

COUNTY OF SCOTT, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2004

Prepared by:

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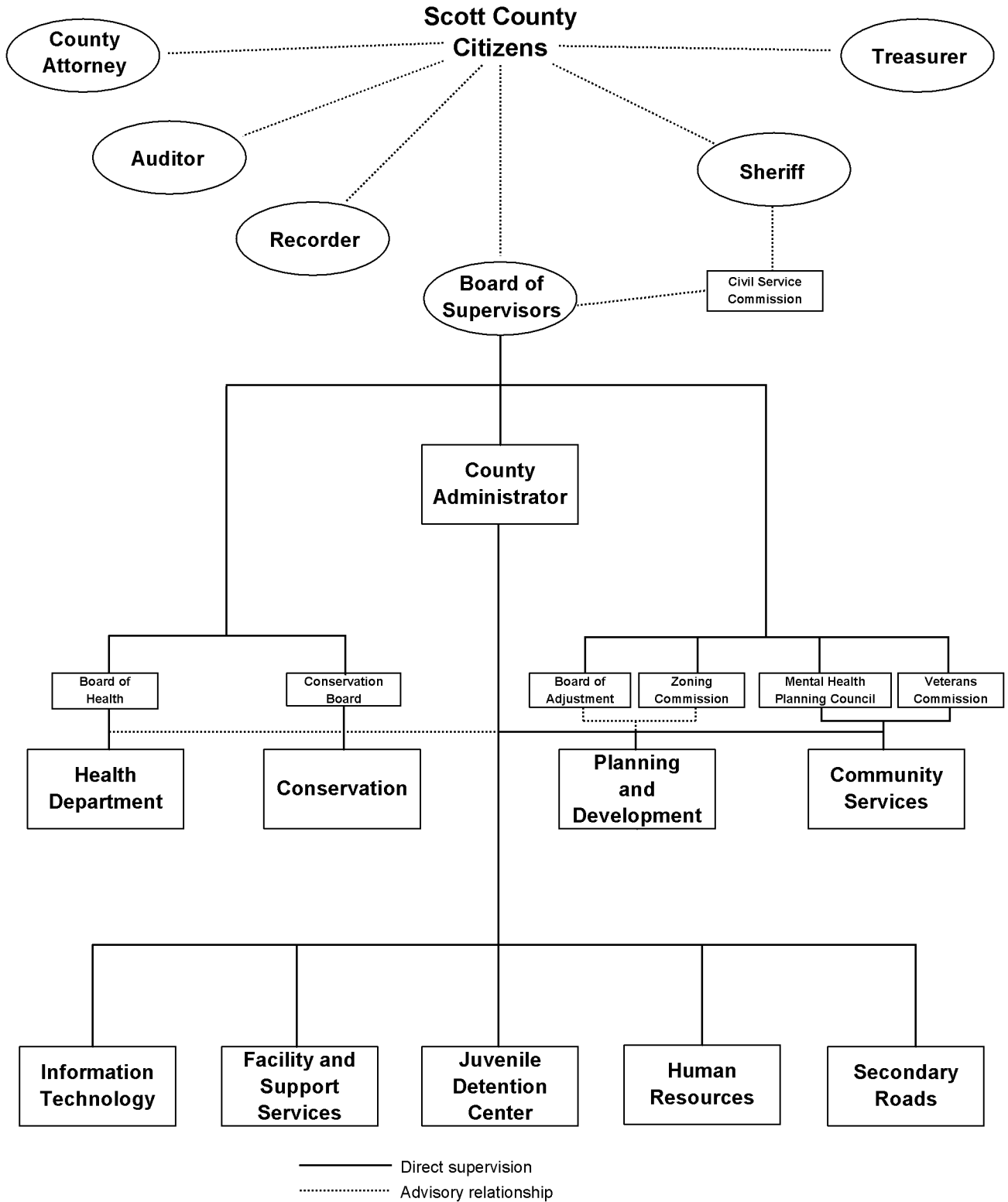
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County of Scott, Iowa

County Officials

Official Title	Official	Term Expiration Date of Elected Officials
Elected Officials		
Supervisor, Chairperson	Carol Schaefer	2004
Supervisor	Gregory P. Adamson	2006
Supervisor	Otto L. Ewoldt	2006
Supervisor	Jim Hancock	2004
Supervisor	Larry E. Minard	2006
Attorney	William E. Davis	2006
Auditor	Karen L. Fitzsimmons	2004
Recorder	Rita Vargas	2006
Sheriff	Dennis Conard	2004
Treasurer	Bill Fennelly	2006
Administration		
County Administrator	C. Ray Wierson	
Department Heads		
Community Services	Mary Dubert	
Conservation	Roger Kean	
Facility and Support Services	Dave Donovan	
Health	Lawrence Barker	
Human Resources	Paul Greufe	
Information Technology	Matt Hirst	
Juvenile Detention Center	Scott Hobart	
Planning and Development	Tim Huey	
Secondary Roads	Larry Mattusch	

Scott County Government Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Scott,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

OFFICE OF THE COUNTY ADMINISTRATOR

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October 8, 2004

Members of the Board of Supervisors
And Citizens of
Scott County, Iowa:

The Comprehensive Annual Financial Report (CAFR) of the County of Scott, Iowa for the fiscal year ended June 30, 2004 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

To facilitate the understanding of the County's financial affairs, the CAFR is presented in four (4) sections: Introductory, Financial, Statistical, and Compliance. The introductory section, which is unaudited, includes this transmittal letter, the County's organizational chart, a listing of the County's elected and appointed officials, and a copy of last year's Certificate of Achievement for Excellence in Financial Reporting which was awarded to the County by GFOA for its 2003 Comprehensive Annual Financial Report. The financial section includes the Management's Discussion and Analysis, government-wide financial statements, notes to the financial statements, combining and individual fund financial statements and schedules, and the independent auditor's report on those financial statements. This letter of transmittal is designed to complement the Management Discussion and Analysis which can be found immediately following the report of the independent auditors and should be read in conjunction with the transmittal letter. The statistical section, which is unaudited, includes selected financial and demographic information about the County, generally presented on a multi-year basis. The final section provides additional reports of our auditors required by *Government Auditing Standards*.

The CAFR includes all funds of the primary government, Scott County and its discretely presented component units. Scott County is a municipal corporation governed by an elected five-member board. The County provides a full range of services. These services include law enforcement and legal services, physical health and social services, mental health and developmental disabilities services, county environment and education, planning and zoning, construction and maintenance of secondary roads, education and general administrative services.

Component units are legally separate entities for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The County's discretely presented component units are as follows: Emergency Management Agency, which provides direction for the delivery of the emergency management services and planning, administration, coordination, training and support for local governments and their departments; County Library, which provides library services to all cities within Scott County with the

exception of the City of Bettendorf and the City of Davenport; County Assessor, which is responsible for the operations of the Scott County Assessor's office including the assessment of all properties within Scott County with the exception of the City of Davenport, County Assessor Special, which is responsible to the County Conference Board to perform in-house revaluations for various classes of property; City Assessor, which is responsible for the operations of the City Assessor's office, including assessment of all properties within the City of Davenport; and the City Assessor Special, which is responsible to the City Conference Board to perform in-house revaluations for various classes of property. These component units are discretely presented in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The County Board is a voting member of each of the governing bodies of all component units except for the Scott County Library for which the County Board appoints all the Library Trustees. The component units are discussed further in Note 1.

Governmental Structure, Local Economic Condition and Outlook

Governing Body - Scott County, Iowa was incorporated on December 31, 1837. Antoine LeClaire, an early settler of the County, donated the square of land the Scott County Courthouse stands on today. If the County ever abandons the site, the property would revert to the heirs of Antoine LeClaire. The first courthouse was erected on this land during 1840-41 and served for 45 years. The following years to 1874 saw changes and additions to the structure of Scott County government. One of the major changes was in the structure of the governing board. From 1838 until 1850 county commissioners were elected on an annual basis. By 1861 the name Board of Supervisors had been mandated, with 14 supervisors from throughout the county representing the citizens. In 1870 the structure changed again, and only three board supervisors were elected countywide. In 1874, the membership of the board of supervisors increased to its present five officials, all elected at-large.

County Administrator - Only recently have there been dramatic changes in the actual governing of the county. In 1979 an administrator form of government was adopted, and the Board of Supervisors hired a county administrator. Subsequently, staff and departments have grown in efficiency and capacity to serve citizens. In 1978 the County Home Rule Bill was enacted, granting all powers to counties consistent with state laws and not specifically prohibited by the Iowa General Assembly.

Property Tax - The County is empowered to levy a tax on real property located within its boundaries. Current taxes of \$24,998,507 representing 99.05% of the levy were collected during fiscal year 2004.

Economic Condition and Outlook -

Location and Population: Scott County is part of a three county, bi-state, metropolitan area referred to as the Quad-Cities. The counties of Scott (Iowa), Rock Island and Henry (Illinois), contain the Davenport-Rock Island-Moline Metropolitan Statistical Area (MSA), with a 2000 U.S. Census Bureau count of 359,062 which is a 2.3% increase over the 1990 census count of 350,861. The U. S. Census Bureau's 2000 population of Scott County was 158,668, which is a 5.1% increase over the 1990 census count of 150,979. However, that figure is still under the 1980 census count for Scott County which was 160,022 and only 11.2% greater than the 1970 census count of 142,687. Woods and Poole Economics projects the population of the Quad Cities MSA to reach 376,470 by 2025, an approximate 4.8% increase over the above cited year 2000 figure. The same projection expects Scott County's population to grow to 179,214. This would represent an increase in population for the County over that 25 year time period of 12.9%.

The Quad-Cities is more than the five major cities of Davenport, Bettendorf, Rock Island, Moline and East Moline. It is made up of fourteen contiguous communities on both sides of the Mississippi River that are generally bounded by the quadrangle formed by Interstates 80 and 280.

Employment Data: The Quad-Cities has been historically known as an industrial, retail/service and transportation center. In the last twenty five years the economy has shifted, showing a decline in the number of manufacturing sector jobs. In 1980, 30% of the area jobs were in manufacturing and 53% in the service sector. In 1990 that had changed to 18% manufacturing and 61% service sector. In 2003 the split was 13.5% manufacturing and 67% classified as service sector. The portion of government sector jobs has remained fairly even at 16.2% in 1980, to 16% in 1990 and 14.6% in 2003

The shift in the Quad-Cities area economy towards creation of service sector jobs in the professional, non-professional, retail and wholesale sectors of the economy has been significant. From 1990 until 2003 the number of service providing jobs in the QCA increased from 127,500 to 146,300. This is an increase of 14.75%, which offsets the loss of over 3,900 durable goods manufacturing sector jobs, a 20.2% decrease over that same time period. The number of total manufacturing sector jobs was down from 28,700 in 1990 to 23,900 in 2003, a 16.7% drop, with a decrease of 9.5% in jobs in the non-durable goods manufacturing sector. Construction and mining sector jobs have increased by 1,200 jobs, an 18% increase from 1990 to 2003.

The annual average labor force in the Quad Cities MSA was 186,979 in 2003 which was a 6.1% increase from the 1990 figure of 176,193. The annual average labor force for Scott County was 86,770 in 2003, which was a 10.3% increase over the 1990 annual average labor force of 78,660 for the county. In 1980 the unemployment rate for the Quad Cities was 6.7%. In 1983 the unemployment rate for the Quad-Cities MSA hit a high of 14.8%. Scott County's unemployment rate that same year was 10.8%, following a Scott County high the year before in 1982 of 11.2%. In 1990 the unemployment rate for the QCA was 5.0% and Scott County was 4.2%. Those rates dipped to a low of 3.4% and 2.7% in 1998 but have risen slightly to the current rates of 5.3% and 4.4%, respectively.

The median household income in Scott County has risen between 1980 and 2000, from \$20,767 in 1980 to \$29,979 in 1990 and \$42,701 in 2000. That is an increase of 105.6% over the twenty-year period. The 2002 per capita personal income for Scott County was 106.8% of the statewide average and 97% of the national average at \$30,000.

New Housing Starts: New residential construction is very strong in the Quad-Cities MSA. Between 1985 and 1987, only 700 single family dwellings units were started in Scott County, with only 925 in the entire Quad Cities MSA over those same three years. 1,546 building permits for new single family dwelling units have been issued in Scott County from 1998 through 2000. Over that same time period 2500 new house permits have been issued in the MSA. Between 1998 and 2000, of the new house permits issued in the Quad Cities, 62% have been in Scott County. This is an average for Scott County of over 500 permits a year over that three year time period. In 2002, of the 863 new house permits issued, 583 were issued in Scott County. For 2003 those figures were 801 and 556, respectively

Even with a strong housing market the Quad Cities remains one of the most affordable housing markets in the country. The average sales price for homes in the Iowa Quad Cities was \$126,200 in June, 2000, \$129,600 in June, 2001, \$127,300 in June, 2002 and \$134,300 in June, 2003. On the Illinois side of the river the average sales price was \$90,400 in June 2000, \$94,500 in June 2001 \$95,600 in June 2002 and \$102,200 in June 2003. The median home values between 1980 and 1990 in Scott County only increased 3% from \$52,800 to \$54,400. From 1990 to 2000 the median home values in Scott County jumped 70% to \$92,400.

Major Projects and Developments: There have been a number of significant projects and developments that have occurred in 1996-2003 that affected the economic outlook for Scott County and the Quad-Cities in general:

Public Sector

- Scott County voters just approved a \$29.7 million bond issue for Scott County's plans to remodel and expand its jail facilities. The project will renovate portions of the existing jail facilities to allow more jail programming and also add new bed space to bring the total jail capacity to 380 beds.

Public Private Partnership

- Following the approval of Scott County voters in 2001 of a \$5 million bond issue for Scott County's contribution to the City of Davenport's River Renaissance on the Mississippi project, the Vision Iowa Board approved a \$20 million grant for the \$113.5 million downtown revitalization project. Key players in putting together the River Renaissance application and its funding include the City of Davenport, Scott County, DavenportOne, the Museum of Art Foundation, the Riverboat Development Authority, Rhythm City Casino, Kaizen, Bechtel Trusts and Foundation, the Figge Family Foundation and the Adler Theater Foundation.

Education

- A 1999 County wide referendum approved an increase in the local option sales tax for capital improvements for the County School Districts to share on a per capita basis.
- Davenport School District is completing significant remodel, additions and improvements to all three high schools in the district as well as a number of middle and elementary schools with the local option sales tax monies.
- North Scott School District approved \$8.9 million in infrastructure improvements and expansion to its elementary and junior & senior high schools.
- Pleasant Valley School District recently completed construction of a new \$1.7 million elementary school.

Retail/Service

- The Lady Luck Casino developed a 250 room convention center hotel with a \$33 million dollar investment of public and private monies for the hotel, parking garage, overpass and marina.
- The 53rd Street corridor has seen a variety of new retail/office development, including a new 25,000 square foot Borders book store and a new 18 movie theater complex on 53rd Street, east of I-74 in Davenport.
- Quad City Bank completed construction of its \$4.5 million bank headquarters building in Davenport and also has an additional bank building under construction at the corner of Locust and Division.

- Scott County opened a \$2 million recycling facility that is able to accept most kinds of recyclable materials.

Industrial & Business Parks

- The City of Davenport, Scott County, Mid-American Energy, and DavenportOne have combined to develop the first 220 acres of a large site heavy industrial park in northwest Davenport, with room for expansion to over 2,000 acres.
- AAA Iowa begun developing a nine acre office park in front of its existing Bettendorf headquarters. An upscale office park campus with up to 75,000 square feet of office space is being constructed.
- The Iowa Research, Commerce & Technology Park, a 160 acre business park located in the northwest quadrant of the I-80/U.S. 61 interchange, is under development.
- The 2.4 million square foot former Caterpillar, Inc. plant that has been for sale since it closed in 1988 has been purchased and renamed the River City Industrial Center and has leased 70% of the space to various industrial users and businesses.

New Industrial Development

- Grafcoplastics Manufacturing has built a new \$10 million manufacturing facility creating 50 new jobs in Bettendorf's industrial park.
- Solar Plastics, Inc. expanded its Davenport plant by 50,000 square feet, with a \$3.9 million investment and is expected to expand its workforce with 60 new jobs over the next three years.
- Olympic Steel also has developed a \$22 million steel handling facility, in Bettendorf, creating over 60 new jobs which is expected to grow to 200 jobs over the next five years.
- IPSCO Steel, a Canadian company, has completed development of a \$375 million steel manufacturing facility just over the Scott County line in neighboring Muscatine County.
- Roll and Hold, a local steel warehouse and distribution firm, will expand its existing workforce of 13 to 20 with the completion of its new 80,000 square foot building in Eldridge.
- Guardian Industries opened a \$110 million glass manufacturing plant in nearby DeWitt, Iowa with a work force of 250 employees.
- Aluminum Company of America (ALCOA) has recently invested \$50 million in improving the infrastructure of its plant located in Scott County. The plant manufactures large aircraft parts and a wide variety of other aluminum products.
- Nichols Aluminum, an aluminum castings manufacturer in Davenport, added 52,000 square feet and increased its Davenport workforce by 19 jobs.
- Genesis Systems Group, a manufacturer of robotic welding systems, has constructed a new manufacturing plant with plans to expand its work force from 100 employees to 150.

- Tri-City Fabricating & Welding has developed a new \$5 million manufacturing plant which expands its current work force from 186 to 250 employees.
- M. A. Ford Manufacturing has completed a \$3.2 million expansion to its existing facility and will expand its current workforce of 160 and add an additional 50 jobs.
- Oscar Meyer Foods, a division of Kraft Foods, is investing \$2 million in capital equipment to upgrade and expand its Davenport plant in order to retain 1,760 existing jobs and create 50 new positions.
- John Deere had a 58 acre site developed for a distribution facility in the Eastern Iowa Industrial Center with a 550,000 square foot building and 650,000 square foot of outdoor storage area for its consumer and turf maintenance products with an investment of over \$18 million.

Total Market Valuation: The trends of market valuations is an important indicator of the economic health of any community or area. From 1990 until 2000 the total market valuation for all taxable properties in Scott County has grown from \$3.55 billion to \$4.37 billion, representing a 23% increase in a ten-year period. From 2000 until 2003 it has increased 26% to \$5.5 billion.

Transportation Network and Facilities: Four interstate highways, five U.S. primary highways and an excellent secondary roads system serve the Quad Cities. The expansion of U.S. 61 to four lanes from I-280 west to the county line has now been completed. There are more than 290 motor freight transporters which serve the area who can provide ready shipment of goods to regional markets in Chicago, St. Louis, Kansas City, Omaha and Minneapolis.

There are five major bridges crossing the Mississippi River in the Quad Cities. The three bridges near the city centers are reaching capacity for traffic and the Government Bridge is over 100 years of age. A study for the expansion of I-74 bridge has been completed and is in the process of being implemented. Discussion and planning has also begun for a new bridge crossing the Mississippi River between Bettendorf and Moline. It can be expected to take 20 years or more before a project of this magnitude comes to fruition.

The regional airport for the Quad Cities is on the Illinois side of the river in Moline. The airport has a new 65,000 square foot, \$17 million, terminal expansion. Currently seven major passenger airlines operate at this terminal, with nearly 60 arrivals and departures daily to nine major national hubs. The Quad Cities airport is served by United Express, with service to Chicago, Detroit and Denver, Northwest Airlines, with service to Minneapolis, Memphis and Detroit, and Air Tran with service to Atlanta. Keeping the Quad Cities existing air service and having an opportunity to expand air service is a critical part of the economic development efforts of the area.

Conclusion: With the apparent improvement of the national economic indicators and the increase in consumer confidence the immediate outlook for the Quad Cities is positive. There have been some layoffs and production slow downs at some of the areas largest employers, while others have seen modest increases or have been hiring to replace retiring workers. Production capacity at the Rock Island Arsenal is increasing with the increasing need for vehicle armor and other munitions. Also, with interest and mortgage rates remaining low, building and construction activity is expected to remain steady. Economic development efforts for the Quad Cities continue to try to diversify the economy, while taking advantage of its unique location on major transportation corridors and the tremendous asset of the Mississippi River.

Major Initiatives - During fiscal year 2003-2004 Scott County continued its implementation of a space utilization master plan for the County campus facilities. At the direction of the Scott County Board of Supervisors, a study was conducted several years ago to analyze space utilization needs in County campus facilities (excluding the jail) and to make recommendations for the use of building space in the future. The result of this study recommended that all non-court and public safety related functions be moved from the Courthouse to the former Bi-Centennial Building (renamed Scott County Administrative Center). This will be a methodical ten-year process costing approximately \$17 million dollars funded on a pay as you go basis. The Board will minimize disruption and inconvenience to the general public as much as possible throughout the project. The project began during fiscal year 1999-2000. The renovation of the Administrative Center was completed in fiscal year 2004.

The County also completed the remodeling and expansion of the County's Juvenile Detention Center and the lower level of the Courthouse, which houses the Sheriff's Office administration and civil divisions in addition to the Information Technology Department.

The Board of Supervisors continued the County's multi-year funding toward various community capital projects including the Scott County Library renovation, Friends of Brady Street artificial turf installation, DavenportOne D1 Initiative, Scott County Family Y expansion projects, and the First Tee of the Quad Cities project. Funding was also provided toward a community-wide celebration called Grand Excursion 2004.

During the year the Board of Supervisors and the Scott County Sheriff continued on their course of action to address long-term solutions to the increasing inmate population at the Jail requiring inmates to be housed in facilities outside Scott County. A 1998 referendum for a new larger jail failed to achieve the vote necessary, however the message is now clear to the citizens that a suitable Jail building replacement is needed. Following the failed referendum, a community summit was held soliciting input from numerous community leaders about the problem. This began a new community process to develop an acceptable solution to the increasing jail inmate problem.

The Board created a Community Jail and Alternatives Advisory Committee (CJAAC) consisting of citizens and stakeholders from the criminal justice, law enforcement, substance abuse, mental health, and County support staff areas. CJAAC's goal is to develop long-term direction for facilities and programs to address detention space needs. The committee submitted its Phase I recommendations to the Scott County Board of Supervisors in the late fall of 2001. Phase II began in January 2002. Phase II had two tracks: Track One identified additional recommended alternatives to incarceration programs which would reduce further the bed size identified in Phase I while Track Two identified a "bricks and mortar" solution to the projected inmate count arrived at in Phase I as adjusted by any additional alternative programs. The completion of Phase II occurred in May 2004.

During FY 2003-2004 the Board of Supervisors continued its Financial Initiatives Program started in 1994. This program is now implemented every other odd calendar year and encourages County departments to hold staff meetings and brainstorming sessions to produce ideas to reduce on-going expenditures, increase revenues and improve productivity. Using teamwork and innovation County employees identified many initiatives in 2003 totaling \$1,848,275 in cost reductions (\$1,064,115 on-going and \$449,500 one-time cost savings) with revenue enhancements identified at a total of \$334,660.

These fiscal strategies have played a major role in eliminating the County's previous budget deficits and declining General Fund undesignated balance amounts, which reached its lowest level in 1994. Over the past several years the consistency in the amount of the General Fund undesignated balances is directly attributed to this successful program.

