Scott County Decategorization Program

Financial Report
Year Ended June 30, 2025

Contents

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Bohnsack & Frommelt LLP
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Scott County Decategorization Program
Davenport, Iowa

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Scott County Decategorization Program as of and for the year ended June 30,2025, and the related notes to the financial statements, which collectively comprise the Scott County Decategorization Program's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Scott County Decategorization Program, as of June 30,2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Scott County Decategorization Program, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the Program adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 101, *Compensated Absences.* As a result, June 30, 2024 governmental activities net position was restated.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Scott County Decategorization Program's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Scott County Decategorization Program's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Scott County Decategorization Program's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 4–7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Scott County Decategorization Program's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2026, on our consideration of the Scott County Decategorization Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Scott County Decategorization Program's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scott County Decategorization Program's internal control over financial reporting and compliance.

Bohnsack & Frommelt LLP

Moline, Illinois
February 2, 2026

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Scott County Decategorization Program

Management's Discussion and Analysis
June 30, 2025

Scott County Decategorization Program provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of its financial activities is for the fiscal year ended June 30, 2025. We encourage readers to consider this information in conjunction with the Program's financial statements.

2025 Financial Highlights

- Program revenues of Scott County Decategorization Program's governmental activities decreased 54.8%, or approximately $876,000 from the prior fiscal year.

- Program expenses of Scott County Decategorization Program's governmental activities decreased 44.0%, or approximately $687,000, from the prior fiscal year.

- Scott County Decategorization Program's net position decreased $148,745 from June 30, 2024 to June 30, 2025.

Using This Annual Report

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

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

Government-Wide Financial Statements consist of a statement of net position and a statement of activities. These provide information about the activities of Scott County Decategorization Program as a whole and present an overall view of the Program's finances.

Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Scott County Decategorization Program's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

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

Other supplementary Information provides detailed information about the individual funds of Scott County Decategorization Program and information that further explains and supports the financial statements.

Reporting Scott County Decategorization Program's Financial Activities

(1) Government-Wide Financial Statements

The statement of net position and the statement of activities report all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

(2) Fund Financial Statements

Governmental funds account for all of the Program's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting. The governmental fund financial statements provide a detailed view of the Program's general governmental and special revenue operations. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent by program.

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

Government-Wide Financial Analysis

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

	June 30	
	2025	Restated 2024
Current assets	$ 446,844	$ 675,233
Current liabilities	$ 37,313	$ 111,634
Long-term liabilities, compensated absences	3,131	8,454
Total liabilities	40,444	120,088
Net position:		
Restricted	98,038	250,103
Unrestricted	308,362	305,042
Total net position	$ 406,400	$ 555,145

The largest portion of the Program's net position is unrestricted. Unrestricted net position is the part of the net position that can be used to finance day-to-day operations. The decrease in current assets and liabilities is due to Early Childhood Iowa (ECI) withdrawing from the Program effective October 1, 2024.

	Changes in Net Position for the Year Ended June 30	
	2025	Not Restated 2024
Program revenues, State of Iowa, grant revenue	$ 720,289	$ 1,593,276
Program revenues, local foundation, grant revenue	750	3,389
General revenue, other	2,444	2,452
Total revenues	723,483	1,599,117
Expenses	872,228	1,558,939
Increase (decrease) in net position	(148,745)	40,178
Net position, beginning of year, as restated	555,145	518,793
Net position, end of year	$ 406,400	$ 558,971

The Program's net position decreased $148,745 during the year. Program revenues decreased $875,626 over the prior year due to a decrease in the amount of state provided funding with the ending of the fiscal agent agreement for ECI funds on September 30, 2024.

The cost of all governmental activities decreased $686,711 this year to $872,228 compared to $1,558,939 last year. The decrease is due to a decrease in payroll costs for the program employees and the decrease in contractual services for ECI funds due to the ending of the fiscal agent agreement for ECI funds on September 30, 2024.

Fund Financial Analysis

As previously noted, the Program uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The General Fund reported a combined ending fund balance of $311,493, a decrease of $2,003 from fiscal year 2024 ending balance of $313,496. Iowa Department of Health and Human Services has increased funding received from $330,381 in fiscal year 2024 to $400,927 in fiscal year 2025. In addition, education expenses increased $64,327 in fiscal year 2025.

The School Ready Fund fund balance is $0, a decrease of $108,029 from the prior year. The Fiscal Agent agreement with Scott County Decategorization Program ended September 30, 2024. Therefore, state funding from the Iowa Department of Health and Human Services decreased $719,763 from the prior year. Contractual services and payroll cost decreased $723,794 and $65,317, respectively, from the prior year.

The State Early Childhood Fund fund balance is $0, a decrease of $44,365 from the prior year. The Fiscal Agent agreement with Scott County Decategorization Program ended September 30, 2024. Therefore, state funding from the Iowa Department of Health and Human Services decreased $223,770 from the prior year. Contractual services and payroll costs decreased $243,275 and $6,242, respectively, from the prior year.

The Medicaid Fund fund balance increased $329 from $97,709 to $98,038. The increase is due to a decrease in contractual services expense of $485 in fiscal year 2025. Total expenditure was $2,037 compared to $2,669 in the prior year. The Program expended $1,586 on contractual services for local school districts during the year.

The Future of Scott County Decategorization Program

- The General Fund continues to maintain an adequate balance to leverage the Program's services. The Medicaid fund continues to have funds available for one-time health related projects in Scott County.
- There are concerns programming will be impacted by future funding decreases in Decategorization funds. Funding has decreased as cost of services increase.
- There continues to be an emphasis on community planning for youth mental health development, preschool access and home visitation programming.
- Continued collaboration with the Department of Human Services and other community services will occur to maximize community resources.

Contacting the Program's Financial Management

This report is designed to provide readers with a general overview of Scott County Decategorization Program's finances and operating activities. If you have any questions about this report or require additional financial information, contact Katelyn Leeper by mail at 600 West Fourth Street, Davenport, Iowa 52801 or by telephone at 563-886-4949.

Scott County Decategorization Program

Statement of Net Position—Governmental Activities
June 30, 2025

Assets		
Cash and cash equivalents	$	211,837
Grants receivable		100,276
Other receivable		73,306
Interest receivable		583
Prepaid expenses		60,842
Total assets		446,844
Liabilities		
Accounts payable		33,740
Unearned revenue		3,573
Long-term liabilities, due in one year, compensated absences		3,131
Total liabilities		40,444
Net position		
Restricted:		
Medicaid uses		98,038
Unrestricted		308,362
Total net position	$	406,400

See Notes to Basic Financial Statements.

Scott County Decategorization Program

Statement of Activities—Governmental Activities
Year Ended June 30, 2025

Program revenues:		
Education, State of Iowa, grant revenue	$	720,289
Local grant revenue		750
General revenues:		
Interest		2,444
Total revenues		723,483
Expenses, education		872,228
Decrease in net position		(148,745)
Net position, beginning of year- as restated		555,145
Net position, end of year	$	406,400

See Notes to Basic Financial Statements.

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Scott County Decategorization Program

Balance Sheet—Governmental Funds
June 30, 2025

	General Fund	Special Revenue Fund — ECI Fund — School Ready
Assets:		
Cash and cash equivalents	$ 72,169	$ -
Grants receivable	100,276	-
Other receivables	368	64,195
Interest receivable	-	-
Prepaid expenses	60,842	-
Due from ECI funds	72,938	-
Due from Medicaid fund	42,213	-
Total assets	$ 348,806	$ 64,195
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$ 33,740	$ -
Unearned revenue	3,573	-
Due to general fund	-	64,195
Total liabilities	37,313	64,195
Fund balances:		
Nonspendable, prepaid expenditures	60,842	-
Restricted for:		
Medicaid uses	-	-
Unassigned	250,651	-
Total fund balance	311,493	-
Total liabilities and fund balance	$ 348,806	$ 64,195

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

Long-term liabilities (accrued vacation) is not due and payable in the current period and therefore is not reported as fund liabilities, but are recognized on the Statement of Net Position

Net position of governmental activities

See Notes to Basic Financial Statements.

Special Revenue Funds		
ECI Fund		
State Early Childhood	Medicaid Fund	Total
$ -	$ 139,668	$ 211,837
-	-	100,276
8,743	-	73,306
-	583	583
-	-	60,842
-	-	72,938
-	-	42,213
$ 8,743	$ 140,251	$ 561,995
$ -	$ -	$ 33,740
-	-	3,573
8,743	42,213	115,151
8,743	42,213	152,464
-	-	60,842
-	98,038	98,038
-	-	250,651
-	98,038	409,531
$ 8,743	$ 140,251	$ 561,995
		(3,131)
		$ 406,400

Scott County Decategorization Program

Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds
Year Ended June 30, 2025

	General Fund	Special Revenue Fund ECI Fund School Ready
Revenue:		
State of Iowa, grant revenue	$ 400,927	$ 243,303
Local grant revenue	750	-
Interest	7	59
Total revenue	401,684	243,362
Expenditures, education	403,687	351,391
Excess (deficiency) of revenue over (under) expenditures	(2,003)	(108,029)
Fund balance, beginning of year	313,496	108,029
Fund balance, end of year	$ 311,493	$ -
Reconciliation to statement of activities, change in net position:		
Some expenses reported in the governmental activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in net position		

See Notes to Basic Financial Statements.

Special Revenue Funds		
ECI Fund		
State Early Childhood	Medicaid Fund	Total
$ 76,059	$ -	$ 720,289
-	-	750
12	2,366	2,444
76,071	2,366	723,483
120,436	2,037	877,551
(44,365)	329	(154,068)
44,365	97,709	563,599
$ -	$ 98,038	$ 409,531
		5,323
		$ (148,745)

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Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization:

Scott County Decategorization Program: Scott County Decategorization Program (the Program) serves as a focal point for collaborative community planning to achieve better outcomes for children 0-18. The program is a quasi-local government under Chapter 28E of the Code of Iowa. Goals are advanced, employing key strategies that rely upon effective service coordination, strong public/private partnerships, and braided funding strategies designed to ensure a continuum of health, education and family support services. Primary funding streams include annual state child welfare and juvenile justice allocations.

The Program provides a formal public entity for ongoing community assessment and implementation of collaborative strategies designed to link children and families to existing services, identify gaps in services, and assist in the development of new programs that will strengthen community capacity to respond to the area's at-risk population.

The Program is governed by a 16-member board known as the Executive Committee, which is comprised of representatives from Scott County, Iowa government including the Health Department, Community Services and Administration, the Iowa Department of Human Services, the Office of Juvenile Court Services, the Seventh Judicial District, as well as members of the general public.

Scott County Early Childhood Iowa Board: The goal of Scott County Early Childhood Iowa Board (ECI) is to improve the well-being of young children 0-5 and their families, reduce barriers to community efforts and improve the efficiency and effectiveness of local education, health and human services programs. ECI is funded with state block grants.

The Scott County Decategorization Program had a fiscal agent agreement through September 30, 2024, to participate in the ECI Local Area. The Scott County ECI Board consists of a minimum of fifteen members. The Scott County ECI Board shall be composed of persons who have specific experience and knowledge related to one or more of the following areas: Health, Education, Human Services, Early Care, Business, Faith, Scott County Decategorization, Parent, Grandparent or guardian of a child from zero through age five. The remainder of members would be citizen members who are not an elected official or a paid staff member of an agency whose services fall under the plan or purview of the community board either directly or indirectly.

ECI is required to designate a public entity as fiscal agent to administer grant funds, pursuant to Iowa Code Chapter 28.7. Effective in fiscal year June 30, 2002, Scott County Decategorization Program was designated as the fiscal agent of ECI. Effective October 1, 2024 ECI has obtained a new fiscal agent and is no longer part of the Scott County Decategorization Program.

Reporting entity: The financial statements of Scott County Decategorization Program include the funds of the Scott County Decategorization Program and ECI funds as the fiscal agent through September 30, 2024. The financial statements have been prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of presentation and measurement focus

<u>Government-wide Financial Statements</u>***:*** The government-wide statements including the Statement of Net Position and the Statement of Activities report information on all of the activities of the Program. The effect of interfund activity has been removed from these statements. Governmental activities are primarily supported by intergovernmental revenues. The Program does not have any business-type activities or fiduciary fund.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Statement of Net Position presents the Program's assets and liabilities with the difference reported as net position.

The Statement of Activities presents the Program's direct expenses, program revenues and general revenues. Program revenues include grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

The government-wide financial statements utilizes the economic resources measurement focus and accrual method of accounting. Under this method, revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

<u>Fund financial statements</u>: The accounts of the Program are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts.

The governmental fund financial statements of the Program consist of only governmental funds, which include two specific types of funds, general and special revenue. The activity of Scott County Decategorization Program is reported in the General Fund. The Scott County ECI Board and the Medicaid Fund are considered special revenue funds.

Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. There are no nonmajor funds.

The program reports the following major governmental funds:

> The General Fund is the general operating fund of the Program. The General Fund is the Program's primary operating fund. It accounts for all financial resources of the Scott County Decategorization Program, except those required to be accounted for in another fund.

Special Revenue funds are used to account for the revenue sources that are legally restricted to expenditures for specific purposes. The Program reports the following special revenue funds:

> The Special Revenue, School Ready Fund is used to account for state Department of Education funding and is a program of the local board of Early Childhood Iowa.
>
> The Special Revenue, State Early Childhood Fund is used to account for state Department of Health & Human Services early childhood funding and is a program of the local board of Early Childhood Iowa.
>
> The Special Revenue, Medicaid Fund is made up of funds transferred from Scott County to the Program in June 2000. Scott County had collected these funds from Medicaid and the funds are available for disbursement to other agencies in future periods. The activity in this fund is disbursements to other agencies.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Program considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Grant revenue and interest associated with the current year are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Program.

Summary of significant accounting policies:

Accounting estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: The Program includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Grants receivable: Grants receivable are from programs offered by the Program. Management believes that all grants receivable as of June 30, 2025 are fully collectible; therefore, no allowance for doubtful accounts is recorded.

Other receivable: Other receivables are repayment of excess funds distributed to the new fiscal agent for ECI and other miscellaneous items. Management believes that all other receivables as of June 30, 2025 are fully collectible, therefore, no allowance for doubtful accounts is recorded.

Unearned revenue: Unearned revenue in governmental funds arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. Unearned revenue in the governmental funds consists of $3,573 collected for programs and services that will be provided in the next fiscal year.

Compensated absences: The programs are charged for the fiscal agent and contractual services employees. Employees accumulate a limited amount of earned but unused vacation and sick hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when each of the following have occurred: the leave is attributable to services already rendered, the leave accumulates and carries forward from one reporting period to the next and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

The Program estimates the compensated absences liability for leave benefits that are more likely than not to be used or otherwise paid or settled based on historical information on employees use or payment of the benefits provided. The liability is measured using the pay rates in effect at year-end, the measurement date, and includes salary-related payments that are directly and incrementally associated with the leave liability measurement. Compensated absences changed as follows:

	2024	Net Decrease	2025	Due in One Year
Compensated absences	$ 8,454	$ (5,323)	$ 3,131	$ 3,131

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Fund Balances: In the Governmental Fund financial statements, fund balances are classified as follows:

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

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

Committed- Amounts, which can be used only for specific purposes determined pursuant to constraints formally imposed by the governing board through resolution approved prior to year-end. Committed amounts cannot be used for any other purpose unless the governing board removes or changes the specified use by taking the same action it employed to commit these amounts.

Assigned- Amounts intended to be used for a specific purpose but do not meet the criteria to be classified as restricted or committed. The authority to assign fund balances has been delegated to the Executive Director of the Board approved by the Program.

Unassigned- All amounts not included in other spendable classifications as well as any deficit fund balance of any other governmental fund is reported as unassigned.

The Program's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the Program considers committed funds to be expended first followed by assigned funds and then unassigned.

Net Position: The Statement of Net Position presents the Program's assets and liabilities; with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets: Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvements of those assets. The Program does not have capital assets.

Restricted net position: Restricted net position consists of net position when constraints are either externally imposed or imposed by law through constitutional provisions or enabling legislation. As of June 30, 2025, the Program has restrictions of net position from state funding $98,038 for medicaid uses.

Unrestricted net position: Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, which can be removed or modified.

Note 2. Cash and Cash Equivalents

The Program's deposits in banks at June 30, 2025 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 additional assessments against the depositories to insure there will be no loss of public funds.

The Program 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 Directors; 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 Agency.

Interest rate risk- the Program's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Program.

Note 3. Concentration of Risk

The majority of the revenue received is under contract from the Iowa Department of Health and Human Services and the Iowa Department of Education.

Revenue from major sources for the year ended June 30, 2025, and the related grants receivable, as of the end of the year, are as follows:

	Revenue	Grants Receivable
State of Iowa:		
Department of Health and Human Services	$ 720,289	$ 87,670

Note 4. Grants Receivable

Grants receivable consist of the following at June 30, 2025:

State of Iowa, Department of Health and Human Services	$ 87,670
Davenport Community School District-Restorative Justice Program	12,606
	$ 100,276

Note 5. Fiscal Management

Accounting services for the Program are contracted from Bi-State Regional Commission under a fiscal management agreement.

Under this fiscal management agreement, the General Fund incurred salaries and related fringe benefits costs of $155,477 and accounting and administrative fees of $69,952 for the year ended June 30, 2025. At June 30, 2025, the General Fund owed Bi-State Regional Commission $13,236 for the reimbursement of personnel costs, administrative and accounting fees.

Salaries and related fringe benefits costs of $23,740 and $451 were incurred by ECI and Medicaid, respectively, and $2,498 by ECI in accounting fees during the year ended June 30, 2025. At June 30, 2025, ECI and Medicaid owed the General Fund $72,938 and $42,213 respectively, for personnel costs, administrative and accounting fees and payments of contractual services and other expenses.

Note 6. New Governmental Accounting Standards Board (GASB) Statements

The Program adopted the following statements during the year ended June 30, 2025:

GASB Statement No. 101, *Compensated Absences*, issued June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. This Statement amends the existing requirements to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (As long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

GASB Statement No. 102, *Certain Risk Disclosures*, issued December 2023. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. A government should provide information in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact associated with the concentration or constraint. The disclosures should include descriptions of the following: (a) The concentration or constraint (b) Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements (c) Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The above statements did not have a significant impact to the Program except for GASB Statement No. 101 required the Program to restate beginning net position.

Note 6. New Governmental Accounting Standards Board (GASB) Statements (Continued)

As of June 30, 2025, GASB had issued several statements not yet required to be implemented by the Program. The Statements which might impact the Program are as follows:

GASB Statement No. 103, *Financial Reporting Model Improvements*, issued April 2024, will be effective for the Program beginning with its fiscal year ending June 30, 2026. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues.

GASB Statement No. 104, *Disclosure of Certain Capital Assets,* issued September 2024, will be effective for the Program beginning with its fiscal year ending June 30, 2026. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale.

The Program's management has not yet determined the effect these Statements will have on the Program's financial statements.

Note 7. Restatement

The Program implemented GASB Statement No. 101, *Compensated Absences*, which required the Program to restate net position as of June 30, 2025, as follows:

Net position June 30, 2024, as previously reported	$	558,971
Compensated absences liability, change in accounting principle		(3,826)
Net position June 30, 2024, as restated	$	555,145

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Scott County Decategorization Program Schedule 1

Schedule of Revenue and Expenditures—General Fund By Account
Year Ended June 30, 2025

	Decategori-zation Coordination and Support	DHS Community Partners	Other Programs	Total General Fund
Revenues:				
State of Iowa, grant revenue	$ 242,877	$ 23,826	$ 134,224	$ 400,927
Local grant revenue	-	750	-	750
Interest	7	-	-	7
Total revenues	242,884	24,576	134,224	401,684
Expenditures:				
Contractual services	2,991	10,852	132,814	146,657
Payroll costs:				
Salaries	88,354	8,498	-	96,852
Fringe benefits	53,781	4,844	-	58,625
Total payroll costs	142,135	13,342	-	155,477
Administration:				
Financial services	69,952	-	-	69,952
Professional fees	17,350	-	-	17,350
Travel and meetings	1,749	345	-	2,094
Meeting supplies	134	-	-	134
Office expenditures	2,393	37	-	2,430
Insurance	8,681	-	-	8,681
Reference materials	912	-	-	912
Total administration	101,171	382	-	101,553
Total expenditures	246,297	24,576	132,814	403,687
Excess (deficiency) of revenue over (under) expenditures	$ (3,413)	$ -	$ 1,410	$ (2,003)

Scott County Decategorization Program Schedule 2

Schedule of Revenue and Expenditures—ECI Funds
Year Ended June 30, 2025

	School Ready	State Early Childhood	Total ECI Funds
Revenues:			
State of Iowa, grant revenue	$ 243,303	$ 76,059	$ 319,362
Interest	59	12	71
Total revenues	243,362	76,071	319,433
Expenditures:			
Contractual services	124,308	21,513	145,821
Payroll costs:			
Salaries	13,762	1,359	15,121
Fringe benefits	7,844	775	8,619
Total payroll costs	21,606	2,134	23,740
Administration:			
Financial services	1,903	595	2,498
Professional fees	-	1,000	1,000
Travel and meetings	44	13	57
Office expenditures	160	144	304
Membership and dues	1,017	321	1,338
Insurance	2,060	643	2,703
Payment to fiscal agent	200,293	94,073	294,366
Total administration	205,477	96,789	302,266
Total expenditures	351,391	120,436	471,827
(Deficiency) of revenue (under) expenditures	$ (108,029)	$ (44,365)	$ (152,394)

Scott County Decategorization Program Schedule 3

Schedule of Revenue and Expenditures—Medicaid Fund By Account
Year Ended June 30, 2025

	Administration	Enhancement	Total Medicaid Fund
Revenue, interest	$ 2,365	$ 1	$ 2,366
Expenditures:			
Contractual services	1,586	-	1,586
Payroll costs:			
Salaries	-	287	287
Fringe benefits	-	164	164
Total payroll costs	-	451	451
Total expenditures	1,586	451	2,037
Excess (deficiency) of revenue over (under) expenditures	$ 779	$ (450)	$ 329

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Bohnsack & Frommelt LLP
Certified Public Accountants

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

To the Board of Directors
Scott County Decategorization Program
Davenport, Iowa

We have audited 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 (*Government Auditing Standards*), the financial statements of the governmental activities and each major fund of the Scott County Decategorization Program (the Program) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated February 2, 2026.

Our report includes an emphasis of matter paragraph for the implementation of Governmental Accounting Standards Board Statement No. 101.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Scott County Decategorization Program's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scott County Decategorization Program's internal control. Accordingly, we do not express an opinion on the effectiveness of Scott County Decategorization Program's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott County Decategorization Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Moline, Illinois
February 2, 2026