,261
Decreases	641,744	2,322,000	395,000	95,000	-	804,205	-	4,257,949
Balance end of year	<u>\$ 669,112</u>	<u>2,498,000</u>	<u>200,000</u>	<u>855,000</u>	<u>9,200,000</u>	<u>1,228,063</u>	<u>111,857</u>	<u>14,762,032</u>
Due within one year	<u>\$ 658,528</u>	<u>2,498,000</u>	<u>100,000</u>	<u>95,000</u>	<u>365,000</u>	<u>602,810</u>	<u>-</u>	<u>4,319,338</u>

Capital Lease Purchase Agreements

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

The County has also entered into a capital lease purchase agreement for a copy machine for the County Sheriff.

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 the copy machine and the present value of net minimum lease payments under the agreements in effect at June 30, 2011:

Year Ending June 30,	Correctional Facility	County Sheriff Copier	Total
2012	\$ 677,270	3,528	680,798
2013	-	3,528	3,528
2014	-	3,528	3,528
2015	-	3,528	3,528
Total minimum lease payments	677,270	14,112	691,382
Less amount representing interest	(22,270)	-	(22,270)
Present value of net minimum lease payments	\$ 655,000	14,112	669,112

Payments under the capital lease purchase agreements totaled \$684,886 for the year ended June 30, 2011.

Urban Renewal Tax Increment Revenue Bonds

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

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

During the year ended June 30, 2011, the County paid principal and interest of \$2,322,000 and \$202,861, respectively, on the bonds. The balance of the bonds at June 30, 2011 was \$2,498,000. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

General Obligation Bonds/Notes

A summary of the County's June 30, 2011 general obligation bond and note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Administrative Office Building Bonds		
		Principal	Interest	Total
2012	3.65%	\$ 100,000	7,422	107,422
2013	3.65	100,000	3,700	103,700
Total		\$ 200,000	11,122	211,122

Year Ending June 30,	Interest Rates	Court House Geothermal Notes		
		Principal	Interest	Total
2012	2.10%	\$ 95,000	27,456	122,456
2013	2.25	95,000	25,460	120,460
2014	2.75	95,000	23,322	118,322
2015	3.00	95,000	20,710	115,710
2016	3.40	95,000	17,860	112,860
2017-2020	3.60-4.00	380,000	37,240	417,240
Total		\$ 855,000	152,048	1,007,048

During the year ended June 30, 2011, the County issued \$950,000 of general obligation notes for the courthouse geothermal project and retired \$95,000 of the notes. In addition, the County retired \$395,000 of general obligation bonds for the Administrative Office Building.

General Obligation Urban Renewal Bonds

A summary of the County's June 30, 2011 general obligation urban renewal Build America bond indebtedness is as follows:

Year Ending June 30,	Interest Rates	Jail		
		Principal	Interest *	Total
2012	2.00%	\$ 365,000	438,214	803,214
2013	2.63	375,000	430,914	805,914
2014	3.20	385,000	421,070	806,070
2015	3.50	400,000	408,750	808,750
2016	4.00	410,000	394,750	804,750
2017-2021	4.20-5.00	2,310,000	1,695,770	4,005,770
2022-2026	5.10-5.50	2,880,000	1,069,950	3,949,950
2027-2029	5.60-5.80	2,075,000	241,770	2,316,770
Total		\$ 9,200,000	5,101,188	14,301,188

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

(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 4.50% of their annual covered salary and the County is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$666,352, \$614,279 and \$495,010, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 187 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 57,877
Interest on net OPEB obligation	2,832
Adjustment to annual required contribution	<u>(2,814)</u>
Annual OPEB cost	57,895
Contributions made	<u>(16,840)</u>
Increase in net OPEB obligation	41,055
Net OPEB obligation beginning of year	<u>70,802</u>
Net OPEB obligation end of year	\$ <u>111,857</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, 2011.

For the year ended June 30, 2011, the County contributed \$16,840 to the medical plan. Plan members eligible for benefits contributed \$138,744, or 89.2% 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$52,178	34.5%	\$ 34,181
2010	54,798	33.2	70,802
2011	57,895	29.1	111,857

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2011, the actuarial accrued liability was \$589,239, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$589,239. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,076,000 and the ratio of the UAAL to covered payroll was 7.3%. As of June 30, 2011, there were no trust fund assets.

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

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

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

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

Projected claim costs of the medical plan for retirees less than age 65 are \$833 per month. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 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, 2011 were \$219,278.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Traveler's Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

(11) Employee Health Insurance Plan

The Internal Service, Health Insurance Trust Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$20,000. 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, 2011 was \$2,290,048.

Amounts payable from the Internal Service, Health Insurance Trust Fund at June 30, 2011 total \$293,636, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 58,559
Incurred claims (including claims incurred but not reported at June 30, 2011)	2,254,123
Payment on claims during the fiscal year	<u>(2,019,046)</u>
Unpaid claims end of year	<u>\$ 293,636</u>

(12) Jointly Governed Organizations

The County participates in the Muscatine County Joint Communications Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2011:

Additions:			
Contributions from Muscatine County			\$ 926,006
Miscellaneous			3,440
Total additions			<u>929,446</u>
Deductions:			
Salaries	\$	568,894	
Benefits		239,755	
Office supplies		3,500	
Legal representation and publications		4,212	
Telephone		7,797	
Travel		1,843	
Training		8,779	
Equipment replacement		18,232	
Maintenance and rentals		56,032	
Insurance		17,942	
Miscellaneous		1,246	928,232
			<u>928,232</u>
Net			1,214
Balance beginning of year			<u>178,640</u>
Balance end of year			<u>\$ 179,854</u>

The County participates in the Muscatine County Drug Task Force, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are maintained by the County Attorney and included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2011:

Additions:			
Proceeds from the sale of seized and forfeited property	\$	18,769	
Reimbursements from special investigations		9,152	
Miscellaneous		248	
Total additions			<u>28,169</u>
Deductions:			
Contributions to governmental units:	\$	435	
Office supplies and equipment		5,979	
Utilities		3,586	
Medical		1,590	
Training		1,753	
Task force equipment		1,627	
Investigations		20,300	
Miscellaneous		27	35,297
			<u>35,297</u>
Net			(7,128)
Balance beginning of year			<u>26,913</u>
Balance end of year			<u>\$ 19,785</u>

(13) Subsequent Event

In October 2011, the County entered into a loan agreement to issue a general obligation county building improvement note for \$500,000 to finance improvements and repairs to County buildings.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Nonmajor - Special Revenue			
		Conservation Land Acquisition	Jail Commissary	County Sheriff's Firearms Buyback	Geographic Information System
Balances June 30, 2010, as previously reported	\$ 2,064,262	96,296	34,025	7,500	31,291
Change in fund type classification per implementation of GASB Statement No. 54	169,112	(96,296)	(34,025)	(7,500)	(31,291)
Balances July 1, 2010, as restated	<u>\$ 2,233,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Muscatine County

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, 2011

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
Receipts:				
Property tax	\$ 13,636,130	13,661,725	13,661,725	(25,595)
Tax increment financing and other county tax	4,499,101	5,055,039	5,055,039	(555,938)
Interest and penalty on property tax	163,591	137,500	137,500	26,091
Intergovernmental	9,207,432	9,387,835	9,424,335	(216,903)
Licenses and permits	52,062	72,350	72,350	(20,288)
Charges for service	1,002,396	882,250	937,850	64,546
Use of money and property	354,882	398,750	348,750	6,132
Miscellaneous	112,122	151,900	159,328	(47,206)
Total receipts	<u>29,027,716</u>	<u>29,747,349</u>	<u>29,796,877</u>	<u>(769,161)</u>
Disbursements:				
Public safety and legal services	7,733,472	7,775,611	7,932,056	198,584
Physical health and social services	1,187,294	1,378,284	1,378,284	190,990
Mental health	4,930,805	5,244,247	5,244,247	313,442
County environment and education	1,400,191	2,068,666	2,071,166	670,975
Roads and transportation	3,917,895	5,180,000	5,180,000	1,262,105
Governmental services to residents	818,154	834,109	844,459	26,305
Administration	2,533,819	2,624,598	2,630,784	96,965
Non-program	7,722	30,000	30,000	22,278
Debt service	4,175,607	4,454,874	4,454,874	279,267
Capital projects	8,277,618	6,226,665	9,226,665	949,047
Total disbursements	<u>34,982,577</u>	<u>35,817,054</u>	<u>38,992,535</u>	<u>4,009,958</u>
Excess (deficiency) of receipts over (under) disbursements	(5,954,861)	(6,069,705)	(9,195,658)	3,240,797
Other financing sources, net	982,775	1,025,000	1,025,000	(42,225)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(4,972,086)	(5,044,705)	(8,170,658)	3,198,572
Balance beginning of year	11,523,713	7,183,164	11,296,190	227,523
Balance end of year	<u>\$ 6,551,627</u>	<u>2,138,459</u>	<u>3,125,532</u>	<u>3,426,095</u>

See accompanying independent auditor's report.

Muscatine County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 29,027,716	99,922	29,127,638
Expenditures	34,982,577	(741,885)	34,240,692
Net	(5,954,861)	841,807	(5,113,054)
Other financing sources, net	982,775	(1,069)	981,706
Beginning fund balances	11,523,713	(988,489)	10,535,224
Ending fund balances	\$ 6,551,627	(147,751)	6,403,876

See accompanying independent auditor's report.

Muscatine County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$3,175,481. The budget amendment is 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, 2011, disbursements did not exceed the amounts budgeted.

Muscatine County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	-	\$ 553	553	0.00%	\$ 7,788	7.1%
2010	Jul 1, 2008	-	553	553	0.00	7,910	7.0
2011	Jul 1, 2008	-	589	589	0.00	8,076	7.3

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

Muscatine County

Other Supplementary Information

Muscatine County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2011

			Special
	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Youth Corp
Assets			
Cash and pooled investments	\$ 11,376	67,008	16,532
Due from other governments	-	-	-
Total assets	\$ 11,376	67,008	16,532
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	232
Salaries payable	-	528	3,984
Total liabilities	-	528	4,216
Fund balances:			
Restricted for:			
Other purposes	11,376	66,480	12,316
Total liabilities and fund balances	\$ 11,376	67,008	16,532

See accompanying independent auditor's report.

Revenue			
Sheriff Special	County Sheriff's Forfeiture	County Attorney's Forfeiture	Total
950	37,758	39,464	173,088
-	600	-	600
950	38,358	39,464	173,688
-	-	-	232
-	-	-	4,512
-	-	-	4,744
950	38,358	39,464	168,944
950	38,358	39,464	173,688

Muscatine County

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

Year ended June 30, 2011

	County Recorder's Records Management	Resource Enhance- ment and Protection	Special Conservation Youth Corp
Revenues:			
Intergovernmental	\$ -	22,659	-
Charges for service	7,417	-	-
Miscellaneous	-	-	10,300
Total revenues	7,417	22,659	10,300
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	6,750	13,375
Governmental services to residents	18,965	-	-
Total expenditures	18,965	6,750	13,375
Excess (deficiency) of revenues over (under) expenditures	(11,548)	15,909	(3,075)
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	-	-	4,000
Operating transfers out	(3,950)	(5,119)	-
Total other financing sources (uses)	(3,950)	(5,119)	4,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(15,498)	10,790	925
Fund balances beginning of year	26,874	55,690	11,391
Fund balances end of year	\$ 11,376	66,480	12,316

See accompanying independent auditor's report.

Revenue			
Sheriff Special	County Sheriff's Forfeiture	County Attorney's Forfeiture	Total
-	-	-	22,659
-	-	-	7,417
250	17,243	43	27,836
250	17,243	43	57,912
934	43,878	1,500	46,312
-	-	-	20,125
-	-	-	18,965
934	43,878	1,500	85,402
(684)	(26,635)	(1,457)	(27,490)
-	18,000	-	18,000
-	-	-	4,000
-	-	-	(9,069)
-	18,000	-	12,931
(684)	(8,635)	(1,457)	(14,559)
1,634	46,993	40,921	183,503
950	38,358	39,464	168,944

Schedule 3

Muscatine County

Combining Schedule of Net Assets
Internal Service Funds

June 30, 2011

	Health Insurance Trust	County Insurance Trust	Total
Assets			
Cash and cash equivalents	\$ 172,651	83,001	255,652
Receivables:			
Accounts	4,253	-	4,253
Accrued interest	7	-	7
Prepaid expenses	148,000	-	148,000
Total assets	324,911	83,001	407,912
Liabilities			
Accounts payable	293,636	-	293,636
Net Assets			
Unrestricted	\$ 31,275	83,001	114,276

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, 2011

	Health Insurance Trust	County Insurance Trust	Total
Operating revenues:			
Reimbursements from operating funds	\$ 2,240,323	20,000	2,260,323
Reimbursements from others	37,457	41,655	79,112
Total operating revenues	<u>2,277,780</u>	<u>61,655</u>	<u>2,339,435</u>
Operating expenses:			
Health claims and administrative services	2,254,123	-	2,254,123
Loss contingencies and deductibles	-	26,628	26,628
Total operating expenses	<u>2,254,123</u>	<u>26,628</u>	<u>2,280,751</u>
Operating income	23,657	35,027	58,684
Non-operating revenues:			
Interest income	78	-	78
Change in net assets	23,735	35,027	58,762
Net assets beginning of year	7,540	47,974	55,514
Net assets end of year	<u>\$ 31,275</u>	<u>83,001</u>	<u>114,276</u>

See accompanying independent auditor's report.

Schedule 5

Muscatine County

Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2011

	Health Insurance Trust	County Insurance Trust	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 2,290,048	41,654	2,331,702
Cash received from others	33,204	20,000	53,204
Cash paid to suppliers for services	(2,216,771)	(26,711)	(2,243,482)
Net cash provided by operating activities	106,481	34,943	141,424
Cash flows from investing activities:			
Interest on investments	71	-	71
Net increase in cash and cash equivalents	106,552	34,943	141,495
Cash and cash equivalents beginning of year	66,099	48,058	114,157
Cash and cash equivalents end of year	\$ 172,651	83,001	255,652
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 23,657	35,027	58,684
Adjustment to reconcile operating income to net cash provided by operating activities:			
Increase in accounts receivable	(4,253)	-	(4,253)
Increase in prepaid insurance	(148,000)	-	(148,000)
Increase in accounts payable	235,077	(84)	234,993
Net cash provided by operating activities	\$ 106,481	34,943	141,424

See accompanying independent auditor's report.

Muscatine County

Muscatine County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
Assets						
Cash and pooled investments:						
County Treasurer	\$ -	3,078	288,228	315,814	19,616	292,638
Other County officials	805,838	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	1,082	2,623	111,380	6,861	46,770
Succeeding year	-	231,000	534,000	24,109,000	1,670,000	15,391,000
Accounts	281	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Assessments	-	-	-	-	-	156,930
Due from other governments	-	-	-	-	-	-
Total assets	\$ 806,119	235,160	824,851	24,536,194	1,696,477	15,887,338
Liabilities						
Accounts payable	\$ -	-	-	-	-	-
Salaries and benefits payable	-	-	11,685	-	-	-
Due to other governments	29,854	235,160	758,294	24,536,194	1,696,477	15,887,338
Trusts payable	776,265	-	-	-	-	-
Compensated absences	-	-	54,872	-	-	-
Total liabilities	\$ 806,119	235,160	824,851	24,536,194	1,696,477	15,887,338

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
4,400	852,057	543,091	179,854	-	621,912	3,120,688
-	-	-	-	19,785	-	825,623
2,723	-	-	-	-	226	171,665
355,000	-	-	-	-	22,000	42,312,000
-	-	-	-	-	23,408	23,689
-	-	1,564	-	-	7	1,571
-	-	2,099	-	-	-	159,029
-	-	96	-	11,939	13,722	25,757
362,123	852,057	546,850	179,854	31,724	681,275	46,640,022
-	-	850	1,062	11,939	17,454	31,305
-	-	-	30,551	-	2,214	44,450
362,123	852,057	546,000	148,241	19,785	217,429	45,288,952
-	-	-	-	-	428,794	1,205,059
-	-	-	-	-	15,384	70,256
362,123	852,057	546,850	179,854	31,724	681,275	46,640,022

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

Year ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
Assets and Liabilities						
Balances beginning of year	\$ 908,490	227,716	775,967	23,188,624	1,440,804	15,393,778
Additions:						
Property and other county tax	-	231,255	534,793	24,308,123	1,704,486	15,426,993
E911 surcharge	-	-	-	-	-	-
State tax credits	-	6,448	15,629	658,551	40,914	363,512
Office fees and collections	701,483	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	150,239
Trusts	2,834,665	-	-	-	-	-
Miscellaneous	6,073	-	707	64,034	-	-
Total additions	<u>3,542,221</u>	<u>237,703</u>	<u>551,129</u>	<u>25,030,708</u>	<u>1,745,400</u>	<u>15,940,744</u>
Deductions:						
Agency remittances:						
To other funds	450,622	-	-	-	-	-
To other governments	260,323	230,259	502,245	23,683,138	1,489,727	15,447,184
Trusts paid out	2,933,647	-	-	-	-	-
Total deductions	<u>3,644,592</u>	<u>230,259</u>	<u>502,245</u>	<u>23,683,138</u>	<u>1,489,727</u>	<u>15,447,184</u>
Balances end of year	<u>\$ 806,119</u>	<u>235,160</u>	<u>824,851</u>	<u>24,536,194</u>	<u>1,696,477</u>	<u>15,887,338</u>

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
338,750	858,944	676,446	178,720	26,913	649,921	44,665,073
356,253	-	-	-	-	2,373,391	44,935,294
-	-	-	-	-	101,558	101,558
11,183	-	-	-	-	756	1,096,993
-	-	-	-	-	-	701,483
-	9,935,304	-	-	-	-	9,935,304
-	-	239,929	-	-	-	390,168
-	-	-	-	-	-	2,834,665
-	-	15,026	929,366	96,585	1,853,321	2,965,112
367,436	9,935,304	254,955	929,366	96,585	4,329,026	62,960,577
-	336,299	-	-	-	-	786,921
344,063	9,605,892	384,551	928,232	91,774	3,669,839	56,637,227
-	-	-	-	-	627,833	3,561,480
344,063	9,942,191	384,551	928,232	91,774	4,297,672	60,985,628
362,123	852,057	546,850	179,854	31,724	681,275	46,640,022

Muscatine County

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

For the Last Ten Years

	2011	2010	2009
Revenues:			
Property and other county tax	\$ 14,082,221	13,301,678	12,374,917
Local option sales tax	1,515,990	1,569,049	1,890,098
Tax increment financing	2,524,868	2,426,949	2,710,391
Interest and penalty on property tax	163,591	143,331	158,370
Intergovernmental	9,343,296	9,280,544	9,625,903
Licenses and permits	49,240	57,704	58,197
Charges for service	999,475	949,125	786,881
Use of money and property	333,308	336,494	476,709
Miscellaneous	115,649	163,573	277,782
Total	\$ 29,127,638	28,228,447	28,359,248
Expenditures:			
Operating:			
Public safety and legal services	\$ 7,905,440	7,263,162	6,661,244
Physical health and social services	1,178,269	1,295,177	1,518,634
Mental health	5,068,043	4,673,403	4,686,393
County environment and education	1,396,550	1,611,528	1,514,371
Roads and transportation	4,101,712	6,087,223	6,741,764
Governmental services to residents	820,077	874,604	819,374
Administration	2,562,491	2,526,382	2,486,510
Non-program	-	-	-
Debt service	4,175,606	3,835,638	3,908,576
Capital projects	7,032,504	5,338,057	1,004,988
Total	\$ 34,240,692	33,505,174	29,341,854

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

See accompanying independent auditor's report.

Modified Accrual Basis						
2008	2007	2006	2005	2004	2003*	2002*
11,687,141	10,903,381	9,427,758	8,929,409	9,126,056	9,291,992	9,076,263
1,525,736	1,612,758	1,426,194	1,207,208	1,376,438	1,310,286	1,237,943
2,779,066	2,728,449	2,518,739	2,659,483	2,458,523	2,457,784	2,908,378
177,397	135,701	129,222	134,751	127,342	144,830	212,979
7,279,800	8,658,921	7,917,815	7,448,135	7,603,530	7,927,276	8,021,297
71,353	90,155	134,265	110,512	55,094	15,572	13,029
953,362	1,044,584	993,581	1,012,192	1,034,421	1,014,933	949,760
671,957	808,911	690,112	496,672	318,069	527,125	993,777
119,239	400,300	267,666	171,141	670,697	559,391	435,417
25,265,051	26,383,160	23,505,352	22,169,503	22,770,170	23,249,189	23,848,843
6,430,196	6,190,825	5,995,995	5,980,757	5,294,006	5,020,243	4,813,687
1,397,525	1,345,536	1,244,312	1,367,221	1,286,790	1,360,473	1,465,092
4,899,395	4,560,083	4,872,925	4,361,931	4,108,575	4,364,043	4,251,095
855,660	862,523	811,459	771,303	691,276	682,378	648,066
3,995,683	3,965,737	3,679,065	4,706,304	3,974,820	3,774,979	3,485,159
744,212	772,229	1,045,653	770,148	671,631	625,204	584,730
2,202,626	2,149,595	2,060,956	1,967,755	1,869,951	1,898,196	1,968,484
482	329	94	83,479	443,908	-	55,881
3,862,312	3,873,429	3,395,626	3,332,801	3,113,051	3,638,246	3,423,630
2,229,263	2,543,108	1,205,609	2,643,201	575,768	440,019	824,947
26,617,354	26,263,394	24,311,694	25,984,900	22,029,776	21,803,781	21,520,771

Muscatine County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Energy:			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128		\$ 184,700
U.S. Corporation for National and Community Service:			
AmeriCorps	94.006		2,182
U.S. Department of Homeland Security:			
Emergency Food and Shelter National Board Program	97.024	28-2992-00	7,264
Total direct			<u>194,146</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>33,129</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-210	<u>183,641</u>
U.S. Department of Justice:			
Iowa Attorney General:			
Violence Against Women Formula Grants	16.588	VW-09-48A	<u>1,920</u>
Governor's Office of Drug Control Policy:			
Public Safety Partnership and Community Policing Grants	16.710	09-Hotspots/Interdiction-03	<u>10,069</u>
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	09JAG/ARRA-4245B	<u>91,080</u>
City of Muscatine:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0230	9,941
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0788	5,239
			<u>15,180</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO70(35)-8J-70	<u>62,802</u>
Iowa Department of Public Safety:			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	10-410 Task 51	6,926
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	11-410 Task 52	21,747
			<u>28,673</u>
U.S. Department of Energy:			
Iowa Office of Energy Independence:			
ARRA - State Energy Program	81.041	SEP09-113	<u>187,655</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Centers for Disease Control and Prevention- Investigation and Technical Assistance	93.283	5881BT70	<u>24,339</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>23</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>8,090</u>
Foster Care - Title IV-E	93.658		<u>13,140</u>
Adoption Assistance	93.659		<u>3,183</u>
Children's Health Insurance Program	93.767		<u>151</u>
Medical Assistance Program	93.778		<u>31,784</u>
Social Services Block Grant	93.667		<u>11,321</u>
Social Services Block Grant	93.667		<u>187,287</u>
			<u>198,608</u>

Muscatine County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services, Executive Office of the President:			
Iowa Department of Public Safety:			
High Intensity Drug Trafficking Area Program	95.001	G09MW0002A	2,772
High Intensity Drug Trafficking Area Program	95.001	G10MW0002A	32,515
High Intensity Drug Trafficking Area Program	95.001	G11MW0002A	37,546
			<u>72,833</u>
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	267,638
Hazard Mitigation Grant	97.039	DR-1688-0005-00	6,191
Hazard Mitigation Grant	97.039	DR-1763-0039-1	24,125
			<u>30,316</u>
Emergency Management Performance Grants	97.042		19,765
			<u>1,284,019</u>
Total indirect			1,284,019
Total			<u>\$ 1,478,165</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Muscatine County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Muscatine County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Muscatine County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Muscatine County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 18, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-11 through II-E-11 to be significant deficiencies.

Compliance and Other Matters

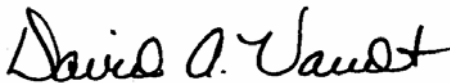
As part of obtaining reasonable assurance about whether Muscatine County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

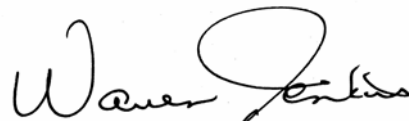
Muscatine County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Muscatine County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 18, 2012

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

Muscatine County



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Muscatine County:

Compliance

We have audited Muscatine County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Muscatine County's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Muscatine County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Muscatine County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Muscatine County's internal control over compliance.

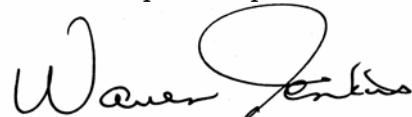
A deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance we consider to be a significant deficiency which is described in the accompanying Schedule of Finding and Questioned Costs as item III-A-11. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Muscatine County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the County's response, we did not audit Muscatine County's response and, accordingly, we express no opinion on it.

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 18, 2012

Muscatine County
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over a major program was noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is 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 14.228 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
 - CFDA Number 81.041 - State Energy Program
 - CFDA Number 81.128 - ARRA - Energy Efficiency and Conservation Block Grant Program
 - 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, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Financial Reporting – During the audit, we identified receivables not recorded in the County’s Special Revenue, Mental Health and Secondary Roads Funds. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables are identified and included in the County’s financial statements.

Response – Departments will be reminded of the importance of correctly identifying accruals.

Conclusion – Response accepted.

II-B-11 Segregation of Duties – During our review of the internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximized the accuracy of the County’s financial statements. The following weaknesses in the offices identified were noted for which no compensating controls exist:

County Sheriff’s Office – An initial list of money and checks received is prepared by the person opening the mail. However, this list is not compared with the cash receipt records and the bank deposit by a person not preparing the list or involved in maintaining the accounting records. In addition, although the reconciler of civil accounts does not sign checks for civil accounts, the reconciler is authorized to sign checks for these accounts.

County Engineer’s Office – There is no evidence of review by an independent person of the cash receipts log and deposit. In addition, there is no evidence petty cash is periodically reviewed by someone independent from the person who reconciles and has custody of the petty cash.

County Assessor’s Office – The same person who collects receipts also makes deposits. Receipts are not reconciled to deposits by an independent person who does not reconcile or have custody of collections. Receipts are issued, but they are not pre-numbered or otherwise accounted for during the reconciliation process.

County Attorney’s Office – The same person who collects receipts also makes deposits.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures to obtain the maximum internal control possible under the circumstances. Current personnel, including elected officials, should be utilized to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Responses

County Sherriff – The jail administrator will verify receipts are properly recorded and deposited in the future. The individual who reconciles the civil bank account will be removed as an authorized check signer.

County Engineer – An independent person will be assigned to review the petty cash log and receipts and deposits log.

County Assessor – We will start issuing pre-numbered receipts and have someone other than person receiving receipts deposit receipts. A third party will review and signoff on reconciliation.

County Attorney – Laura will open mail. Norma or Vicki will input to spreadsheet. Laura will deposit. Someone will reconcile deposits to receipts. We are working on it with the limited staff issues we have.

Conclusions – Responses accepted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- II-C-11 County Sheriff's Office – A reconciliation of book to bank balances was performed for all accounts as of June 30, 2011. The Jail Inmate account had a variance of \$1,989 between the book and bank balances at that date. A listing of individual inmate account balances was maintained at June 30, 2011, but this listing was not reconciled to the bank statement or book balance. Also, the Trust and Jail Inmate accounts have outstanding checks over one year old.

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

Response – We will attempt to reconcile between Jail Inmate bank account and book balance to the Jail Inmate Trust Listing. We will investigate variances, and all outstanding checks over one year will be cancelled and removed from the list.

Conclusion – Response accepted.

- II-D-11 County Engineer's Office – The County Engineer completes an infrastructure report on the Iowa County Engineer's Association Service Bureau web application. Two projects, totaling \$33,910, were entered in a manner causing the project costs to bypass Construction in Progress and Placed in Service and appear directly as infrastructure. This caused an understatement in both Construction in Progress and Placed in Service for fiscal year 2011. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – An independent review should be performed of the infrastructure report prior to its online submission.

Response – We can only enter dollar amounts via construction in progress – no other way. We do not know how any amount can appear in placed in service except via entry in construction in progress. We will continue to try and diagnose this problem.

Conclusion – Response accepted.

- II-E-11 Information Systems – The County has a written password policy. However, the password policy does not restrict password length to a minimum of eight characters and does not utilize complexity rules, such as using upper and lower case and alpha-numeric characters in the password.

Recommendation – The County should revise the password policy to strengthen password rules to improve the control over computer based systems.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response – Microsoft domain controllers have the ability to require and enforce complex passwords that meet the minimums below:

- Not contain the user’s account name or parts of the user’s full name that exceed two consecutive characters.
- Be at least six characters in length.
- Contain characters from three of the following four categories:
 - English uppercase characters (A through Z)
 - English lowercase characters (a through z)
 - Base 10 digits (0 through 9)
 - Non-alphabetic characters (for example, !, \$, #, %)

Complexity requirements are enforced when passwords are changed or created. We will review our current policy and implement changes listed above to strengthen password security.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 97.036: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Pass-through Agency Number: FEMA 1763 DR IA

U.S. Department of Homeland Security

Passed through the Iowa Department of Public Defense – Iowa Homeland Security and Emergency Management Division

III-A-11 Cash Management – In accordance with the State of Iowa Public Assistance Plan, the County may request an advance of federal funds on large FEMA projects provided the funds are expended within 60 days of receipt. The County requested and received advances totaling \$701,014 for project worksheets 5708 and 5787. The County held \$108,540 of the advances received for 109 days prior to expending the funds.

Recommendation – The County should implement procedures to ensure FEMA funds received in advance are expended within 60 days. The County should contact the Iowa Homeland Security and Emergency Management Division to determine the disposition of this matter.

Response and Corrective Action Planned – The County will implement procedures to ensure FEMA advance funds are expended within 60 days (this may, at times, include delaying the request for advance funds, since the precise timeline a construction project will follow cannot be predicted with absolute certainty). This has already been discussed with the Iowa Homeland Security and Emergency Management Division and will be looked at during project closeout.

Conclusion – Response accepted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.

IV-B-11 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-11 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Esther Dean, Board of Supervisors, Court appointed attorney	Legal service	\$ 1,133

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, these transactions do not appear to represent a conflict of interest since the cumulative amount was less than \$1,500 during the fiscal year.

IV-E-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-11 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-11 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-11 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.

Muscatine County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Scott P. Boisen, Senior Auditor II
Marta M. Sobieskoda, Staff Auditor
Russell G. Jordan, Assistant Auditor
David C. McQuarry, Assistant Auditor
Eric L. Rath, Assistant Auditor
Brandon J. Vogel, Assistant Auditor
Kelsey J. Kranz, Auditor Intern

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

Andrew E. Nielsen, CPA
Deputy Auditor of State