



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

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Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**NEWS RELEASE**

FOR RELEASE November 22, 2002

Contact: Andy Nielsen  
515/281-5515

Auditor of State Richard Johnson today released an audit report on Muscatine County, Iowa.

Johnson reported that the County had local tax revenue of \$46,958,537 for the year ended June 30, 2002, which included \$2,703,732 in tax credits from the state. The County forwarded \$35,957,894 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$11,000,643 of the local tax revenue, a less than one percent decrease from the prior year, including \$1,237,943 in local option sales tax, to finance County operations. Other revenues included \$370,063 in interest on investments, \$5,187,484 from state grants and reimbursements, including indirect federal funding, and \$1,627,895 from direct federal grants and entitlements, including federal prisoner care of \$1,044,647.

Expenditures for County operations totaled \$18,827,269, a 19 percent decrease from the prior year. Expenditures included \$4,696,622 for Public Safety, \$4,251,095 for Mental Health and \$3,485,159 for Roads and Transportation. The significant decrease in expenditures is primarily due to decreased mental health expenditures.

This report contained recommendations to the Board of Supervisors and other County officials. For example, forfeited and confiscated property proceeds received by the County Attorney's office were not properly reflected in the County's accounting system, the County's annual budget and the County's financial reports. The County's response to this and other comments is included in the report.

A copy of the audit report is available for review in the office of the Auditor of State and the County Auditor's office.

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**MUSCATINE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2002**

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**Muscatine County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Esther Dean	Board of Supervisors	Jan 2003
Roger Eichelberger	Board of Supervisors	Jan 2003
John Oberhaus	Board of Supervisors	Jan 2003
Richard Marr	Board of Supervisors	Jan 2005
David Watkins	Board of Supervisors	Jan 2005
Leslie Soule	County Auditor	Jan 2005
Jerry Coffman	County Treasurer	Jan 2003
Dorothy Fitchner	County Recorder	Jan 2003
R. Greg Orr	County Sheriff	Jan 2005
Richard Phillips	County Attorney	Jan 2003
Dale McCrea	County Assessor	Jan 2004

**Muscatine County**



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**Independent Auditor's Report**

To the Officials of Muscatine County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Muscatine County, Iowa, as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of Muscatine County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Muscatine County at June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust funds of Muscatine County for the year ended June 30, 2002.

As discussed in Note 14 to the general purpose financial statements, Muscatine County intends to implement Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis; Omnibus; and Statement Number 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2003. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements will include the use of economic resources measurement focus and full accrual accounting, as well as an analytical overview of the county's financial activities in the Management's Discussion and Analysis introduction to the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our reports dated September 20, 2002 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 grants. Those reports are an integral part of an audit performed in accordance with

Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the two years ended June 30, 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. We audited the general purpose financial statements for the year ended June 30, 1999 (none of which are presented herein) and expressed a qualified opinion on those financial statements for the omission of the financial data of the Snackers and Kleen Sweep programs operated by Muscatine County Community Services. The supplemental information included in Schedules 1 through 17, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 20, 2002



## **Financial Statements**

Muscatine County  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2002

	Governmental Fund	
	General	Special Revenue
<b>Assets and Other Debits</b>		
Cash and pooled investments:		
County Treasurer	\$ 3,411,451	3,378,239
Other County officials	-	-
Receivables:		
Property tax:		
Delinquent	54,894	31,067
Succeeding year	5,427,000	2,679,000
Interest and penalty on property tax	237,923	-
Accounts	2,520	65,495
Accrued interest	85,076	-
Assessments:		
Delinquent	-	-
Succeeding year	-	-
Loan	-	46,875
Due from other funds (note 3)	592,397	5,395
Due from other governments	347,196	400,719
Inventories	-	115,923
Prepaid insurance	153,578	-
Prepaid expenditures	-	-
Property and equipment (note 4)	-	-
Amount available in Debt Service Fund	-	-
Amount to be provided for retirement of general long-term debt	-	-
	\$ 10,312,035	6,722,713

Types		Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Debt Service	Capital Projects	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
147,566	551,947	341,476	2,452,704	-	-	10,283,383
-	-	-	1,081,397	-	-	1,081,397
6,268	-	-	262,585	-	-	354,814
683,000	-	-	32,993,000	-	-	41,782,000
-	-	-	-	-	-	237,923
-	-	-	31,095	-	-	99,110
-	1,055	493	2,233	-	-	88,857
-	-	-	13,784	-	-	13,784
-	-	-	628,806	-	-	628,806
-	-	-	-	-	-	46,875
-	-	-	569	-	-	598,361
-	-	-	219,801	-	-	967,716
-	-	-	-	-	-	115,923
-	-	-	-	-	-	153,578
-	27,054	-	-	-	-	27,054
-	-	-	-	25,268,771	-	25,268,771
-	-	-	-	-	147,702	147,702
-	-	-	-	-	6,212,571	6,212,571
<b>836,834</b>	<b>580,056</b>	<b>341,969</b>	<b>37,685,974</b>	<b>25,268,771</b>	<b>6,360,273</b>	<b>88,108,625</b>

Muscatine County  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2002

	Governmental Fund	
	General	Special Revenue
<b>Liabilities, Fund Equity and Other Credits</b>		
Liabilities:		
Accounts payable	\$ 161,791	393,623
Salaries and benefits payable	23,993	17,332
Due to other funds (note 3)	2,784	775
Due to other governments (note 5)	22,561	191,923
Loan payable (note 12)	-	-
Trusts payable	-	-
Deferred revenue:		
Succeeding year property tax	5,427,000	2,679,000
Other	829,464	91,273
Capital lease purchase agreements (note 9)	-	-
Compensated absences	67,206	43,626
<b>Total liabilities</b>	<b>6,534,799</b>	<b>3,417,552</b>
Fund equity and other credits:		
Investment in general fixed assets	-	-
Unreserved retained earnings	-	-
Fund balances:		
Reserved for:		
Inventories	-	115,923
Prepaid expenditures	-	-
Prepaid insurance	153,578	-
Debt service	-	-
Unreserved	3,623,658	3,189,238
<b>Total fund equity and other credits</b>	<b>3,777,236</b>	<b>3,305,161</b>
<b>Total liabilities, fund equity and other credits</b>	<b>\$ 10,312,035</b>	<b>6,722,713</b>

See notes to financial statements.

Types		Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
				General Fixed Assets	General Long-Term Debt	
Debt Service	Capital Projects	Internal Service	Trust and Agency			
-	-	174,274	75	-	-	729,763
-	-	-	3,897	-	-	45,222
-	-	-	594,802	-	-	598,361
-	-	-	36,081,856	-	-	36,296,340
-	-	-	50,000	-	-	50,000
-	-	-	738,098	-	-	738,098
683,000	-	-	-	-	-	8,789,000
6,132	-	-	-	-	-	926,869
-	-	-	-	-	5,634,566	5,634,566
-	-	-	7,534	-	725,707	844,073
<b>689,132</b>	-	<b>174,274</b>	<b>37,476,262</b>	-	<b>6,360,273</b>	<b>54,652,292</b>
-	-	-	-	25,268,771	-	25,268,771
-	-	167,695	-	-	-	167,695
-	-	-	-	-	-	115,923
-	27,054	-	-	-	-	27,054
-	-	-	-	-	-	153,578
147,702	-	-	-	-	-	147,702
-	553,002	-	209,712	-	-	7,575,610
<b>147,702</b>	<b>580,056</b>	<b>167,695</b>	<b>209,712</b>	<b>25,268,771</b>	-	<b>33,456,333</b>
<b>836,834</b>	<b>580,056</b>	<b>341,969</b>	<b>37,685,974</b>	<b>25,268,771</b>	<b>6,360,273</b>	<b>88,108,625</b>

Muscatine County

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - All Governmental Fund Types  
and Expendable Trust Funds

Year ended June 30, 2002

	Governmental Fund	
	General	Special Revenue
<b>Revenues:</b>		
Property and other County tax	\$ 5,527,201	4,084,355
Interest and penalty on property tax	212,979	-
Intergovernmental	2,618,814	5,040,616
Licenses and permits	150	12,879
Charges for service	753,148	153,814
Use of money and property	422,082	567,077
Miscellaneous	33,850	107,660
Total revenues	<u>9,568,224</u>	<u>9,966,401</u>
<b>Expenditures:</b>		
Operating:		
Public safety	4,575,315	121,307
Court services	117,065	-
Physical health and education	365,089	163,531
Mental health	-	4,251,095
Social services	1,082,472	-
County environment	399,718	80,383
Roads and transportation	-	3,485,159
State and local government services	575,395	9,335
Interprogram services	1,968,484	-
Non-program	-	-
Debt service	-	-
Capital projects	-	342,855
Total expenditures	<u>9,083,538</u>	<u>8,453,665</u>
Excess (deficiency) of revenues over (under) expenditures	<u>484,686</u>	<u>1,512,736</u>

Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
702,526	-	-	10,314,082
-	-	-	212,979
46,757	125,000	190,110	8,021,297
-	-	-	13,029
-	-	42,798	949,760
-	1,055	3,563	993,777
-	269,272	24,635	435,417
749,283	395,327	261,106	20,940,341
-	-	-	4,696,622
-	-	-	117,065
-	-	-	528,620
-	-	-	4,251,095
-	-	-	1,082,472
-	-	21,965	502,066
-	-	-	3,485,159
-	-	-	584,730
-	-	-	1,968,484
-	-	55,881	55,881
730,128	-	-	730,128
-	228,476	253,616	824,947
730,128	228,476	331,462	18,827,269
19,155	166,851	(70,356)	2,113,072

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Muscatine County

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - All Governmental Fund Types  
and Expendable Trust Funds

Year ended June 30, 2002

	<u>Governmental Fund</u>	
	<u>General</u>	<u>Special Revenue</u>
Other financing sources (uses):		
Sale of general fixed assets	6,706	6,222
Operating transfers in	-	800,000
Operating transfers out	(235,000)	(828,000)
Capital lease purchase agreement	29,954	-
	<u>(198,340)</u>	<u>(21,778)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	286,346	1,490,958
Fund balances beginning of year	3,486,963	2,297,642
Increase (decrease) in reserve for:		
Prepaid insurance	3,927	-
Prepaid expenditures	-	-
Loan receivable	-	(500,000)
Inventories	-	16,561
Fund balances end of year	<u>\$ 3,777,236</u>	<u>3,305,161</u>

See notes to financial statements.



Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
-	-	-	12,928
-	257,000	6,000	1,063,000
-	-	-	(1,063,000)
-	-	-	29,954
-	257,000	6,000	42,882
19,155	423,851	(64,356)	2,155,954
128,547	129,151	274,068	6,316,371
-	-	-	3,927
-	27,054	-	27,054
-	-	-	(500,000)
-	-	-	16,561
147,702	580,056	209,712	8,019,867

Muscatine County

Comparison of Receipts, Disbursements and  
Changes in Balances - Actual to Budget (Cash Basis)  
All Governmental Fund Types and Expendable Trust Funds

Year ended June 30, 2002

	Actual	Amended Budget
<b>Receipts:</b>		
Property and other County tax	\$ 10,231,500	10,343,669
Interest and penalty on property tax	386,370	100,500
Intergovernmental	7,854,262	8,497,657
Licenses and permits	14,039	14,920
Charges for service	974,689	1,013,250
Use of money and property	984,871	1,034,140
Fines, forfeitures and defaults	4,009	25,000
Miscellaneous	416,443	76,500
Total receipts	<u>20,866,183</u>	<u>21,105,636</u>
<b>Disbursements:</b>		
Public safety	4,611,615	4,659,166
Court services	123,194	316,950
Physical health and education	557,635	647,716
Mental health	4,640,228	4,798,608
Social services	1,137,881	1,274,666
County environment	521,567	573,604
Roads and transportation	3,442,205	3,819,000
State and local government services	587,366	660,128
Interprogram services	2,018,916	2,025,078
Non-program	-	51,000
Debt service	730,128	730,200
Capital projects	1,038,635	1,706,163
Total disbursements	<u>19,409,370</u>	<u>21,262,279</u>
Excess (deficiency) of receipts over (under) disbursements	1,456,813	(156,643)
Other financing sources, net	<u>10,303</u>	<u>6,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,467,116	(150,643)
Balance beginning of year	<u>6,044,902</u>	<u>6,041,577</u>
Balance end of year	<u>\$ 7,512,018</u>	<u>5,890,934</u>

See notes to financial statements.

Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
(112,169)	99%
285,870	384%
(643,395)	92%
(881)	94%
(38,561)	96%
(49,269)	95%
(20,991)	16%
339,943	544%
<u>(239,453)</u>	<u>99%</u>
47,551	99%
193,756	39%
90,081	86%
158,380	97%
136,785	89%
52,037	91%
376,795	90%
72,762	89%
6,162	100%
51,000	-
72	100%
667,528	61%
<u>1,852,909</u>	<u>91%</u>

**Exhibit D**

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## Muscatine County

## Combined Statement of Revenues, Expenses and Changes in Retained Earnings

## Proprietary Fund Type

Year ended June 30, 2002

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,013,174
Reimbursements from others		18,876
Total operating revenues		<u>1,032,050</u>
Operating expenses:		
Health claims and administrative services	\$ 987,546	
Loss contingencies and deductibles	86,834	
Miscellaneous	<u>1,000</u>	<u>1,075,380</u>
Operating loss		(43,330)
Non-operating revenues:		
Interest on investments		<u>10,298</u>
Net loss		(33,032)
Retained earnings beginning of the year		<u>200,727</u>
Retained earnings end of year		<u><u>\$ 167,695</u></u>

See notes to financial statements.

Muscatine County  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 Year ended June 30, 2002

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,013,174
Cash received from others	23,410
Cash payments to suppliers for services	(1,143,898)
Net cash used for operating activities	(107,314)
Cash flows from investing activities:	
Interest on investments	13,306
Net decrease in cash and cash equivalents	(94,008)
Cash and cash equivalents beginning of year	435,484
Cash and cash equivalents end of year	\$ 341,476
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (43,330)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Decrease in accounts receivable	4,534
Decrease in accounts payable	(68,518)
Net cash used for operating activities	\$ (107,314)

See notes to financial statements.

Muscatine County

Notes to Financial Statements

June 30, 2002

**(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.

A. Reporting Entity

For financial reporting purposes, Muscatine County has included all funds, organizations, account groups, agencies, boards, commissions and authorities of the County. 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. Muscatine County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County also 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, 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 an Agency Fund of the County.

The County also participates in several 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, Great River Bend Area Agency on Aging, Muscatine Area Geographic Information Consortium and Job Training Partnership Act Quality Jobs Program.

## B. Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures or expenses. The various funds and account groups and their designated purposes are as follows:

### Governmental Funds

General Fund - The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds - The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

Capital Projects Funds - The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities.

### Proprietary Fund

Internal Service Funds - The 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

Trust Funds - The Trust Funds are used to account for assets held by the County in a trustee capacity. These include expendable trust funds, which are accounted for in essentially the same manner as Governmental Funds.

Agency Funds - The 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

### Account Groups

General Fixed Assets - This account group is established to account for the general fixed assets of the County.

General Long-Term Debt - This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and the Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its proprietary funds, the County applies 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.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and the Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.



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.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental fund types are 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 that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from 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 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, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2001.

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.

Drainage Assessments Receivable - Assessments receivable represent amounts assessed to individuals for work done on drainage districts or projects which benefit 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. Delinquent assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year assessments receivable represents remaining assessments which are payable, but not yet due.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2002, balances of interfund amounts receivable or payable have been recorded.

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

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

General Fixed Assets - General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or "infrastructure" general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repairs are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2002, no interest costs were capitalized since the County's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service levies.

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 collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, the succeeding year assessment receivable, as well as property tax receivables and other receivables not collected within sixty days after year end.

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. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. Accumulated sick leave is paid at 50% upon separation or retirement except when discharged for cause. In the Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2002.

Unreserved Retained Earnings - The unreserved retained earnings of the Health Insurance Trust and County Insurance Trust Funds are designated for anticipated future catastrophic losses of the County.

F. Budgets and Budgetary Accounting

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 12 major classes of expenditures known as service areas, not by fund or fund type. These 12 service areas are: public safety, court services, physical health and education, mental health, social services, county environment, roads and transportation, state and local government services, interprogram services, non-program, debt service and capital projects. Service area disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and expendable trust funds. Although the budget document presents service area disbursements by fund, the legal level of control is at the aggregated service area level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by service area, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 9,616,843	(48,619)	9,568,224	10,032,438	(66,037)	9,966,401
Expenditures	9,184,332	(100,794)	9,083,538	8,721,839	(268,174)	8,453,665
Net	432,511	52,175	484,686	1,310,599	202,137	1,512,736
Other financing sources (uses)	(228,294)	29,954	(198,340)	(24,403)	2,625	(21,778)
Beginning fund balances	3,207,234	279,729	3,486,963	2,092,043	205,599	2,297,642
Increase (decrease) in reserve for:						
Prepaid insurance	-	3,927	3,927	-	-	-
Prepaid expenditures	-	-	-	-	-	-
Loan receivable	-	-	-	-	-	(500,000)
Inventories	-	-	-	-	16,561	16,561
Ending fund balances	\$ 3,411,451	365,785	3,777,236	3,378,239	426,922	3,305,161

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 749,690	(407)	749,283	394,272	1,055	395,327
Expenditures	730,128	-	730,128	441,679	(213,203)	228,476
Net	19,562	(407)	19,155	(47,407)	214,258	166,851
Other financing sources (uses)	-	-	-	257,000	-	257,000
Beginning fund balances	128,004	543	128,547	342,354	(213,203)	129,151
Increase (decrease) in reserve for:						
Prepaid insurance	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	27,054	27,054
Loan receivable	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Ending fund balances	\$ 147,566	136	147,702	551,947	28,109	580,056

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 72,940	188,166	261,106	20,866,183	74,158	20,940,341
Expenditures	331,392	70	331,462	19,409,370	(582,101)	18,827,269
Net	(258,452)	188,096	(70,356)	1,456,813	656,259	2,113,072
Other financing sources (uses)	6,000	-	6,000	10,303	32,579	42,882
Beginning fund balances	275,267	(1,199)	274,068	6,044,902	271,469	6,316,371
Increase (decrease) in reserve for:						
Prepaid insurance	-	-	-	-	3,927	3,927
Prepaid expenditures	-	-	-	-	27,054	27,054
Loan receivable	-	-	-	-	(500,000)	(500,000)
Inventories	-	-	-	-	16,561	16,561
Ending fund balances	\$ 22,815	186,897	209,712	7,512,018	507,849	8,019,867

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2002 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's investments are categorized to give an indication of the level of risk assumed by the County at year end. The County's investments are all Category 1 which means that the investments are insured or registered or the securities are held by the County or its agent in the County's name.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County's investments at June 30, 2002 are as follows:

Type	Fair Value
U.S. government securities	<u>\$4,047,457</u>

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2002 is as follows:

Receivable Fund	Payable Fund	Amount	
General	Special Revenue: Mental Health	\$ 775	
	Trust and Agency: Community Services	661	
	County Attorney	469,428	
	County Auditor	50	
	County Recorder	73,193	
	County Sheriff	17,565	
	Auto License and Use Tax	21,170	
	Drug Task Force	<u>9,555</u>	
			592,397
Special Revenue: County Recorder's Records Management	Trust and Agency: County Recorder	2,675	
Secondary Roads	General	<u>2,720</u>	5,395
Trust and Agency: Conservation Land Acquisition Trust E911	Trust and Agency: County Recorder General	505 <u>64</u>	
			<u>569</u>
Total			<u>\$ 598,361</u>

**(4) Property and Equipment**

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2002 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 1,622,995	-	-	1,622,995
Buildings	17,570,200	67,496	-	17,637,696
Equipment	5,676,892	830,473	499,285	6,008,080
Total	<u>\$ 24,870,087</u>	<u>897,969</u>	<u>499,285</u>	<u>25,268,771</u>

Buildings and equipment include \$8,500,000 and \$49,339, respectively, of assets acquired under capital leases.

**(5) 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. The Agency Fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 22,561</u>
Special Revenue:		
EMS Training	Services	175
Mental Health	Services	<u>191,748</u>
		<u>191,923</u>
Trust and Agency:		
County Assessor	Collections	970,587
Schools		17,749,180
Community Colleges		789,687
Corporations		11,277,466
Auto License and Use Tax		624,212
Drainage Districts		722,735
E911		49,317
All other		<u>3,898,667</u>
		<u>36,081,851</u>
		<u>\$ 36,296,335</u>

**(6) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	<u>Capital Lease Purchase Agreements</u>	<u>Compen- sated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 6,040,209	681,895	6,722,104
Additions	29,954	43,812	73,766
Reductions	<u>435,597</u>	-	<u>435,597</u>
Balance end of year	<u>\$ 5,634,566</u>	<u>725,707</u>	<u>6,360,273</u>

**(7) Capital Lease Purchase Agreement with Veterans' Plaza Authority**

The County entered into a capital lease agreement dated as of 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 that the Authority issued to fund construction of the correctional facility. Muscatine County has an annual Debt Service Fund levy for which collections

have been pledged to the Authority for the purpose of paying the Authority's bond and interest amounts due. The lease term continues until all bonds are retired or a purchase option is exercised by the County which requires a payment from the County to the Authority sufficient to retire all remaining outstanding bonds and interest. At the end of the lease term, the Authority surrenders ownership rights in the property to Muscatine County. The County makes lease payments directly to the Authority's Trustee pursuant to an Indenture of Trust which the Authority established to retire bonds and interest.

In November 1993, the capital lease agreement was amended and changed the lease payments to correspond in timing and amount with the debt service obligations of the Authority for refunding bonds which were issued at that time. The schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2002 are included in note 9.

**(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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$387,994, \$456,956, and \$463,495 respectively, equal to the required contributions for each year.

**(9) Capital Lease Purchase Agreements**

The County has entered into capital lease purchase agreements to lease a correctional facility, a vehicle for Community Services and a vehicle for the Sheriff's Office. The following is a schedule of the future minimum lease payments, including interest ranging from 5.0% to 6.40% per annum for the correctional facility, .9% for the Community Services vehicle and 5.0% for the Sheriff's vehicle; and the present value of net minimum lease payments under the agreements in effect at June 30, 2002:

Year ending June 30,	Community			Total
	Correctional Facility	Services Vehicle	Sheriff's Vehicle	
2003	\$ 730,348	748	6,006	737,102
2004	729,647	-	6,005	735,652
2005	728,028	-	19,900	747,928
2006	729,997	-	-	729,997
2007	730,278	-	-	730,278
2008	728,817	-	-	728,817
2009	730,568	-	-	730,568
2010	729,627	-	-	729,627
2011	731,815	-	-	731,815
2012	731,835	-	-	731,835
Total minimum lease payments	7,300,960	748	31,911	7,333,619
Less amount representing interest	(1,695,960)	(1)	(3,092)	(1,699,053)
Present value of net minimum lease payments	\$ 5,605,000	747	28,819	5,634,566



Payments under these agreements for the year ended June 30, 2002 totaled \$730,128, \$4,490 and \$1,501, respectively.

**(10) Employee Health Insurance Plan**

The Muscatine County 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 Muscatine County 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 Muscatine County Health Insurance Trust Fund. The County records the plan assets and related liabilities of the Muscatine County Health Insurance Trust Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2002 was \$922,074.

Amounts payable from the Health Insurance Fund at June 30, 2002 total \$174,274 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. That reserve was \$139,539 at June 30, 2002 and is reported as a designation of the Health Insurance Trust Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that 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. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2001	\$ 242,792
Incurred claims (including claims incurred but not reported as of June 30, 2002	919,028
Payment on claims during the fiscal year	<u>(987,546)</u>
Unpaid claims at June 30, 2002	<u>\$ 174,274</u>

**(11) Turkey Growers Community Development Block Grant Fund**

During the year ended June 30, 2001, the County was awarded a loan in the form of a grant totaling \$125,000 for economic development from the Iowa Department of Economic Development. The County subsequently loaned \$125,000 to Iowa Turkey Growers Cooperative. This interest free loan is to be amortized over a five year period with quarterly payments of \$7,813. The first payment was due January 1, 2001. A Community Development Block Grant Fund has been established and a receivable has been recorded in a Special Revenue Fund with the revenues deferred. A liability has not

been recorded for this loan since the County's only obligation is to credit the payments received from Iowa Turkey Growers Cooperative to the Turkey Growers Community Development Block Grant Fund. The County intends to use these funds to establish a revolving loan fund for a housing development program. Loan payments of \$31,250 were received by the County during the year ended June 30, 2002, and the outstanding balance of the loan at June 30, 2002 was \$46,875.

**(12) E911 Loan**

The Muscatine County Joint E911 Service Board entered into a loan with the West Liberty State Bank. The loan was for \$50,000 at 6% with a due date of August 1, 2005. The balance of the loan at June 30, 2002 was \$50,000.

**(13) Risk Management**

Muscatine County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. 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 300 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 annual contributions to the Pool for the year ended June 30, 2002 were \$135,285.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk sharing certificate, or in the event that 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 that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2002, no liability has been recorded in the County's financial statements. As of June 30, 2002, settled claims have not exceeded the risk pool or reinsurance company 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 claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, boiler and machinery and employee blanket bond in the amount of \$5,000,000, \$11,000,000 and \$50,000 (\$250,000 for certain employees), 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.

**(14) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, and Statement Number 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2003. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual basis accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the financial activities.

**Muscatine County**

## **Supplemental Information**

**Schedule 1**

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## Muscatine County

## General Fund

Statement of Revenues, Expenditures and  
Changes in Fund Balance

Year ended June 30, 2002

## Revenues:

## Property and other County tax:

Property tax	\$ 5,313,623	
Utility tax replacement excise taxes	185,165	
Other	<u>28,413</u>	\$ 5,527,201

Interest and penalty on property tax 212,979

## Intergovernmental:

## State shared revenues:

Franchise tax	43,609	
Other	<u>3,372</u>	
	<u>46,981</u>	

State grants and reimbursements including  
indirect federal funding:

Home care aide grant	152,687	
Human services administrative reimbursements	77,843	
Youth development grant	92,534	
Juvenile justice	10,396	
DECAT	79,680	
High intensity drug trafficking area grants	57,669	
Governor's Alliance on Substance Abuse grants	76,310	
Other	<u>30,922</u>	
	<u>578,041</u>	

## State tax replacements:

State allocation	210,802	
State tax credits	<u>409,486</u>	
	<u>620,288</u>	

## Direct federal grants and entitlements:

Prisoner care	1,044,647	
Other	<u>41,660</u>	
	<u>1,086,307</u>	

## Muscatine County

## General Fund

Statement of Revenues, Expenditures and  
Changes in Fund Balance

Year ended June 30, 2002

## Revenues (continued):

## Intergovernmental:

Contributions and reimbursements from  
other governmental units:

Ambulance services	62,427	
Election reimbursements	16,937	
Data processing services	111,415	
Prisoner care	61,883	
Other	30,593	
	<u>283,255</u>	

Payment in lieu of taxes	<u>3,942</u>	2,618,814
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Licenses and permits		150
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## Charges for service:

Office fees and collections	391,776	
Auto registration, use tax and mailing	266,054	
Other	<u>95,318</u>	753,148

## Use of money and property:

Interest on investments	353,130	
Net increase in fair value of investments	48,586	
Land and building rent	<u>20,366</u>	422,082

## Miscellaneous

Total revenues		<u>9,568,224</u>
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## Expenditures:

## Operating:

Public safety		4,575,315
Court services		117,065
Physical health and education		365,089
Social services		1,082,472
County environment		399,718
State and local government services		575,395
Interprogram services		<u>1,968,484</u>
Total expenditures		<u>9,083,538</u>

Excess of revenues over expenditures		<u>484,686</u>
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**Schedule 1**

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Muscatine County

General Fund

Statement of Revenues, Expenditures and  
Changes in Fund Balance

Year ended June 30, 2002

Other financing sources (uses):		
Sale of general fixed assets		6,706
Operating transfers out:		
Capital Projects:		
Courthouse	(125,000)	
Global Information System	(104,000)	
Expendable Trust:		
Conservation Land Acquisition Trust	(6,000)	
Total operating transfers out		(235,000)
Capital lease purchase agreement		29,954
Total other financing sources (uses)		<u>(198,340)</u>
Excess of revenues and other financing sources over expenditures and other financing uses		286,346
Fund balance beginning of year		3,486,963
Increase in reserve for prepaid insurance		<u>3,927</u>
Fund balance end of year		<u><u>\$ 3,777,236</u></u>

See accompanying independent auditor's report.



## Muscatine County

## General Fund

## Statement of Expenditures

Year ended June 30, 2002

## Public Safety Service Area:

## Law enforcement:

Uniformed patrol services	\$ 1,289,792	
Investigations	130,176	
Law enforcement communication	44,787	
Adult correction services	2,120,069	
Administration	412,577	
	<u>3,997,401</u>	

## Legal services:

Criminal prosecution	496,733	
Medical examinations	45,781	
	<u>542,514</u>	

## Emergency services:

Ambulance services	31,400	
Disaster services	4,000	
	<u>35,400</u>	\$ 4,575,315

## Court Services Service Area:

## Assistance to judges and magistrates:

Research assistance	10,104	
	<u>10,104</u>	

## Court proceedings:

Detention services	28,822	
Court costs	6,564	
	<u>35,386</u>	

## Juvenile justice administration:

Court-appointed attorneys and court costs for juveniles	71,575	117,065
	<u>71,575</u>	

## Physical Health and Education Service Area:

## Physical health services:

Personal and family health services	319,931	
Health administration	158	
	<u>320,089</u>	

## Educational services:

Fair and 4-H clubs	45,000	365,089
	<u>45,000</u>	

**Schedule 2**

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Muscatine County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Social Services Service Area:

Services to the poor:

Administration	141,081	
General welfare services	<u>605,597</u>	
	<u>746,678</u>	

Services to military veterans:

Administration	1,661	
General services to veterans	<u>76,608</u>	
	<u>78,269</u>	

Children and family services:

Youth guidance	105,066	
Family protective services	<u>84,174</u>	
	<u>189,240</u>	

Services to other adults:

Services to the elderly	<u>40,125</u>	
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Chemical dependency:

Treatment services	11,410	
Preventive services	<u>16,750</u>	
	<u>28,160</u>	1,082,472

County Environment Service Area:

Environmental Quality Program:

Environmental restoration	<u>3,116</u>	
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Conservation and recreation services:

Administration	128,804	
Maintenance and operations	154,527	
Recreation and environmental education	<u>94,452</u>	
	<u>377,783</u>	

Animal Control Program:

Animal shelter	<u>119</u>	
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County development:

Economic development	<u>18,700</u>	399,718
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## Muscatine County

## General Fund

## Statement of Expenditures

Year ended June 30, 2002

## State and Local Government Services Service Area:

## Representation services:

Elections administration	<u>142,232</u>	
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## State administrative services:

Motor vehicle registrations and licensing	267,728	
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Recording of public documents	<u>165,435</u>	
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	<u>433,163</u>	575,395
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## Interprogram Services Service Area:

## Policy and administration:

General County management	543,971	
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Administrative management services	169,266	
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Treasury management services	178,986	
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Other policy and administration	<u>57,079</u>	
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	<u>949,302</u>	
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## Central services:

General services	390,564	
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Data processing services	<u>320,349</u>	
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	<u>710,913</u>	
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## Risk management services:

Tort liability	154,030	
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Safety of the workplace	135,282	
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Unemployment compensation	<u>18,957</u>	
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	<u>308,269</u>	1,968,484
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Total		<u><u>\$ 9,083,538</u></u>
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See accompanying independent auditor's report.

Muscatine County  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 2002

	Rural Services	Secondary Roads	County Sheriff's Forfeiture	Jail Commissary	Community Policing
<b>Assets</b>					
Cash and pooled investments	\$ 129,539	1,954,478	12,621	35,797	1,229
Receivables:					
Property tax:					
Delinquent	11,504	-	-	-	-
Succeeding year	802,000	-	-	-	-
Accounts	450	1,439	-	5,114	68
Loan	-	-	-	-	-
Due from other funds	-	2,720	-	-	-
Due from other governments	-	311,633	-	-	-
Inventories	-	115,923	-	-	-
<b>Total assets</b>	<b>\$ 943,493</b>	<b>2,386,193</b>	<b>12,621</b>	<b>40,911</b>	<b>1,297</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable	\$ 85	134,890	1,263	22,634	-
Salaries and benefits payable	-	15,549	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue:					
Succeeding year property tax	802,000	-	-	-	-
Other	11,125	71	-	-	-
Compensated absences	2,212	23,296	-	-	-
Total liabilities	815,422	173,806	1,263	22,634	-
Fund equity:					
Fund balance:					
Reserved for inventories	-	115,923	-	-	-
Unreserved	128,071	2,096,464	11,358	18,277	1,297
Total fund equity	128,071	2,212,387	11,358	18,277	1,297
<b>Total liabilities and fund equity</b>	<b>\$ 943,493</b>	<b>2,386,193</b>	<b>12,621</b>	<b>40,911</b>	<b>1,297</b>

See accompanying independent auditor's report.

County Sheriff's Canine	Emergency Medical Services Training	County Recorder's Records Management	Montpelier Community Development Block Grant	Resource Enhancement	Turkey Growers Community Development Block Grant	Mental Health	Total
442	4,279	38,513	-	56,584	78,125	1,066,632	3,378,239
-	-	-	-	-	-	19,563	31,067
-	-	-	-	-	-	1,877,000	2,679,000
-	-	-	-	-	-	58,424	65,495
-	-	-	-	-	46,875	-	46,875
-	-	2,675	-	-	-	-	5,395
-	-	-	5,632	-	-	83,454	400,719
-	-	-	-	-	-	-	115,923
<b>442</b>	<b>4,279</b>	<b>41,188</b>	<b>5,632</b>	<b>56,584</b>	<b>125,000</b>	<b>3,105,073</b>	<b>6,722,713</b>
-	1,393	-	-	-	-	233,358	393,623
-	-	-	-	-	-	1,783	17,332
-	-	-	-	-	-	775	775
-	175	-	-	-	-	191,748	191,923
-	-	-	-	-	-	1,877,000	2,679,000
-	-	-	2,425	-	46,875	30,777	91,273
-	-	-	-	-	-	18,118	43,626
-	1,568	-	2,425	-	46,875	2,353,559	3,417,552
-	-	-	-	-	-	-	115,923
<b>442</b>	<b>2,711</b>	<b>41,188</b>	<b>3,207</b>	<b>56,584</b>	<b>78,125</b>	<b>751,514</b>	<b>3,189,238</b>
<b>442</b>	<b>2,711</b>	<b>41,188</b>	<b>3,207</b>	<b>56,584</b>	<b>78,125</b>	<b>751,514</b>	<b>3,305,161</b>
<b>442</b>	<b>4,279</b>	<b>41,188</b>	<b>5,632</b>	<b>56,584</b>	<b>125,000</b>	<b>3,105,073</b>	<b>6,722,713</b>

Muscatine County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	County Sheriff's Forfeiture	Jail Commissary	Community Policing
<b>Revenues:</b>					
Property and other County tax:					
Property tax	\$813,999	-	-	-	-
Local option sales tax	-	1,237,943	-	-	-
Utility tax replacement excise taxes	56,341	-	-	-	-
Other	6,689	-	-	-	-
	<u>877,029</u>	<u>1,237,943</u>	-	-	-
<b>Intergovernmental:</b>					
State shared revenues:					
Road use tax	-	1,791,428	-	-	-
<b>State grants and reimbursements including indirect federal funding:</b>					
Social services block grant	-	-	-	-	-
Community Development Block Grant	-	-	-	-	-
Mental health/mental retardation allocation	-	-	-	-	-
Rehabilitation services - supported employment	-	-	-	-	-
Resource enhancement and protection	-	-	-	-	-
Other	15,000	13,513	-	-	771
	<u>15,000</u>	<u>13,513</u>	-	-	<u>771</u>
<b>State tax replacements:</b>					
State tax credits	84,388	-	-	-	-
Mental health property tax relief	-	-	-	-	-
Mental health allowable growth	-	-	-	-	-
	<u>84,388</u>	-	-	-	-
<b>Direct federal grants and entitlements:</b>					
Medicare and medicaid	-	-	-	-	-
Other	-	11,975	-	-	-
	-	<u>11,975</u>	-	-	-
<b>Contributions and reimbursements from other governmental units</b>					
	-	107,160	-	-	-
	<u>99,388</u>	<u>1,924,076</u>	-	-	<u>771</u>

**Schedule 4**

County Sheriff's Canine	Law Enforcement Grants	Emergency Medical Services Training	County Recorder's Records Management	Montpelier Community Development Block Grant	Resource Enhancement	Turkey Growers Community Development Block Grant	Mental Health	Total
-	-	-	-	-	-	-	1,893,277	2,707,276
-	-	-	-	-	-	-	-	1,237,943
-	-	-	-	-	-	-	65,988	122,329
-	-	-	-	-	-	-	10,118	16,807
-	-	-	-	-	-	-	1,969,383	4,084,355
-	-	-	-	-	-	-	-	1,791,428
-	-	-	-	-	-	-	200,644	200,644
-	-	-	-	3,207	-	-	-	3,207
-	-	-	-	-	-	-	451,211	451,211
-	-	-	-	-	-	-	51,905	51,905
-	-	-	-	-	15,611	-	-	15,611
-	-	6,088	-	-	-	-	94,122	129,494
-	-	6,088	-	-	15,611	-	797,882	852,072
-	-	-	-	-	-	-	145,930	230,318
-	-	-	-	-	-	-	1,311,528	1,311,528
-	-	-	-	-	-	-	206,522	206,522
-	-	-	-	-	-	-	1,663,980	1,748,368
-	-	-	-	-	-	-	529,613	529,613
-	-	-	-	-	-	-	-	11,975
-	-	-	-	-	-	-	529,613	541,588
-	-	-	-	-	-	-	-	107,160
-	-	6,088	-	3,207	15,611	-	2,991,475	5,040,616

Muscatine County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	County Sheriff's Forfeiture	Jail Commissary	Community Policing
Revenues (continued):					
Licenses and permits	11,814	1,065	-	-	-
Charges for service	-	5,971	-	77,137	-
Use of money and property:					
Interest on investments	-	-	-	-	-
Rent	-	-	-	-	-
Repayment of loan	-	-	-	-	-
Other	-	1,020	-	-	-
	-	1,020	-	-	-
Miscellaneous	835	46,540	4,009	-	658
Total revenues	989,066	3,216,615	4,009	77,137	1,429
Expenditures:					
Operating:					
Public Safety Service Area:					
Law enforcement:					
Uniformed patrol services	-	-	3,425	-	1,119
Adult Correctional Services	-	-	-	101,351	-
	-	-	3,425	101,351	1,119
Emergency services:					
Emergency management	-	-	-	-	-
	-	-	3,425	101,351	1,119
Physical Health and Education Service Area:					
Physical health services:					
Sanitation	62,531	-	-	-	-
Educational services:					
Libraries	101,000	-	-	-	-
	163,531	-	-	-	-
Mental Health Service Area:					
Persons with mental health problems - mental illness:					
General administration	-	-	-	-	-
Coordination services	-	-	-	-	-
Personal and environmental support	-	-	-	-	-
Treatment services	-	-	-	-	-
Vocational and day services	-	-	-	-	-



**Schedule 4**

County Sheriff's Canine	Law Enforcement Grants	Emergency Medical Services Training	County Recorder's Records Management	Montpelier Community Development Block Grant	Resource Enhancement	Turkey Growers Community Development Block Grant	Mental Health	Total
-	-	-	-	-	-	-	-	12,879
-	-	-	10,375	-	-	-	60,331	153,814
-	-	-	912	-	1,105	-	-	2,017
-	-	-	-	-	-	-	64,040	64,040
-	-	-	-	-	-	-	500,000	500,000
-	-	-	-	-	-	-	-	1,020
-	-	-	912	-	1,105	-	564,040	567,077
-	-	1,985	-	-	-	31,250	22,383	107,660
-	-	8,073	11,287	3,207	16,716	31,250	5,607,612	9,966,401
7,272	-	-	-	-	-	-	-	11,816
-	-	-	-	-	-	-	-	101,351
7,272	-	-	-	-	-	-	-	113,167
-	-	8,140	-	-	-	-	-	8,140
7,272	-	8,140	-	-	-	-	-	121,307
-	-	-	-	-	-	-	-	62,531
-	-	-	-	-	-	-	-	101,000
-	-	-	-	-	-	-	-	163,531
-	-	-	-	-	-	-	47,706	47,706
-	-	-	-	-	-	-	111,445	111,445
-	-	-	-	-	-	-	62,227	62,227
-	-	-	-	-	-	-	154,530	154,530
-	-	-	-	-	-	-	83,228	83,228

Muscatine County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	County Sheriff's Forfeiture	Jail Commissary	Community Policing
Expenditures (continued):					
Operating:					
Mental Health Service Area:					
Persons with mental health problems - mental illness:					
Licensed or certified living arrangements	-	-	-	-	-
Institutional, hospital, and commitment services	-	-	-	-	-
	-	-	-	-	-
Persons with chronic mental illness:					
General administration	-	-	-	-	-
Coordination services	-	-	-	-	-
Personal and environmental support	-	-	-	-	-
Treatment services	-	-	-	-	-
Vocational and day services	-	-	-	-	-
Licensed or certified living arrangements	-	-	-	-	-
Institutional, hospital, and commitment services	-	-	-	-	-
	-	-	-	-	-
Persons with mental retardation:					
General administration	-	-	-	-	-
Coordination services	-	-	-	-	-
Personal and environmental support	-	-	-	-	-
Treatment services	-	-	-	-	-
Vocational and day services	-	-	-	-	-
Licensed or certified living arrangements	-	-	-	-	-
Institutional, hospital, and commitment services	-	-	-	-	-
	-	-	-	-	-
Persons with other developmental disabilities:					
General administration	-	-	-	-	-
Coordination services	-	-	-	-	-
Personal and environmental support	-	-	-	-	-
Treatment services	-	-	-	-	-
Vocational and day services	-	-	-	-	-
Licensed or certified living arrangements	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

**Schedule 4**

County Sheriff's Canine	Law Enforcement Grants	Emergency Medical Services Training	County Recorder's Records Management	Montpelier Community Development Block Grant	Resource Enhancement	Turkey Growers Community Development Block Grant	Mental Health	Total
-	-	-	-	-	-	-	124,619	124,619
-	-	-	-	-	-	-	17,155	17,155
-	-	-	-	-	-	-	600,910	600,910
-	-	-	-	-	-	-	15,266	15,266
-	-	-	-	-	-	-	94,004	94,004
-	-	-	-	-	-	-	90,146	90,146
-	-	-	-	-	-	-	204,060	204,060
-	-	-	-	-	-	-	169,237	169,237
-	-	-	-	-	-	-	549,578	549,578
-	-	-	-	-	-	-	19,561	19,561
-	-	-	-	-	-	-	1,141,852	1,141,852
-	-	-	-	-	-	-	28,624	28,624
-	-	-	-	-	-	-	401,874	401,874
-	-	-	-	-	-	-	138,434	138,434
-	-	-	-	-	-	-	11,880	11,880
-	-	-	-	-	-	-	357,411	357,411
-	-	-	-	-	-	-	987,895	987,895
-	-	-	-	-	-	-	332,569	332,569
-	-	-	-	-	-	-	2,258,687	2,258,687
-	-	-	-	-	-	-	3,816	3,816
-	-	-	-	-	-	-	60,140	60,140
-	-	-	-	-	-	-	18,726	18,726
-	-	-	-	-	-	-	7,963	7,963
-	-	-	-	-	-	-	62,380	62,380
-	-	-	-	-	-	-	96,621	96,621
-	-	-	-	-	-	-	249,646	249,646
-	-	-	-	-	-	-	4,251,095	4,251,095

Muscatine County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	County Sheriff's Forfeiture	Jail Commissary	Community Policing	County Sheriff's Canine
Expenditures (continued):						
Operating:						
County Environment Service Area:						
Environmental quality:						
County development land use and building centers	80,383	-	-	-	-	-
Roads and Transportation Service Area:						
Secondary roads administration and engineering:						
Administration	-	121,606	-	-	-	-
Engineering	-	234,045	-	-	-	-
	-	355,651	-	-	-	-
Roadway maintenance:						
Bridges and culverts	-	241,866	-	-	-	-
Roads	-	1,488,128	-	-	-	-
Snow and ice control	-	87,851	-	-	-	-
Traffic controls	-	187,675	-	-	-	-
Road clearing	-	115,219	-	-	-	-
	-	2,120,739	-	-	-	-
General roadway expenditures:						
Equipment	-	517,926	-	-	-	-
Equipment operation	-	423,208	-	-	-	-
Tools, materials, and supplies	-	63,211	-	-	-	-
Real estate and buildings	-	4,424	-	-	-	-
	-	1,008,769	-	-	-	-
	-	3,485,159	-	-	-	-
State and Local Government Services Service Area:						
Representation services:						
Township officials	2,206	-	-	-	-	-
State administrative services:						
Recording of public documents	-	-	-	-	-	-
	2,206	-	-	-	-	-

Law Enforce- ment Grants	Emergency Medical Services Training	County Recorder's Records Management	Montpelier Community Development Block Grant	Resource Enhance- ment	Turkey Growers Community Development Block Grant	Mental Health	Total
-	-	-	-	-	-	-	80,383
-	-	-	-	-	-	-	121,606
-	-	-	-	-	-	-	234,045
-	-	-	-	-	-	-	355,651
-	-	-	-	-	-	-	241,866
-	-	-	-	-	-	-	1,488,128
-	-	-	-	-	-	-	87,851
-	-	-	-	-	-	-	187,675
-	-	-	-	-	-	-	115,219
-	-	-	-	-	-	-	2,120,739
-	-	-	-	-	-	-	517,926
-	-	-	-	-	-	-	423,208
-	-	-	-	-	-	-	63,211
-	-	-	-	-	-	-	4,424
-	-	-	-	-	-	-	1,008,769
-	-	-	-	-	-	-	3,485,159
-	-	-	-	-	-	-	2,206
-	-	7,129	-	-	-	-	7,129
-	-	7,129	-	-	-	-	9,335

Muscatine County  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Year ended June 30, 2002

	Rural Services	Secondary Roads	County Sheriff's Forfeiture	Jail Commissary	Community Policing
Expenditures (continued):					
Capital Projects Service Area:					
Roadway construction	-	342,855	-	-	-
Total expenditures	246,120	3,828,014	3,425	101,351	1,119
Excess (deficiency) of revenues over (under) expenditures	742,946	(611,399)	584	(24,214)	310
Other financing sources (uses):					
Sale of general fixed assets	-	2,112	-	-	-
Operating transfers in (out):					
Special Revenue:					
Rural Services	-	800,000	-	-	-
Secondary Roads	(800,000)	-	-	-	-
Capital Projects:					
Global Informaton System	(28,000)	-	-	-	-
Total operating transfers	(828,000)	800,000	-	-	-
Total other financing sources (uses)	(828,000)	802,112	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(85,054)	190,713	584	(24,214)	310
Fund balances beginning of year	213,125	2,005,113	10,774	42,491	987
Decrease in reserve for loan receivable	-	-	-	-	-
Increase in reserve for inventories	-	16,561	-	-	-
Fund balances end of year	\$128,071	2,212,387	11,358	18,277	1,297

See accompanying independent auditor's report.

County Sheriff's Canine	Law Enforcement Grants	Emergency Medical Services Training	County Recorder's Records Management	Montpelier Community Development Block Grant	Resource Enhancement	Turkey Growers Community Development Block Grant	Mental Health	Total
-	-	-	-	-	-	-	-	342,855
7,272	-	8,140	7,129	-	-	-	4,251,095	8,453,665
(7,272)	-	(67)	4,158	3,207	16,716	31,250	1,356,517	1,512,736
-	-	-	-	-	-	-	4,110	6,222
-	-	-	-	-	-	-	-	800,000
-	-	-	-	-	-	-	-	(800,000)
-	-	-	-	-	-	-	-	(28,000)
-	-	-	-	-	-	-	-	(28,000)
-	-	-	-	-	-	-	4,110	(21,778)
(7,272)	-	(67)	4,158	3,207	16,716	31,250	1,360,627	1,490,958
7,714	-	2,778	37,030	-	39,868	46,875	(109,113)	2,297,642
-	-	-	-	-	-	-	(500,000)	(500,000)
-	-	-	-	-	-	-	-	16,561
442	-	2,711	41,188	3,207	56,584	78,125	751,514	3,305,161

**Schedule 5**

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Muscatine County

Debt Service Fund

Statement of Revenues, Expenditures and  
Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Property and other County tax:

Property tax	\$ 678,202	
Utility tax replacement excise taxes	21,090	
Other	<u>3,234</u>	
		\$ 702,526

Intergovernmental:

State tax replacements:

State tax credits		46,757
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Total revenues		<u>749,283</u>
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Expenditures:

Debt Service Service Area:

Capital lease purchase agreement -  
Veterans' Plaza Authority:

Principal redeemed	430,000	
Interest paid	<u>300,128</u>	<u>730,128</u>

Excess of revenues over expenditures		19,155
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Fund balance beginning of year		<u>128,547</u>
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Fund balance end of year		<u><u>\$ 147,702</u></u>
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See accompanying independent auditor's report.



Muscatine County  
 Capital Projects Funds  
 Combining Balance Sheet  
 June 30, 2002

	Courthouse	Global Information System	Discovery Center	Total
<b>Assets</b>				
Cash and pooled investments	\$ 84,382	167,565	300,000	551,947
Accrued interest receivable	-	-	1,055	1,055
Prepaid expenditures	-	27,054	-	27,054
<b>Total assets</b>	<b>\$ 84,382</b>	<b>194,619</b>	<b>301,055</b>	<b>580,056</b>
<b>Liabilities and Fund Equity</b>				
Fund equity:				
Reserved for prepaid expenditures	\$ -	27,054	-	27,054
Unreserved fund balance	84,382	167,565	301,055	553,002
	<u>84,382</u>	<u>194,619</u>	<u>301,055</u>	<u>580,056</u>
<b>Total liabilities and fund equity</b>	<b>\$ 84,382</b>	<b>194,619</b>	<b>301,055</b>	<b>580,056</b>

See accompanying independent auditor's report.

**Schedule 7**

## Muscatine County

## Capital Projects Funds

## Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

	Courthouse	Global Information System	Discovery Center	Total
Revenues:				
Intergovernmental:				
Contributions and reimbursements from other governmental units	\$ -	125,000	-	125,000
Use of money and property:				
Interest on investments	-	-	1,055	1,055
Miscellaneous revenues:				
Contributions and donations from private sources	-	-	250,000	250,000
Miscellaneous	19,272	-	-	19,272
	19,272	-	250,000	269,272
Total revenues	19,272	125,000	251,055	395,327
Expenditures:				
Capital Projects Service Area:				
Building purchase and improvements	139,041	-	-	139,041
Global information system	-	89,435	-	89,435
Total expenditures	139,041	89,435	-	228,476
Excess (deficiency) of revenues over (under) expenditures	(119,769)	35,565	251,055	166,851
Other financing sources (used):				
Operating transfers in(out):				
General	125,000	104,000	-	229,000
Special Revenue:				
Rural Services	-	28,000	-	28,000
Capital Projects:				
Courthouse	-	-	50,000	50,000
Discovery Center	(50,000)	-	-	(50,000)
Total operating transfers	75,000	132,000	50,000	257,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(44,769)	167,565	301,055	423,851
Fund balance beginning of year	129,151	-	-	129,151
Increase in prepaid expenditures	-	27,054	-	27,054
Fund balance end of year	\$ 84,382	194,619	301,055	580,056

See accompanying independent auditor's report.

Muscatine County  
Internal Service Funds  
Combining Balance Sheet  
June 30, 2002

	Health Insurance Trust	County Insurance Trust	Total
<b>Assets</b>			
Cash and pooled investments	\$ 313,320	28,156	341,476
Accrued interest receivable	493	-	493
<b>Total assets</b>	<b>\$ 313,813</b>	<b>28,156</b>	<b>341,969</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 174,274	-	174,274
Fund equity:			
Unreserved retained earnings	139,539	28,156	167,695
<b>Total liabilities and fund equity</b>	<b>\$ 313,813</b>	<b>28,156</b>	<b>341,969</b>

See accompanying independent auditor's report.

**Schedule 9**

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## Muscatine County

## Internal Service Funds

## Combining Statement of Revenues, Expenses and Changes in Retained Earnings

Year ended June 30, 2002

	Health Insurance Trust	County Insurance Trust	Total
Operating revenues:			
Reimbursements from operating funds	\$ 922,074	91,100	1,013,174
Reimbursements from others	-	18,876	18,876
Total operating revenues	<u>922,074</u>	<u>109,976</u>	<u>1,032,050</u>
Operating expenses:			
Health claims and administrative services	987,546	-	987,546
Loss contingencies and deductibles	-	86,834	86,834
Miscellaneous	1,000	-	1,000
Total operating expenses	<u>988,546</u>	<u>86,834</u>	<u>1,075,380</u>
Operating income (loss)	(66,472)	23,142	(43,330)
Non-operating revenues:			
Interest on investments	10,298	-	10,298
Net income (loss)	<u>(56,174)</u>	<u>23,142</u>	<u>(33,032)</u>
Retained earnings beginning of the year	<u>195,713</u>	<u>5,014</u>	<u>200,727</u>
Retained earnings end of year	<u>\$ 139,539</u>	<u>28,156</u>	<u>167,695</u>

See accompanying independent auditor's report.

Muscatine County  
Internal Service Funds  
Combining Statement of Cash Flows  
Year ended June 30, 2002

	Health Insurance Trust	County Insurance Trust	Total
<b>Cash flows from operating activities:</b>			
Cash received from operating funds	\$ 922,074	91,100	1,013,174
Cash received from others	-	23,410	23,410
Cash paid to suppliers for services	(1,057,064)	(86,834)	(1,143,898)
Net cash provided by (used for) operating activities	(134,990)	27,676	(107,314)
<b>Cash flows from investing activities:</b>			
Interest on investments	13,306	-	13,306
Net increase (decrease) in cash and cash equivalents	(121,684)	27,676	(94,008)
Cash and cash equivalents beginning of year	435,004	480	435,484
Cash and cash equivalents end of year	\$ 313,320	28,156	341,476
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (66,472)	23,142	(43,330)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Decrease in accounts receivable	-	4,534	4,534
Decrease in accounts payable	(68,518)	-	(68,518)
Net cash provided by (used for) operating activities	\$ (134,990)	27,676	(107,314)

See accompanying independent auditor's report.

**Schedule 11**

Muscatine County  
Trust and Agency Funds  
Combining Balance Sheet  
June 30, 2002

	<u>Expendable</u>		
	<u>Trust</u>	<u>Agency</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 22,815	2,429,889	2,452,704
Other County officials	-	1,081,397	1,081,397
Receivables:			
Property tax:			
Delinquent	-	262,585	262,585
Succeeding year	-	32,993,000	32,993,000
Accounts	16	31,079	31,095
Accrued interest	238	1,995	2,233
Assessments:			
Delinquent	-	13,784	13,784
Succeeding years	-	628,806	628,806
Due from other funds	505	64	569
Due from other governments	190,110	29,691	219,801
<b>Total assets</b>	<b>\$ 213,684</b>	<b>37,472,290</b>	<b>37,685,974</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 75	-	75
Salaries and benefits payable	3,897	-	3,897
Due to other funds	-	594,802	594,802
Due to other governments	-	36,081,856	36,081,856
Loans payable	-	50,000	50,000
Trusts payable	-	738,098	738,098
Compensated absences	-	7,534	7,534
Total liabilities	3,972	37,472,290	37,476,262
Fund equity:			
Unreserved fund balance	209,712	-	209,712
<b>Total liabilities and fund equity</b>	<b>\$ 213,684</b>	<b>37,472,290</b>	<b>37,685,974</b>

See accompanying independent auditor's report.

Muscatine County  
Trust and Agency Funds  
Combining Balance Sheet - Expendable Trust Funds  
June 30, 2002

	Conservation Land Acquisition Trust	Millett Trust	Total
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ (78,131)	100,946	22,815
Receivables:			
Accounts	16	-	16
Accrued interest	-	238	238
Due from other funds	505	-	505
Due from other governments	190,110	-	190,110
	<b>\$ 112,500</b>	<b>101,184</b>	<b>213,684</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 75	-	75
Salaries and benefits payable	3,897	-	3,897
Total liabilities	3,972	-	3,972
Fund equity:			
Unreserved fund balance	108,528	101,184	209,712
	<b>\$ 112,500</b>	<b>101,184</b>	<b>213,684</b>

See accompanying independent auditor's report.

**Schedule 13**

## Muscatine County

## Expendable Trust Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2002

	Conservation Land Acquisition Trust	Millett Trust	Hockersmith Trust	Total
Revenues:				
Intergovernmental:				
State grants and reimbursements including indirect federal funding:				
Highway planning and construction	\$ 190,110	-	-	190,110
Charges for service	42,798	-	-	42,798
Use of money and property	-	3,287	276	3,563
Miscellaneous	24,635	-	-	24,635
Total revenues	<u>257,543</u>	<u>3,287</u>	<u>276</u>	<u>261,106</u>
Expenditures:				
Operating:				
County Environment Service Area:				
Conservation and recreation services:				
Maintenance and operations	21,965	-	-	21,965
Non-program:				
Other	-	-	55,881	55,881
Capital Projects Service Area:				
Conservation land acquisition and development	253,616	-	-	253,616
Total expenditures	<u>275,581</u>	<u>-</u>	<u>55,881</u>	<u>331,462</u>
Excess (deficiency) of revenues over (under) expenditures	(18,038)	3,287	(55,605)	(70,356)
Other financing sources:				
Operating transfers in:				
General	6,000	-	-	6,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(12,038)	3,287	(55,605)	(64,356)
Fund balances beginning of year	<u>120,566</u>	<u>97,897</u>	<u>55,605</u>	<u>274,068</u>
Fund balances end of year	<u>\$ 108,528</u>	<u>101,184</u>	<u>-</u>	<u>209,712</u>

See accompanying independent auditor's report.



**Muscatine County**

Muscatine County  
 Agency Funds  
 Combining Balance Sheet  
 June 30, 2002

	County Offices				
	Community Services	County Conservator	County Attorney	County Auditor	County Recorder
<b>Assets</b>					
Cash and pooled investments					
County Treasurer	\$	-	-	-	-
Other County officials	661	459,009	469,154	50	93,756
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	-	-	-	-	1,562
Accrued interest	-	-	274	-	-
Assessments:					
Delinquent	-	-	-	-	-
Succeeding years	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 661</b>	<b>459,009</b>	<b>469,428</b>	<b>50</b>	<b>95,318</b>
<b>Liabilities</b>					
Liabilities:					
Due to other funds	\$ 661	-	469,428	50	76,373
Due to other governments	-	-	-	-	18,945
Loans payable	-	-	-	-	-
Trusts payable	-	459,009	-	-	-
Compensated absences	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ 661</b>	<b>459,009</b>	<b>469,428</b>	<b>50</b>	<b>95,318</b>

County Sheriff	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
-	1,935	535,114	211,421	9,161	124,730
58,767	-	-	-	-	-
-	1,589	5,000	168,759	7,526	75,736
-	159,000	437,000	17,369,000	773,000	11,077,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
58,767	162,524	977,114	17,749,180	789,687	11,277,466
17,565	-	-	-	-	-
125	162,524	970,587	17,749,180	789,687	11,277,466
-	-	-	-	-	-
41,077	-	-	-	-	-
-	-	6,527	-	-	-
58,767	162,524	977,114	17,749,180	789,687	11,277,466

Muscatine County  
 Agency Funds  
 Combining Balance Sheet  
 June 30, 2002

	Townships	City Special Assess- ments	Fire Districts	Tuberculosis and Brucellosis Eradication	Auto License and Use Tax
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	3,259	6,630	223	1,116	645,382
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	3,466	-	447	62	-
Succeeding year	253,000	-	14,000	5,000	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Assessments:					
Delinquent	-	13,392	-	-	-
Succeeding years	-	472,672	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>259,725</b>	<b>492,694</b>	<b>14,670</b>	<b>6,178</b>	<b>645,382</b>
<b>Liabilities</b>					
Liabilities:					
Due to other funds	-	-	-	-	21,170
Due to other governments	259,725	492,694	14,670	6,178	624,212
Loans payable	-	-	-	-	-
Trusts payable	-	-	-	-	-
Compensated absences	-	-	-	-	-
<b>Total liabilities</b>	<b>259,725</b>	<b>492,694</b>	<b>14,670</b>	<b>6,178</b>	<b>645,382</b>

See accompanying independent auditor's report.

Drainage Districts	Annuity Payout	Advanced Taxes	Drug Task Force	IPSCO TIF	E911	Emergency Management Services	Total
564,488	6,524	238,012	-	-	69,502	12,392	2,429,889
-	-	-	-	-	-	-	1,081,397
-	-	-	-	-	-	-	262,585
-	-	-	-	2,906,000	-	-	32,993,000
-	-	-	-	-	29,517	-	31,079
1,721	-	-	-	-	-	-	1,995
392	-	-	-	-	-	-	13,784
156,134	-	-	-	-	-	-	628,806
-	-	-	-	-	64	-	64
-	-	-	23,091	-	234	6,366	29,691
<b>722,735</b>	<b>6,524</b>	<b>238,012</b>	<b>23,091</b>	<b>2,906,000</b>	<b>99,317</b>	<b>18,758</b>	<b>37,472,290</b>
-	-	-	9,555	-	-	-	594,802
722,735	6,524	-	13,536	2,906,000	49,312	17,751	36,081,851
-	-	-	-	-	50,000	-	50,000
-	-	238,012	-	-	-	-	738,098
-	-	-	-	-	-	1,007	7,534
<b>722,735</b>	<b>6,524</b>	<b>238,012</b>	<b>23,091</b>	<b>2,906,000</b>	<b>99,312</b>	<b>18,758</b>	<b>37,472,285</b>

Muscatine County  
Combining Statement of Changes in Assets and Liabilities -  
Agency Funds  
Year ended June 30, 2002

	Community Services	Residential Services	County Conservator	County County Attorney
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 509	1,266	537,915	22,391
Additions:				
Property and other County tax	-	-	-	-
E911 surcharge	-	-	-	-
State tax credits	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses and use tax	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	1,616,475	487,472
Miscellaneous	36,563	-	-	-
Total additions	<u>36,563</u>	<u>-</u>	<u>1,616,475</u>	<u>487,472</u>
Deductions:				
Agency Remittances:				
To other funds	-	-	-	-
To other governments	36,411	1,266	-	-
Trusts paid out	-	-	1,695,381	40,435
Total deductions	<u>36,411</u>	<u>1,266</u>	<u>1,695,381</u>	<u>40,435</u>
Balances end of year	<u>\$ 661</u>	<u>-</u>	<u>459,009</u>	<u>469,428</u>

Offices			Agricultural	County	
County Auditor	County Recorder	County Sheriff	Extension Education	Assessor	Schools
50	89,877	47,518	160,429	975,712	17,580,113
-	-	-	162,192	450,971	18,028,311
-	-	-	-	-	-
-	-	-	11,857	37,295	1,300,550
2,711	482,997	102,721	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,017,364	-	-	-
-	-	-	-	17,461	35,924
2,711	482,997	1,120,085	174,049	505,727	19,364,785
2,711	272,786	103,869	-	-	-
-	204,770	1,196	171,954	504,325	19,195,718
-	-	1,003,771	-	-	-
2,711	477,556	1,108,836	171,954	504,325	19,195,718
50	95,318	58,767	162,524	977,114	17,749,180

Muscatine County  
Combining Statement of Changes in Assets and Liabilities -  
Agency Funds  
Year ended June 30, 2002

	Community Colleges	Corpor- ations	Townships
<b>Assets and Liabilities</b>			
Balances beginning of year	771,294	10,676,028	279,597
Additions:			
Property and other County tax	789,788	11,321,537	260,297
E911 surcharge	-	-	-
State tax credits	56,145	581,311	28,492
Office fees and collections	-	-	-
Auto licenses and use tax	-	-	-
Assessments	-	-	-
Trusts	-	-	-
Miscellaneous	-	10,382	-
Total additions	845,933	11,913,230	288,789
Deductions:			
Agency Remittances:			
To other funds	-	-	-
To other governments	827,540	11,311,792	308,661
Trusts paid out	-	-	-
Total deductions	827,540	11,311,792	308,661
Balances end of year	789,687	11,277,466	259,725



City Special Assess- ments	Fire Districts	Tuberculosis and Brucellosis Eradication	Auto License and Use Tax	Drainage Districts	Annuity Payout	Advanced Taxes	Drug Task Force
59,315	14,523	6,808	681,053	769,295	8,754	169,010	34,999
-	14,008	5,241	-	-	-	-	-
-	-	-	-	-	-	-	-
-	932	465	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	8,534,796	-	-	-	-
473,517	-	-	-	67,183	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	22,585	17,895	758,541	124,753
473,517	14,940	5,706	8,534,796	89,768	17,895	758,541	124,753
-	-	-	266,333	-	-	-	90,181
40,138	14,793	6,336	8,304,134	136,328	20,125	689,539	46,480
-	-	-	-	-	-	-	-
40,138	14,793	6,336	8,570,467	136,328	20,125	689,539	136,661
492,694	14,670	6,178	645,382	722,735	6,524	238,012	23,091

Muscatine County  
Combining Statement of Changes in Assets and Liabilities -  
Agency Funds  
Year ended June 30, 2002

	IPSCO TIF	E911
<b>Assets and Liabilities</b>		
Balances beginning of year	2,691,000	128,734
Additions:		
Property and other County tax	2,908,378	-
E911 surcharge	-	235,637
State tax credits	124	-
Office fees and collections	-	-
Auto licenses and use tax	-	-
Assessments	-	-
Trusts	-	-
Miscellaneous	-	-
Total additions	2,908,502	235,637
Deductions:		
Agency Remittances:		
To other funds	-	-
To other governments	2,693,502	265,054
Trusts paid out	-	-
Total deductions	2,693,502	265,054
Balances end of year	2,906,000	99,317

See accompanying independent auditor's report.

Emergency Management Services	Tax Sale Redemption	Credit Union Monies & Credits	Total
15,274	-	-	35,721,464
-	-	-	33,940,723
-	-	-	235,637
-	-	-	2,017,171
-	-	-	588,429
-	-	-	8,534,796
-	-	-	540,700
-	368,491	-	3,489,802
52,945	-	2,479	1,079,528
52,945	368,491	2,479	50,426,786
-	-	-	735,880
49,461	-	2,479	44,832,002
-	368,491	-	3,108,078
49,461	368,491	2,479	48,675,960
18,758	-	-	37,472,290

**Schedule 16**

## Muscatine County

## Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2002	2001	2000	1999
<b>Taxes:</b>				
Property tax	\$ 8,699,101	8,364,601	8,243,487	8,066,268
Local option sales tax	1,237,943	1,405,978	1,265,845	1,299,485
Utility tax replacement excise tax	328,584	323,039	-	-
Other	48,454	51,433	42,951	42,710
	<u>10,314,082</u>	<u>10,145,051</u>	<u>9,552,283</u>	<u>9,408,463</u>
<b>Intergovernmental:</b>				
State shared revenues:				
Road use tax allocation	1,791,428	1,717,872	1,742,852	1,548,489
Franchise tax	43,609	67,655	80,787	55,445
Other	3,372	2,701	2,713	2,202
State grants and reimbursements including indirect federal funding:				
Home care aide grant	152,687	142,078	118,479	104,742
Human services administrative reimbursements	77,843	151,269	84,168	80,766
Community Development Block Grants	3,207	-	-	251,480
Child support enforcement	-	-	90,609	81,096
Juvenile justice	10,396	22,980	34,914	188,210
Social services block grant	200,644	194,652	190,316	176,107
Highway planning and construction grants	190,110	8,989	298,019	69,391
Mental health/mental retardation allocation	451,211	291,225	239,604	239,604
Other	534,125	1,281,537	1,199,320	731,221
State tax replacements:				
State tax credits	686,561	905,767	668,375	600,251
State allocation	210,802	213,078	213,692	213,438
Mental health property tax relief	1,518,050	1,483,807	1,523,456	1,504,307
Direct federal grants and entitlements:				
Prisoner care	1,044,647	500,839	679,982	827,816
Other	583,248	514,142	274,147	225,757
Contributions and reimbursements from other governmental units:				
Prisoner care	61,883	384,491	332,878	105,551
Reimbursements from other governments	453,532	469,496	338,493	86,407
Payment in lieu of taxes	3,942	1,342	1,255	1,216
Total intergovernmental	<u>8,021,297</u>	<u>8,353,920</u>	<u>8,114,059</u>	<u>7,093,496</u>
Total	<u>\$18,335,379</u>	<u>18,498,971</u>	<u>17,666,342</u>	<u>16,501,959</u>

See accompanying independent auditor's report.

## Muscatine County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
Federal Emergency Management Agency:			
Emergency Food and Shelter National Board Program	83.523	20-2992-00	\$ 5,162
U.S. Department of Justice:			
Office of National Drug Control Policy:			
High Intensity Drug Trafficking Area	07.XXX	I1PMWP563	35,585
High Intensity Drug Trafficking Area	07.XXX	I2PMWP563	27,168
			<u>62,753</u>
Total direct			<u>67,915</u>
Indirect:			
Department of Health and Human Services:			
Iowa Department of Human Services:			
Block Grants for Community Mental Health Services	93.958		<u>29,468</u>
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778		<u>27,598</u>
Temporary Assistance for Needy Families	93.558		<u>27,202</u>
Foster Care - Title IV-E	93.658		<u>9,095</u>
Refugee and Entrant Assistance- State Administered Programs	93.566		<u>125</u>
Adoption Assistance	93.659		<u>3,076</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>3,474</u>
Social Services Block Grant	93.667		<u>17,871</u>
Social Services Block Grant	93.667		<u>200,644</u>
			<u>218,515</u>
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		<u>17,306</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant/State's Program	14.228	01-WS-012	<u>5,632</u>
U.S. Department of Justice:			
Governor's Alliance on Substance Abuse:			
Byrne Formula Grant Program	16.579	02A-0217	<u>124,753</u>
City of Muscatine:			
Violence Against Women Formula Grants	16.588	01V-0219	<u>3,127</u>

**Schedule 17**

Muscatine County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2002

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Accountability Incentive Block Grants	16.523	JJYD-S01-33	43,778
Juvenile Accountability Incentive Block Grants	16.523	JJYD-S02-33	46,453
			<u>90,231</u>
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	00-EC-006	196,500
Iowa Department of Public Safety:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	02-410-Task25	8,013
Iowa Association of Chiefs of Police and Peace Officers:			
Occupant Protection Grant	20.602	DTMH22-00-H-15163	761
Department of Education:			
Iowa Department of Education:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	01-CSPE-01	15,503
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	02-CSPE-01	31,039
			<u>46,542</u>
Federal Emergency Management Agency:			
Iowa Department of Public Defense:			
State Emergency Management Division:			
Emergency Management Public Assistance	83.544	139-02A5F-00	1,446
Emergency Management Performance Grants	83.552		19,735
Department of Health and Human Services:			
Iowa Department of Public Health:			
Rural Health Outreach and Rural Network Development Program	93.912		8,652
Total indirect			<u>841,251</u>
Total			<u>\$ 909,166</u>

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

See accompanying independent auditor's report.



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

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Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting**

To the Officials of Muscatine County:

We have audited the general purpose financial statements of Muscatine County, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 20, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. Prior year statutory comments have been resolved except for item IV-K-02.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Muscatine County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Muscatine County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur

and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-02, is a material weakness. Prior year reportable conditions have been resolved except for items II-A-02, II-B-02 and II-C-02.

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. This report is not intended to be and should not be used by anyone other than these specified parties.

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

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 20, 2002



**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance**

**Muscatine County**



**OFFICE OF AUDITOR OF STATE  
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**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over Compliance**

To the Officials of Muscatine County:

**Compliance**

We have audited the compliance of Muscatine County, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. 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 grants 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, Chapter 11 of the Code of Iowa, 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 provisions 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Muscatine County's compliance with those requirements.

In our opinion, Muscatine County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

**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 grants 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does

not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be a material weakness.

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

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 20, 2002

Muscatine County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2002

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 07.XXX - High Intensity Drug Trafficking Area
  - CFDA Number 20.205 - Highway Planning and Construction
  - CFDA Number 93.667 - Social Services Block Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Muscatine County did not qualify as a low-risk auditee.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

II-A-02 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. Generally one or two individuals in the County Recorder's Office may have control over the following areas for which no compensating controls exist:

- (1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.
- (2) The functions of collecting, depositing, posting and reconciling daily receipts should not be performed by the same employee.
- (3) Checks should be signed by an individual who does not otherwise participate in preparing checks, approving disbursements or recording disbursements. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve payment.
- (4) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.

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

Response and Corrective Action Planned -

County Recorder - The Recorder's Office began having the employee who opens the mail make a list of cash and checks. Periodically the bank account is reconciled by someone in another office. We are trying to divide some of the other functions up, but this is difficult because of only four people in the office.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Conclusion – Responses acknowledged. However, duties should be segregated to the greatest extent possible utilizing current personnel. In instances where it is not possible to segregate incompatible duties, it is important to increase the review of that work by supervisory personnel.

II-B-02 County Attorney – Forfeiture and Confiscated Property Collections – The County Attorney received forfeited and confiscated property collections. These collections were not reflected in the County's accounting system and have not been included in the County's annual budget or monthly financial reports.

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

Response – The County Attorney maintains a separate account for forfeiture proceeds because it is required by Iowa statutory and administrative law, ethical guidelines for prosecutors and federal grant requirements. A separate account is also necessary to facilitate undercover law enforcement operations.

When a forfeiture action results in a court order of forfeiture, by law the property, including cash, is titled to the State of Iowa. Pursuant to statute and by administrative rule, the State's property is then allocated to law enforcement agencies (including the County Attorney) based on revenue sharing agreements. This property does not go to the County, it goes to the agency.

Current regulations provide that in most cases the Department of Justice will retain 10 percent of cash forfeitures and will allow law enforcement agencies to retain other property such as vehicles for law enforcement uses. Iowa Administrative Code 61-33.5(2) states, "The department will retain 10 percent (10%) of forfeited cash. The balance of forfeited cash, ninety percent (90%), will be given to the seizing agency for its use or for division among law enforcement agencies and prosecutors pursuant to agreement." (emphasis added)

Iowa Code §809A.17(3) also provides, "[forfeited property may be used by the department of justice in the enforcement of the criminal law. The department may give, sell, or trade property to any other state agency or to any other law enforcement agency within the state, if, in the opinion of the attorney general, it will enhance law enforcement in the state." In short, this property does not belong to the County it belongs to the respective law enforcement agencies.

The recommendation also states that expenditure of forfeiture funds from the budget will require amendment to the budget. Presumably this will be under the direction of the board of supervisors. The recommendation fails to explain how the forfeiture funds will be given to the law enforcement agency, but that agency will have no control over the funds, that control being given to the County.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

The audit recommendation is also fundamentally inconsistent with federal guidelines which must be obeyed as a condition for receiving funds under the Governor's Office of Drug Control Policy guidelines. We are required under these guidelines to maintain forfeiture funds in separate fund or account. ODCP guidelines also place the supervision and control responsibilities on the law enforcement agency, not the County. We cannot simultaneously certify our compliance with ODCP procedures and place the forfeiture funds in an account which we do not supervise and control.

The audit recommendation includes the comment that the forfeiture funds should be included in the annual budget and financial statements of the county. However, a comment to one of the ODCP forfeiture guidelines provides, "Forfeited property retained for law enforcement use should increase rather than supplant the sources of the agency. Adding resources to law enforcement benefits the public. Budgeting decisions based on anticipated forfeiture revenues expose the budgetary process to unhealthy pressure and unpredictability." Although the recommendation states that forfeiture moneys should not supplant already budgeted funds, there is no explanation as to how this will be accomplished.

Placing money in the County's general budget means it is inevitably part of the whole budget decision. The current arrangement protects against the forbidden supplantation of regular expenditures with forfeiture money. The proposed system will be an open invitation for a violation of the terms of our ODCP grant (A grant program under which the county receives approximately \$90,000 this year). We must be particularly careful to not violate Point II of the ODCP guidelines, "No sworn law enforcement officer's employment or salary shall be made to depend upon the level of seizures or forfeitures he/she achieves." We cannot place forfeiture funds in the County's budget without running a real risk of violating this provision.

Our continued compliance with ODCP regulations concerning the control and use of forfeiture funds is necessary to legitimately receive grant reimbursement and to make future applications for renewal of the grant. The audit recommendation offers no reason why that ability should be jeopardized.

The other benefit of the current procedure is the that allows undercover law enforcement activities to be funded without risk of compromising a pending investigation. As an example, the Muscatine County Drug Task Force recently completed an eight month long undercover drug investigation during which forfeiture funds were expended to rent an undercover residence, supply gas for the undercover vehicle and provide part of the buy money at the end of the case. If these expenditures had to go through the normal budget process, this investigation could not have occurred. Fourteen people are currently facing state and federal felony drug trafficking charges because of this investigation, a result which amply justifies the current procedure.

Conclusion - Response acknowledged. However, the forfeiture and confiscated property collections should be properly accounted for in the County's records. This accountability will not reduce the law enforcement agency's ability to control these funds. Since these funds would be budgeted in a separate Special Revenue



Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Fund not associated with the operating expenditures of the County's law enforcement agencies, the funds would continue to be used for expenditures over and above the County's budget for such activities.

II-C-02 Information System - The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Procedures to trace and correct input errors including procedures for correction identification and recording in such a manner that duplicate correction will not occur.
- A written disaster recovery plan.

Recommendation - The County should review its control activities and policies in its information system to determine that appropriate controls or policies are implemented for each item presented above.

Response - We will develop procedures to trace and correct input errors, including procedures for correction identification and recording. We will work with the Disaster Services Director to develop a written policy for recovery procedures plan.

Conclusion - Response accepted.

II-D-02 County Sheriff's Office -

Inmate Trust/Commissary Account - The book balance was not reconciled to the bank balance in fiscal year 2002. The actual book balance is not maintained and the list of outstanding checks is not accurate.

Sheriff's Trust Account - The cash book balance was not correctly reconciled to the bank balance. There was a variance in all but one month in fiscal year 2002.

Recommendation -

Inmate Trust/Commissary Account - The book balance should be reconciled to the bank balance at the end of each month. The actual book balance should be maintained and the list of outstanding checks should be accurate.

Sheriff's Trust Account - The cash book balance should be correctly reconciled to bank balance at the end of each month.

Response - We will continue to work with our software company to get their program to reconcile to the bank balance for the Inmate Trust/Commissary Account. With the overload of work for the number of employees in this department it is hard to keep up on everything. We will try and do a complete reconciliation with the cash book balance to the bank balance for the Sheriff's Trust Account.

Conclusion - Response accepted.

Muscatine County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2002

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

No material weaknesses in internal control over major programs were identified.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

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

IV-A-02 Official Depositories - A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.

IV-B-02 Certified Budget - Disbursements during the year ended June 30, 2002 did not exceed the amounts budgeted.

Disbursements in certain departments exceeded the appropriation.

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

Response - We will make every effort to monitor expenditures so no departmental appropriations are exceeded before a budget amendment.

Conclusion - Response accepted.

IV-C-02 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 were noted.

IV-D-02 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-02 Business Transactions - No business transactions between the County and County officials or employees were noted.

IV-F-02 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-02 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not, except as follows.

The County Sheriff entered into a lease-purchase agreement for the purchase of a vehicle prior to Board of Supervisor approval. This appears to violate Chapter 331.478(2) of the Code of Iowa which requires non-current debt to be approved by resolution of the Board of Supervisors.

Recommendation - The County should comply with Chapter 331.478 when contracting for non-current debt.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Response - We will inform all departments that incurrence of non-current debt should not occur without prior Board of Supervisors approval.

Conclusion - Response accepted.

IV-H-02 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-I-02 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-J-02 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, 2002 for the County Extension Office did not exceed the amount budgeted.

IV-K-02 County Ordinances - The County Board of Supervisors has not completed a compilation of County ordinances.

Recommendation - A compilation of County ordinances should be prepared and published at least once every five years as required by Chapter 331.302(9) of the Code of Iowa.

Response - All County ordinances will be compiled and published as required by Chapter 331.302(9) of the Code of Iowa.

Conclusion - Response accepted.

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Muscatine County

Staff

This audit was performed by:

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Brian R. Brustkern, CPA, Senior Auditor II  
Katie S. Caggiano, Staff Auditor  
Natalie J. Storm, CPA, Staff Auditor  
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