

OFFICE OF THE COUNTY ADMINISTRATOR

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December 4, 2018

TO: Mahesh Sharma

FROM: David Farmer, CPA, Director of Budget and Administrative Services

SUBJ: Fiscal Year Ending June 30, 2018 Annual Audit

The County's annual audit conducted by Baker Tilly Virchow Krause, LLP was recently completed. The annual financial statements will be finalized after the committee of the whole meeting on December 11, 2018. The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The auditors are able to provide an unmodified opinion on the financial statements. This is also known as a "clean" audit opinion.

Additionally, they tested the schedule of federal awards and federal grant dollars in the amount of \$1,673,719. The federal grant audit will also receive an unmodified opinion ("clean"). There were no questioned costs of the federal grants tested.

There were no compliance or internal control findings reported within the general financial audit or audit of federal grant dollars.

John Knepel, Partner of Baker Tilly, will be in attendance of the December 11, 2018 committee of the whole meeting to present a summarized handout of the financial statements, and address any other questions of the Board of Supervisors.

The financial statements will be posted to the County website, printed for general publication, and submitted to the State of Iowa. We will also submit the financial statements to the GFOA for participation in the Certificate of Achievement for Excellence in Financial Reporting Program, and as well as the GFOA's Popular Annual Financial Report program.

Thank you to all departments of the County for their support in the preparation and participation in the annual financial audit, including the County Treasurer and Auditor office.

Audit Results

County of Scott, Iowa

As of and for the year ended June 30, 2018



Agenda

	SECTION
BAKER TILLY VIRCHOW KRAUSE, LLP	
YOUR EXPERIENCED CLIENT SERVICE TEAM	
AUDIT RESULTS	
STATUS OF OUR AUDIT	I
FINANCIAL RESULTS.....	II
REQUIRED COMMUNICATIONS.....	III
COMPONENTS OF VALUE	
ACCOUNTING AND AUDITING STANDARDS	
UPDATE	IV



Candor. Insight. Results.

This presentation was prepared as part of our audit, has consequential limitations, is restricted to those charged with governance and, if appropriate, Management, and should not be used by anyone other than those specified parties.

Your experienced client service team



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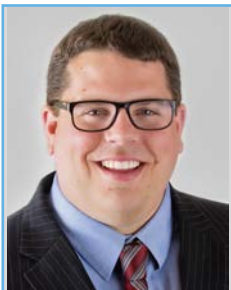
Baker Tilly's team of professionals brings significant state and local government expertise to County of Scott, Iowa. Their enthusiasm and commitment result in proactive, innovative service focused on your business issues. The team members can be reached as indicated below:



John Knepel, CPA
Partner
414 777 5359
John.knepel@bakertilly.com

John Knepel has been in the accounting industry since 1977. A partner in the state and local government group of Baker Tilly Virchow Krause, LLP, he has extensive experience in providing accounting, financial auditing, and consulting services to public sector entities. He has assisted many municipalities and counties implement new Governmental Accounting Standards Board (GASB) pronouncements and to understand new auditing standards impacting the profession.

John is the Engagement partner-in-charge for the County of Scott, Iowa audits.



Paul Frantz, CPA
Senior Manager
414 777 5506
Paul.frantz@bakertilly.com

Paul Frantz, a Senior Manager in the State and Local Government Group with Baker Tilly Virchow Krause, LLP in Milwaukee since graduating from Carroll University in 2005. Paul specializes in providing financial and compliance audit services along with general accounting and consulting services; serving local governments, school districts, utilities and higher educational institutions clients.

Paul is the Senior Manager for the County of Scott, Iowa audits.



Your experienced client service team



Timothy Sowinski
Senior Accountant

414 777 5366

Timothy.sowinski@bakertilly.com

Tim Sowinski, a Senior Accountant in the State and Local Government Group, has been with Baker Tilly Virchow Krause, LLP in Milwaukee since graduating from UW-Oshkosh in 2006. Tim specializes in providing financial and compliance audit services, along with general accounting and consulting services, to local governments, school districts, utilities and higher education institutions clients.

Tim is a Senior Accountant assisting with the County of Scott, Iowa audit and single audit.

Section I

Status of our audit





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Status of our financial audit

- > We have completed our audit of the County's financial statements for the year ended June 30, 2018. Our audit was performed in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.
- > We will issue an unmodified opinion on the financial statements pages 1 through 3 of the CAFR.
- > Refer to Management's Discussion and Analysis (MD&A) pages 4 through 15 of the CAFR.
- > The County plans to submit its Comprehensive Annual Financial Report (CAFR) for the Certificate of Achievement for Excellence in Financial Reporting to the Government Finance Officers Association (GFOA). The County has received the award for the past thirty-one (31) years.

Section II

Financial Results

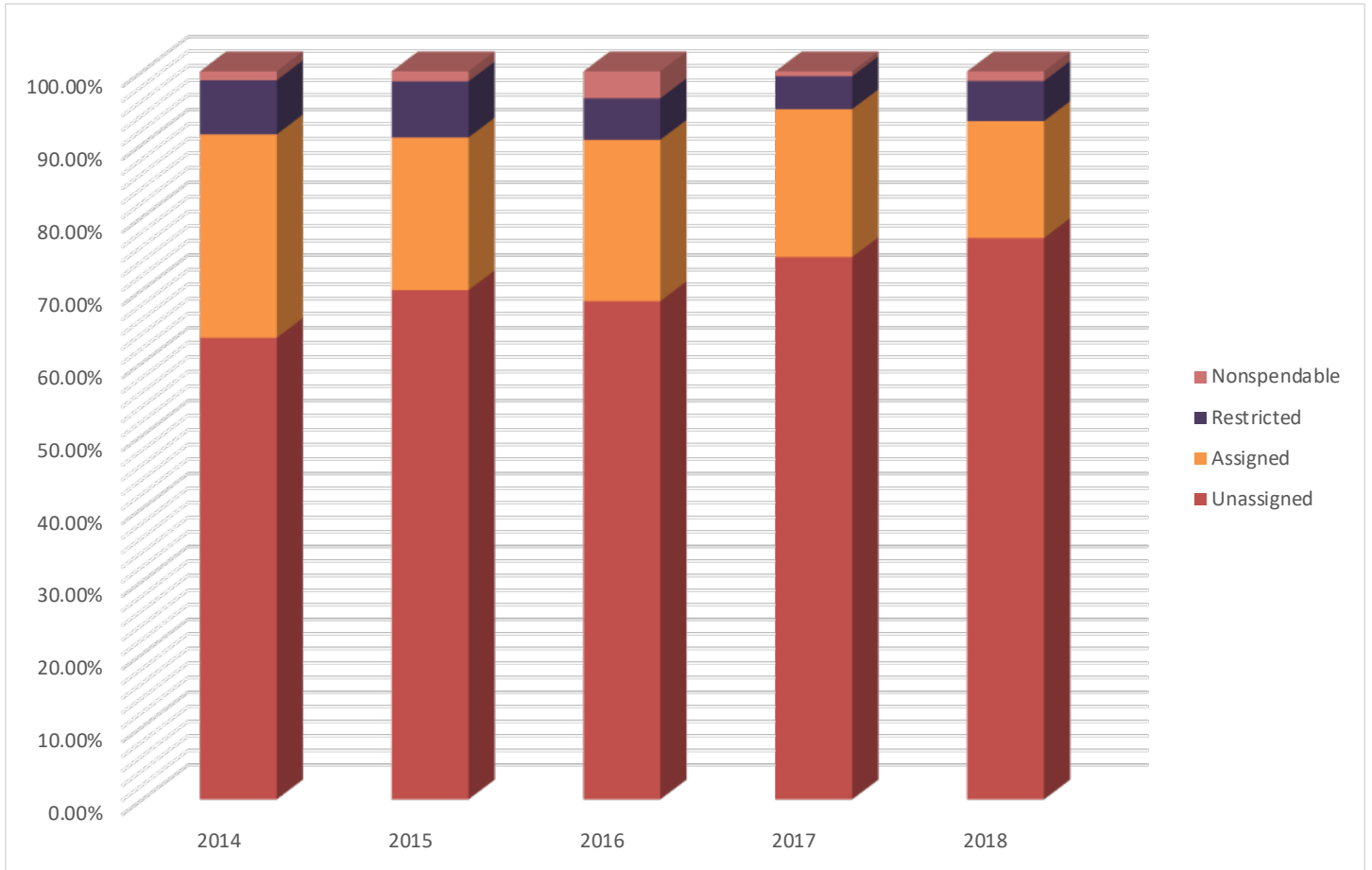


Financial Results – General Fund (CAFR page 23)

	<u>General</u>
Revenues:	
Property taxes	\$ 39,267,398
Local option sales tax	4,404,685
Other taxes	1,568,324
Interest and penalties on taxes	577,759
Intergovernmental	5,913,752
Charges for services	6,220,483
Investment earnings	443,009
Licenses and permits	672,468
Rentals and fees	135,622
Other	917,730
Total revenues	<u>60,121,230</u>
Expenditures:	
Current:	
Public safety and legal services	22,659,788
Physical health and social services	5,969,023
Mental health	225,757
County environment and education	4,296,296
Government services to residents	2,471,843
Administration	10,810,879
Capital outlay	110,557
Total Expenditures	<u>46,544,143</u>
Excess (deficiency) of revenues over expenditures	<u>13,577,087</u>
Other financing sources (uses):	
Transfers in	20,000
Transfers out	<u>(13,626,811)</u>
Total other financing sources (uses)	<u>(13,606,811)</u>
Net change in fund balances	(29,724)
Fund balances, beginning of year	<u>14,064,211</u>
Fund balances, end of year	<u>\$ 14,034,487</u>

Financial Results

General Fund Balance History (CAFR page 66)



Fund Balance Components	2014	2015	2016	2017	2018
Unassigned	\$ 9,832,639	\$10,098,835	\$10,212,287	\$10,474,822	\$10,821,990
Assigned	4,330,680	3,027,715	3,308,160	2,858,257	2,253,528
Restricted	1,153,164	1,111,166	849,023	637,475	771,661
Nonspendable	<u>190,183</u>	<u>199,021</u>	<u>553,834</u>	<u>93,657</u>	<u>187,308</u>
	<u>\$15,506,666</u>	<u>\$14,436,737</u>	<u>\$14,923,304</u>	<u>\$14,064,211</u>	<u>\$14,034,487</u>

Financial Results

Financial Results – Other Governmental Funds (CAFR page 23 - 24)

	Mental Health/ Development Disabilities	Secondary Roads	Scott Emergency Communication Center	Capital Projects	Debt Service	Nonmajor Governmental Funds
Revenues	\$ 3,645,432	\$ 4,950,391	\$ 77,433	\$ 977,848	\$ 3,676,701	\$ 3,078,372
Expenditures	(3,962,527)	(6,601,204)	(7,071,629)	(4,807,661)	(1,462,027)	(2,510,059)
Other financing sources (uses)	-	3,325,000	7,317,305	5,006,861	(1,929,095)	(560,905)
Net change in fund balances	(317,095)	1,674,187	323,109	1,177,048	285,579	7,408
Fund balance - Beginning of year	977,859	4,972,038	1,538,408	7,938,049	10,770,553	231,153
Fund balance - End of year	<u>\$ 660,764</u>	<u>\$ 6,646,225</u>	<u>\$ 1,861,517</u>	<u>\$ 9,115,097</u>	<u>\$ 11,056,132</u>	<u>\$ 238,561</u>
Nonmajor Funds:						
Rual Service Fund						\$ 140,803
Recorders Management Fee Fund						97,562
Public Safety Authority Fund						196
						<u>\$ 238,561</u>

Financial Results

Financial Results – Business-type funds (CAFR pages 27/87)

	Business-Type		
	Activities	Governmental Activities	
	Enterprise Fund - Golf Course	ISF - Dental Insurance Fund	ISF - Health Insurance Fund
Operating revenues	\$ 974,321	\$ 437,564	\$ 7,156,986
Operating expenditures	(955,066)	(430,108)	(7,509,455)
Nonoperating revenues (expenses)	893	3,718	23,110
Transfers in (out)	-	-	525,000
Change in net position	20,148	11,174	195,641
Net position - beginning of year	<u>2,651,187</u>	<u>190,532</u>	<u>1,215,747</u>
Net position - end of year	<u>\$ 2,671,335</u>	<u>\$ 201,706</u>	<u>\$ 1,411,388</u>

G.O. Debt Outstanding legal Debt Margin (CAFR page 52)

Pursuant of Iowa Statutes, the total indebtedness of the county for general purposes may not exceed 5% of the value of the taxable property located therein for state purposes.

Equalized value	\$ 13,690,426,088
Debt Margin Percentage	5%
Legal Debt Limit	\$ 684,521,304
Outstanding General Obligation Debt	<u>(26,990,000)</u>
Legal Debt Margin	<u>\$ 657,531,304</u>
Margin available	96%

Section III
Compliance Results

Status of our compliance audit

- > We have completed our audit of the County's compliance with federal grant awards for the year ended June 30, 2018. Our audit was performed in accordance with auditing standards generally accepted in the United States of America, standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
- > \$1,673,719 of expenditures of federal awards pages 134 through 136 of the CAFR.
- > One major federal program tested – Highway Planning and Construction
- > We will issue an unmodified opinion on the compliance for the major federal program tested pages 141 through 142 of the CAFR.
- > No compliance or internal control findings reported.
- > No questioned costs.

Section IV

Required communications



Required communications

Refer to the Required Communications Document.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards and the Uniform Guidance

Other Information in Documents Containing Audited Financial Statements

- > No responsibility for other information in these documents.

Planned Scope and Timing of the Audit

- > Our audit was performed as planned.

Qualitative Aspects of the Entity's Significant Accounting Practices

- > **Accounting policies** – Consistent with prior year except for implementation of GASB Statement No. 75.
- > **Significant accounting estimates** – We evaluated the key factors and assumptions used and found them to be reasonable.
- > **Financial statement disclosures** – Disclosures are consistent with the prior year.

Difficulties encountered during the audit

- > We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and corrected misstatements

- > Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.
- > There were no such misstatements identified.

Disagreements with management

- > For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management's consultations with other independent accountants

- > In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Representations requested from management

- > See letter included in the Required Communications Document.



Required communications

Independence

- > We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and County of Scott, Iowa that, in our professional judgment, may reasonably be thought to bear on our independence.

Other significant matters, finding or issues

- > In the normal course of our professional association with the County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the County's auditors.



Section V
Accounting and auditing standards update



Accounting and auditing standards update

The Governmental Accounting Standards Board (GASB) approved the following:

- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 87, *Leases*
- > Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*
- > Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*
- > Statement No. 90, *Majority Equity Interests*

