

DELAWARE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

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DELAWARE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
William J. Skinner	Board of Supervisors	Jan. 2005
Steven Koenke	Board of Supervisors	Jan. 2005
Shirley E. Helmrichs	Board of Supervisors	Jan. 2007
Sharon McCrabb	County Auditor	Jan. 2005
Carolyn Wilson	County Treasurer	Jan. 2007
Deborah Peyton	County Recorder	Jan. 2007
John LeClere	County Sheriff	Jan. 2005
John Bernau	County Attorney	Jan. 2007
John Klaus	County Assessor	Jan. 2010
(After January 2005)		
William J. Skinner	Board of Supervisors	Jan. 2009
Steven Koenke	Board of Supervisors	Jan. 2009
Shirley E. Helmrichs	Board of Supervisors	Jan. 2007
Sharon McCrabb	County Auditor	Jan. 2009
Carolyn Wilson	County Treasurer	Jan. 2007
Deborah Peyton	County Recorder	Jan. 2007
John LeClere	County Sheriff	Jan. 2009
John Bernau	County Attorney	Jan. 2007
John Klaus	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Delaware County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delaware County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of Delaware County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Delaware County at June 30, 2005 for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2005 on our consideration of Delaware County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Delaware County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
November 18, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Delaware County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Delaware County implemented new reporting standards for the prior fiscal year, with significant changes in content and structure, much of the information is not easily comparable to prior years. However, this year, comparisons with last year are provided and will go further in explaining the County's financial position and results of operation.

2005 FINANCIAL HIGHLIGHTS

- The County's Governmental fund revenues decreased \$281,003 from fiscal 2004 to fiscal 2005. Property taxes and other County tax decreased \$22,149.
- The County's Governmental fund expenditures increased \$670,537, more in fiscal 2005 than in fiscal 2004. Roads and transportation expenditures increased by \$127,964 and capital projects expenditures increased \$298,010.
- The County's government-wide net assets increased approximately 46%, or \$5,058,004, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

- 2) Fiduciary funds are used to report assets held in trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for Emergency Management Services, County Assessor and the agency funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities. Fiduciary funds also include the Private Purpose Trust Fund which is used to account for outside donations held by the County for the benefit of county residents.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. A two year comparison is shown focusing on the changes in the net assets for governmental activities as shown below for fiscal years 2004 and 2005.

Net Assets of Governmental Activities

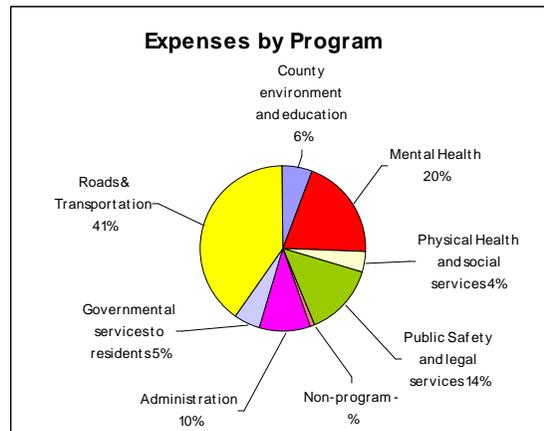
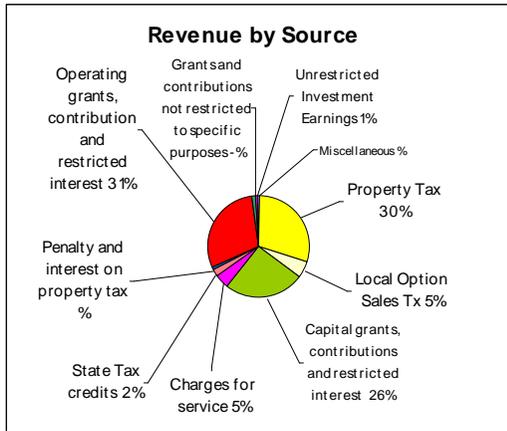
	June 30, 2004	June 30, 2005	% of Change
Current and other assets	\$ 9,476,699	\$ 9,095,946	(4%)
Capital assets, net accumulated depreciation	<u>7,160,261</u>	<u>12,822,922</u>	<u>79%</u>
Total assets	<u>16,636,960</u>	<u>21,918,868</u>	<u>32%</u>
Long-term debt outstanding	298,311	336,554	13%
Other liabilities	<u>5,301,613</u>	<u>5,487,274</u>	<u>4%</u>
Total liabilities	<u>5,599,924</u>	<u>5,823,828</u>	<u>4%</u>
Net assets:			
Invested in capital assets, net of related debt	6,953,752	12,616,413	81%
Restricted	2,719,215	2,181,862	(20%)
Unrestricted	<u>1,364,069</u>	<u>1,296,765</u>	<u>(5%)</u>
Total net assets	<u>\$ 11,037,036</u>	<u>\$ 16,095,040</u>	<u>46%</u>

Net assets of Delaware County's governmental activities increased by \$5,058,004 from 2004 (\$11,037,036 compared to \$16,095,040). The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – are reported at \$1,296,765 at June 30, 2005.

Changes in Net Assets of Governmental Activities

	<u>Year Ended</u> <u>June 30, 2004</u>	<u>Year Ended</u> <u>June 30, 2005</u>	<u>% of</u> <u>Change</u>
Revenues:			
Program Revenues			
Charges for services	\$ 710,178	\$ 841,955	19%
Operating grants, contributions and restricted interest	5,097,022	4,732,652	(7%)
Capital grants, contributions and restricted interest	1,799,794	3,890,833	116%
General Revenues:			
Property Tax	4,519,010	4,490,988	(1%)
Penalty and interest on property tax	81,024	43,597	(46%)
State tax credits	311,877	276,833	(11%)
Local option sales tax	679,846	710,597	5%
Grants and contributions not restricted to specific purposes	50,073	17,711	(65%)
Unrestricted investment earnings	101,028	129,705	28%
Miscellaneous Revenues	<u>85,844</u>	<u>25,607</u>	<u>(70%)</u>
Total Revenues	<u>13,435,696</u>	<u>15,160,478</u>	<u>13%</u>
Program Expenses:			
Public safety and legal services	1,351,499	1,432,818	6%
Physical health and social services	368,647	379,232	3%
Mental Health	2,108,678	2,066,759	(2%)
County environment and education	582,044	574,171	(1%)
Roads and Transportation	4,303,909	4,134,205	(4%)
Governmental services to residents	393,019	496,803	26%
Administration	891,120	1,006,414	13%
Non-program	8,277	12,072	46%
Capital Projects	<u>557,101</u>	<u> </u>	<u>(100%)</u>
Total Expenses	<u>10,564,294</u>	<u>10,102,474</u>	<u>(4%)</u>
Increase in net assets	2,871,402	5,058,004	76%
Net assets beginning of year	<u>8,165,634</u>	<u>11,037,036</u>	<u>35%</u>
Net assets end of year	<u>\$ 11,037,036</u>	<u>\$ 16,095,040</u>	<u>46%</u>



(FOR ILLUSTRATIVE PURPOSES)

INDIVIDUAL MAJOR FUND ANALYSIS

As Delaware County completed the year, its governmental funds reported a combined fund balance of \$3,448,063, a decrease of \$724,724 from last year's total of \$4,172,787. The decrease in fund balance is primarily attributable to increased expenditures. The following are fund balances of the major funds from the prior year:

Ending Fund Balances

	<u>General Fund</u>	<u>MH Fund</u>	<u>Rural Services Fund</u>	<u>Secondary Road Fund</u>	<u>Other</u>	<u>Total</u>
2004	1,394,885	322,217	79,207	2,309,174	67,304	4,172,787
2005	1,369,504	252,859	40,547	1,719,603	65,550	3,448,063
Difference	(25,381)	(69,358)	(38,660)	(589,571)	(1,754)	(724,724)
%	(2%)	(22%)	(49%)	(26%)	(3%)	(17%)

As the County completed the year, its governmental funds reported a combined fund balance of \$3,448,063. This is a decrease of \$724,724 under the previous year. The following are major reasons for the changes in fund balances from the prior year:

1. General Basic Fund revenues and expenditures remained fairly consistent when compared to the prior year. The ending fund balance showed a modest decrease of \$25,381.
2. The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2,066,759, a decrease of 2% under the prior year. The mental health fund balance at year end was down 22% from the prior year. Lowering this ending balance qualifies Delaware County for more state funding of the growth and other state allocation dollars for 2006.
3. Secondary Road Fund expenditures increased considerably for 2005 at \$6,189,468, up \$362,949, or 6 percent, from 2004. The Engineer's Department continues to aggressively upgrade the condition of the County road system, with an increase of approximately \$234,985 of funds spent on road projects over the amount spent on road and bridge projects in 2004.
4. The Rural Services Fund expenditures for 2005 were \$125,235, up from \$118,038 expended in 2004. This fund supports county libraries, weed eradication, township officials, economic development and solid waste disposal expenses in the County. Transfers are also made from this fund to the Secondary Road Fund per Iowa Code. The ending fund balance decreased \$38,660 from 2004.

BUDGETARY HIGHLIGHTS

Over the course of the year, Delaware County amended its budget three (3) times. The first amendment was made October 18, 2004 to accommodate \$38,000 in expenditures and \$34,400 in revenues to start up the County Land Record Information System (CLRIS) through the Recorder's budget. The second amendment was made on March 14, 2005 for the following changes:

Public Safety and Legal Services: Fuel Cost Increase for the Sheriff's Dept - \$5,090.

County Environment & Education: Weed Eradication Agricultural Services up \$850.

Roads & Transportation: Administration costs increases \$2,000, Engineering Services increased \$67,000, Roads salaries increased \$80,000, Roads water and sewer structure increased \$60,000, Equipment Operations increased \$24,500 for fuel, electrical service and construction equipment maintenance, Real Estate increased \$98,000 for buildings.

Government Services to Residents: Auditor's expense of \$31,187 for voting machine lease agreement.

Administration: Data processing increased \$15,619 through the Supervisor's budget and Auditor's budget increased \$1,000 for insurance costs.

Capital Projects: Conservation park development was increased \$13,019 to utilize FEMA funds.

The final amendment was made May 9, 2005 to increase the Auditor's budget by \$8,000 for election expense. The County exceeded the Government Services to Residents function at year end due to not budgeting for a capital lease.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2005, Delaware County had approximately \$12,822,922 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

Capital Assets of Governmental Activities At Year End

	June 30, 2005
Acquisition cost:	
Land	\$ 571,124
Construction in progress	315,568
Buildings and improvement	3,244,867
Equipment and vehicles	5,333,877
Infrastructure	<u>8,090,160</u>
Total	\$ 17,555,596
Accumulated depreciation:	
Buildings	\$ (1,741,028)
Machinery & Equipment	(2,747,329)
Infrastructure	<u>(244,317)</u>
Total net government activities capital assets	\$ 12,822,922

The County had depreciation expense of \$671,594 in FY05 and total accumulated depreciation of \$4,732,674 at June 30, 2005.

Long-Term Liabilities

At June 30, 2005, Delaware County had \$336,554 in long-term liabilities compared to \$298,311 at June 30, 2004, as shown below:

Outstanding Debt of Governmental Activities At Year End	
	June 30, 2005
Real Estate Contract for purchase of Mitchell-Retz Park	\$ 206,509
Capital Lease Purchase Agreement for Voting Machines	31,554
Compensated absences	<u>98,491</u>
Total	<u>\$ 336,554</u>

Debt increased as a result of \$6,689 increased compensated absences and \$31,554 for a capital lease purchase agreement for voting machines.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County. Delaware County has no outstanding general obligation debt. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Delaware County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and the fees that will be charges for various County activities.

Various indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$12,600,428 million, an increase of 3% from the final 2005 budget. These factors were all part of the considerations for the FY 2006 budget which certified taxes as follows: (Amount certified includes utility replacement and property tax dollars)

	<u>Dollars Certified</u>	<u>Percentage Increase (Decrease)</u>
General Fund	\$2,614,042	2%
Mental Health Fund	926,948	0%
Rural Services	1,300,000	(2%)

Levy rates for 2005/2006 increased slightly because of increased expenditures.

Delaware County has had the following initiatives to the 2006 budget:

1. The County has had to meet HAVA requirements in purchasing Handicap accessible voting machines in order to be in compliance with the law.
2. The GIS program continues to grow and requires increased expenditures for its development.
3. The Secondary Roads Fund has increased the initial budget expenditure of \$6,098,000 to \$7,003,000 for road construction and to replace a failed bridge. This has resulted in the General Basic Fund loaning \$580,000 to the Secondary Road Fund for an adequate cash reserve.

If these estimates are realized, the County's budgetary operating balance is expected to remain fairly consistent for the close of 2006.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Delaware County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Delaware County Auditor's Office, 301 E. Main Street, Room 210, Manchester, Iowa.

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Basic Financial Statements

DELAWARE COUNTY
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,699,017
Receivables:	
Property tax:	
Delinquent	4,812
Succeeding year	4,558,000
Interest and penalty on property tax	2,451
Accounts	5,740
Accrued interest	40,268
Due from other governments	323,757
Inventories	304,783
Contract receivable (note 4)	157,118
Capital assets, net of accumulated depreciation (note 5)	<u>12,822,922</u>
 Total assets	 <u>21,918,868</u>
Liabilities	
Accounts payable	600,677
Salaries and benefits payable	115,815
Due to other governments (note 6)	212,782
Deferred revenue:	
Succeeding year property tax	4,558,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Capital lease purchase agreements	31,554
Compensated absences	98,491
Portion due or payable after one year:	
Real estate contract	<u>206,509</u>
 Total liabilities	 <u>5,823,828</u>

DELAWARE COUNTY
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 12,616,413
Restricted for:	
Mental health purposes	246,809
Secondary roads	1,821,306
Other special revenue purposes	106,241
Unrestricted	<u>1,304,271</u>
Total net assets	<u>\$ 16,095,040</u>

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 1,432,818	\$ 191,806	\$ 4,889	\$ -	\$(1,236,123)
Physical health and social services	379,232	13,681	108,495	-	(257,056)
Mental health	2,066,759	7,151	1,062,201	-	(997,407)
County environment and education	574,171	68,812	141,193	11,457	(352,709)
Roads and transportation	4,134,205	218,820	3,364,995	3,879,376	3,328,986
Government services to residents	496,803	322,419	41,502	-	(132,882)
Administration	1,006,414	19,266	9,377	-	(977,771)
Non-program	12,072	-	-	-	(12,072)
Total	\$ 10,102,474	\$ 841,955	\$ 4,732,652	\$ 3,890,833	\$(637,034)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,490,988
Penalty and interest on property tax					43,597
State tax credits					276,833
Local option sales and services tax					710,597
Grants and contributions not restricted to a specific purpose					17,711
Unrestricted investment earnings					129,705
Miscellaneous					25,607
Total general revenues					5,695,038
Change in net assets					5,058,004
Net assets beginning of year					11,037,036
Net assets end of year					\$ 16,095,040

See notes to financial statements.

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DELAWARE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,424,914	\$ 488,497	\$ 45,574	\$ 1,673,923
Receivables:				
Property tax:				
Delinquent	2,722	966	1,124	-
Succeeding year	2,460,000	872,000	1,226,000	-
Interest and penalty on property tax	2,451	-	-	-
Accounts	4,819	486	-	435
Accrued interest	40,150	-	-	-
Due from other governments	38,645	3,201	-	281,911
Inventories	-	-	-	304,783
Contract receivable (note 4)	-	-	-	157,118
Total assets	\$ <u>3,973,701</u>	\$ <u>1,365,150</u>	\$ <u>1,272,698</u>	\$ <u>2,418,170</u>

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 66,109	\$ 3,699,017
-	4,812
-	4,558,000
-	2,451
-	5,740
118	40,268
-	323,757
-	304,783
-	157,118
<u>\$ 66,227</u>	<u>\$ 9,095,946</u>

DELAWARE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue			
General	Mental Health	Rural Services	Secondary Roads	
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 84,165	\$ 17,734	\$ 3,974	\$ 494,127
Salaries and benefits payable	57,129	9,331	2,033	47,322
Due to other governments (note 6)	-	212,782	-	-
Deferred revenue:				
Succeeding year property tax	2,460,000	872,000	1,226,000	-
Other	2,903	444	144	157,118
Total liabilities	2,604,197	1,112,291	1,232,151	698,567
 Fund balance:				
Reserved for:				
Inventories	-	-	-	304,783
Jail room and board	7,506	-	-	-
Unreserved, reported in:				
General fund	1,361,998	-	-	-
Special revenue funds	-	252,859	40,547	1,414,820
Total fund balances	1,369,504	252,859	40,547	1,719,603
 Total liabilities and fund balances	 \$ 3,973,701	 \$ 1,365,150	 \$ 1,272,698	 \$ 2,418,170

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 677	\$ 600,677
-	115,815
-	212,782
-	4,558,000
-	160,609
677	5,647,883
-	304,783
-	7,506
-	1,361,998
65,550	1,773,776
65,550	3,448,063
\$ 66,227	\$ 9,095,946

DELAWARE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2005

Total fund balances of governmental funds	\$ 3,448,063
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$17,555,596 and the accumulated depreciation is \$4,732,674.	12,822,922
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	160,609
Long-term liabilities, including capital lease purchases, real estate contracts and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(336,554)</u>
Net assets of governmental activities	<u>\$ 16,095,040</u>

See notes to financial statements.

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DELAWARE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 2,491,599	\$ 870,811	\$ 1,202,616	\$ 635,367
Interest and penalty on property tax	43,597	-	-	-
Intergovernmental	528,998	1,116,838	124,931	3,643,828
Licenses and permits	9,701	-	-	2,920
Charges for service	444,117	-	-	-
Use of money and property	131,721	-	-	-
Miscellaneous	28,349	7,151	28	58,782
Total revenues	3,678,082	1,994,800	1,327,575	4,340,897
Expenditures:				
Operating:				
Public safety and legal services	1,426,663	-	-	-
Physical health and social services	357,859	-	-	-
Mental health	-	2,064,158	-	-
County environment and education	435,013	-	119,841	-
Roads and transportation	-	-	-	4,420,188
Government services to residents	491,780	-	5,394	-
Administration	922,012	-	-	-
Non-program	12,072	-	-	-
Capital projects	126,212	-	-	1,769,280
Total expenditures	3,771,611	2,064,158	125,235	6,189,468
Excess (deficiency) of revenues over (under) expenditures	(93,529)	(69,358)	1,202,340	(1,848,571)
Other financing sources (uses):				
Sale of capital assets	5,040	-	-	18,000
Interfund transfers in	-	-	-	1,241,000
Interfund transfers out	-	-	(1,241,000)	-
Execution of capital lease	63,108	-	-	-
Total other financing sources (uses)	68,148	-	(1,241,000)	1,259,000

	Nonmajor Governmental Funds	Total
\$	-	\$ 5,200,393
	-	43,597
	11,679	5,426,274
	-	12,621
	18,741	462,858
	1,051	132,772
	5,760	100,070
	<u>37,231</u>	<u>11,378,585</u>
	-	1,426,663
	-	357,859
	-	2,064,158
	4,346	559,200
	-	4,420,188
	33,600	530,774
	-	922,012
	-	12,072
	1,039	1,896,531
	<u>38,985</u>	<u>12,189,457</u>
	<u>(1,754)</u>	<u>(810,872)</u>
	-	23,040
	-	1,241,000
	-	(1,241,000)
	-	63,108
	<u>-</u>	<u>86,148</u>

DELAWARE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

		<u>Special Revenue</u>		
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Net change in fund balances	\$ (25,381)	\$ (69,358)	\$ (38,660)	\$ (589,571)
Fund balances beginning of year	<u>1,394,885</u>	<u>322,217</u>	<u>79,207</u>	<u>2,309,174</u>
Fund balances end of year	<u>\$ 1,369,504</u>	<u>\$ 252,859</u>	<u>\$ 40,547</u>	<u>\$ 1,719,603</u>

See notes to financial statements.

Nonmajor Governmental	
<u>Funds</u>	<u>Total</u>
\$ (1,754)	\$ (724,724)
<u>67,304</u>	<u>4,172,787</u>
<u>\$ 65,550</u>	<u>\$ 3,448,063</u>

DELAWARE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ (724,724)

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

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlays and
depreciation expense in the current year are as follows:

	Capital outlays	\$ 2,733,712	
Capital assets contributed by the Iowa Department of Transportation		3,600,543	
Depreciation expense		<u>(671,594)</u>	5,662,661

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds.

	Property tax	1,192	
Contract payments		<u>157,118</u>	158,310

Capital lease proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the statement of net
assets. (63,108)

Repayment of capital leases is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net
assets. 31,554

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in governmental funds, as follows:

	Compensated absences		<u>(6,689)</u>
--	----------------------	--	----------------

Change in net assets of governmental activities \$ 5,058,004

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2005

	<u>Private - Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ -	\$ 1,106,261
Other County officials	250,281	17
Receivables:		
Property tax receivable:		
Delinquent	-	19,752
Succeeding year	-	15,212,000
Accrued interest	-	274
	<u>250,281</u>	<u>16,338,304</u>
Liabilities		
Accounts payable	-	6,485
Salaries and benefits payable	-	8,363
Due to other governments (note 6)	-	16,275,518
Trusts payable	-	44,930
Compensated absences	-	3,008
	<u>-</u>	<u>16,338,304</u>
Net Assets		
Restricted for:		
Trust principal - Spangler	128,000	-
Trust principal - Corell	2,162	-
Unrestricted	<u>120,119</u>	<u>-</u>
Net assets	<u>\$ 250,281</u>	<u>\$ -</u>

See notes to financial statements.

DELAWARE COUNTY
 STATEMENT OF CHANGES IN NET ASSETS
 PRIVATE – PURPOSE TRUST FUNDS
 Year Ended June 30, 2005

	<u>Private - Purpose Trust Funds</u>
Revenues:	
Interest on investments	\$ <u>4,465</u>
Expenditures:	
Vision care	336
Supplies	<u>2,663</u>
Total expenditures	<u>2,999</u>
Net change in fund balance	1,466
Balance beginning of year	<u>248,815</u>
Balance end of year	<u>\$ <u>250,281</u></u>

See notes to financial statements.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations – The County 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: Delaware County Assessor's Conference Board, Delaware County Emergency Management Commission and Delaware County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

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

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

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

The County reports the following major governmental funds:

The General Fund is the main 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:

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

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

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following fiduciary funds:

The Private Purpose Trust Fund is used to account for assets held by the County under trust agreements which require income earned to be used to benefit individuals in various ways.

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.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the 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.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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.

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. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Amount
Infrastructure	\$ 150,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

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.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means 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 in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the governmental fund financial statements, the face amount of capital leases executed is reported as other financing sources.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the Government Services to Residents function and disbursements in one department exceeded the amount appropriated.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The 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 funds are all deposited in financial institution depository accounts.

Interest Rate Risk – The County'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) in 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 County.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u><u>1,241,000</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 4. Contract Receivable

The County entered into a contract with the City of Hopkinton during the year ended June 30, 2005, whereby the County rebuilt a shared bridge and will be reimbursed by the City over a five year period. The contract calls for five annual interest-free payments of \$39,280. The first payment was received during the year ended June 30, 2005. Payments to be received under the contract are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2006	\$ 39,280
2007	39,280
2008	39,280
2009	<u>39,278</u>
	<u>\$ 157,118</u>

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 571,124	\$ -	\$ -	\$ 571,124
Construction in progress	242,188	415,242	341,862	315,568
Total capital assets not being depreciated	<u>813,312</u>	<u>415,242</u>	<u>341,862</u>	<u>886,692</u>
Capital assets being depreciated:				
Buildings	3,007,319	237,548	-	3,244,867
Machinery and equipment	5,219,020	532,193	417,336	5,333,877
Infrastructure	2,599,026	5,491,134	-	8,090,160
Total capital assets being depreciated	<u>10,825,365</u>	<u>6,260,875</u>	<u>417,336</u>	<u>16,668,904</u>
Less accumulated depreciation for:				
Buildings	1,679,693	61,335	-	1,741,028
Machinery and equipment	2,698,444	466,221	417,336	2,747,329
Infrastructure	100,279	144,038	-	244,317
Total accumulated depreciation	<u>4,478,416</u>	<u>671,594</u>	<u>417,336</u>	<u>4,732,674</u>
Total capital assets being depreciated, net	<u>6,346,949</u>	<u>5,589,281</u>	<u>-</u>	<u>11,936,230</u>
Governmental activities capital assets, net	<u>\$ 7,160,261</u>	<u>\$ 6,004,523</u>	<u>\$ 341,862</u>	<u>\$ 12,822,922</u>

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 44,709
Physical health and social services	21,373
Mental health	2,160
County environment and education	14,502
Roads and transportation	526,081
Government services to residents	2,900
Administration	<u>59,869</u>
Total depreciation expense - governmental activities	<u>\$ 671,594</u>

Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Services and Collections</u>	<u>Delinquent and Succeeding Year Property Taxes</u>	<u>Total</u>
Governmental Funds				
Special Revenue:				
Mental Health	Services	\$ <u>212,782</u>	\$ <u>-</u>	\$ <u>212,782</u>
Agency:				
County Assessor	Collections	\$ 281,289	\$ 412,456	\$ 693,745
Schools		187,445	10,079,223	10,266,668
Area schools		7,877	427,488	435,365
Corporations		36,678	3,105,393	3,142,071
Townships		6,502	328,317	334,819
County Hospital		9,689	578,639	588,328
Auto License and Use Tax		352,007	-	352,007
All Other		<u>162,279</u>	<u>300,236</u>	<u>462,515</u>
Total for agency funds		<u>\$ 1,043,766</u>	<u>\$ 15,231,752</u>	<u>\$ 16,275,518</u>

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Capital Lease Purchase Agreements	Real Estate Contract	Compensated Absences	Total
Balance beginning of year	\$ -	\$ 206,509	\$ 91,802	\$ 298,311
Increases	63,108	-	98,491	161,599
Decreases	31,554	-	91,802	123,356
Balance end of year	<u>\$ 31,554</u>	<u>\$ 206,509</u>	<u>\$ 98,491</u>	<u>\$ 336,554</u>
Due within one year	<u>\$ 31,554</u>	<u>\$ -</u>	<u>\$ 98,491</u>	<u>\$ 130,045</u>

Capital Lease Purchase Agreements

During the year ended June 30, 2005, the County entered into a capital lease purchase agreement for voting equipment with a historical cost of \$63,108. The lease requires two interest-free annual payments of \$31,554. The following is a schedule of the future minimum lease payments:

<u>Year Ending June 30,</u>	<u>Voting Equipment</u>
2006	\$ <u>31,554</u>

Payments under capital lease purchase agreements for the year ended June 30, 2005 totaled \$31,554.

Real Estate Contract

The County entered into a contract to purchase real estate during the year ended June 30, 2003. The purchase price of the land was \$232,200 and the County made a down payment of \$25,691 at the outset of the contract. The remaining balance of \$206,509 will be paid as the County receives offsetting state and federal grants. The contract has no specific amortization schedule. The total payment represents principal since the contract is an interest-free agreement.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 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 for the year ended June 30, 2005 are 8.535% and 8.535%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 7.48%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$181,778, \$173,684 and \$170,702, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Delaware County is exposed to various risks of loss related to tort; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Construction Commitment

The County has entered into contracts totaling \$1,784,926 for bridge construction and roadway paving. As of June 30, 2005, costs of \$315,568 have been incurred against the contract. The balance remaining at June 30, 2005 of \$1,469,358 will be paid as work on the projects progresses.

Note 11. Private-Purpose Trust Funds

James E. Correll Trust

A portion of the estate of James E. Carroll was left to Delaware County, Iowa. The Board of Supervisors is to invest the principal portion and use the interest earned to assist the needy residents of the County to obtain eye care.

H.C. Spangler Trust

A 16-acre farm was left to Delaware County, Iowa by Grace R. Spangler. The Board of Supervisors were appointed trustees and the net proceeds from the farm were to be used to assist in improving conditions for poor persons receiving aid from Delaware County, Iowa. Further, on March 18 of each year, a dinner, the Spangler Dinner, is to be held for such poor people and their guests and an annual financial statement is to be published. In 1973, the Board of Supervisors received permission from the Court to sell the Spangler Farm.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 12. Subsequent Event

The Delaware County Emergency Management Commission entered into a line-of-credit agreement in October, 2005. The agreement allows a maximum loan amount of \$300,000 with quarterly payments of \$15,000 plus interest at a 4 percent rate per annum.

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Required Supplementary Information

DELAWARE COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds
 Required Supplementary Information
 Year Ended June 30, 2005

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 5,200,289	\$ 5,267,224	\$ 5,174,974	\$ 25,315
Interest and penalty on property tax	42,862	30,400	30,400	12,462
Intergovernmental	6,127,841	5,346,515	5,931,202	196,639
Licenses and permits	12,611	14,150	11,150	1,461
Charges for service	462,874	347,370	414,070	48,804
Use of money and property	127,974	159,706	263,271	(135,297)
Miscellaneous	128,282	98,921	105,058	23,224
Total receipts	<u>12,102,733</u>	<u>11,264,286</u>	<u>11,930,125</u>	<u>172,608</u>
DISBURSEMENTS:				
Public safety and legal services	1,408,101	1,452,037	1,457,127	49,026
Physical health and social services	350,792	420,177	420,177	69,385
Mental health	2,045,555	2,045,841	2,045,841	286
County environment and education	553,604	579,787	580,637	27,033
Roads and transportation	4,369,706	4,042,500	4,374,000	4,294
Government services to residents	530,322	403,738	481,555	(48,767)
Administration	916,117	913,375	929,994	13,877
Non-program	11,549	11,947	11,947	398
Capital projects	1,908,488	2,341,628	2,354,647	446,159
Total disbursements	<u>12,094,234</u>	<u>12,211,030</u>	<u>12,655,925</u>	<u>561,691</u>
Excess (deficiency) of receipts over (under) disbursements	8,499	(946,744)	(725,800)	734,299
Other financing sources, net	<u>86,148</u>	<u>5,000</u>	<u>5,000</u>	<u>81,148</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	94,647	(941,744)	(720,800)	815,447
Balance beginning of year	<u>3,604,370</u>	<u>2,284,155</u>	<u>3,603,578</u>	<u>792</u>
Balance end of year	<u>\$ 3,699,017</u>	<u>\$ 1,342,411</u>	<u>\$ 2,882,778</u>	<u>\$ 816,239</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,102,733	\$ (724,148)	\$ 11,378,585
Expenditures	12,094,234	95,233	12,189,457
Net	8,499	(819,381)	(810,872)
Other financing sources	86,148	-	86,148
Beginning fund balances	3,604,370	568,417	4,172,787
Ending fund balances	<u>\$ 3,699,017</u>	<u>\$ (250,964)</u>	<u>\$ 3,448,063</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2005

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$444,895. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the government services to residents function and disbursements in one department exceeded the amount appropriated.

Other Supplementary Information

DELAWARE COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2005

	<u>County Recorder's Records Management</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Resource Enhancement and Protection</u>	<u>Conservation Land Acquisition</u>
Assets				
Cash and pooled investments	\$ 23,568	\$ 3,503	\$ 21,847	\$ 1,266
Receivables:				
Accrued interest	-	-	59	-
Total assets	<u>\$ 23,568</u>	<u>\$ 3,503</u>	<u>\$ 21,906</u>	<u>\$ 1,266</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Fund equity:				
Fund balances:				
Unreserved	<u>23,568</u>	<u>3,503</u>	<u>21,906</u>	<u>1,266</u>
Total liabilities and fund equity	<u>\$ 23,568</u>	<u>\$ 3,503</u>	<u>\$ 21,906</u>	<u>\$ 1,266</u>

See accompanying independent auditor's report.

<u>Environmental Projects</u>	<u>Conservation Projects</u>	<u>Drug Forfeiture</u>	<u>Total</u>
\$ 1,598	\$ 14,006	\$ 321	\$ 66,109
<u>-</u>	<u>58</u>	<u>1</u>	<u>118</u>
<u>\$ 1,598</u>	<u>\$ 14,064</u>	<u>\$ 322</u>	<u>\$ 66,227</u>
<u>\$ -</u>	<u>\$ 677</u>	<u>\$ -</u>	<u>\$ 677</u>
<u>1,598</u>	<u>13,387</u>	<u>322</u>	<u>65,550</u>
<u>\$ 1,598</u>	<u>\$ 14,064</u>	<u>\$ 322</u>	<u>\$ 66,227</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

	<u>County Recorder's Records Management</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Resource Enhancement and Protection</u>	<u>Conservation Land Acquisition</u>
Revenues:				
Intergovernmental	\$ -	\$ -	11,679	\$ -
Charges for service	4,545	14,196	-	-
Use of money and property	83	185	112	506
Miscellaneous	-	-	-	-
Total revenues	<u>4,628</u>	<u>14,381</u>	<u>11,791</u>	<u>506</u>
Expenditures:				
Operating:				
County environment and education	-	-	-	-
Government services to residents	-	33,600	-	-
Capital projects	-	-	500	94
Total expenditures	<u>-</u>	<u>33,600</u>	<u>500</u>	<u>94</u>
Excess (deficiency) of revenues over (under) expenditures	4,628	(19,219)	11,291	412
Fund balances beginning of year	<u>18,940</u>	<u>22,722</u>	<u>10,615</u>	<u>854</u>
Fund balances end of year	<u>\$ 23,568</u>	<u>\$ 3,503</u>	<u>\$ 21,906</u>	<u>\$ 1,266</u>

See accompanying independent auditor's report.

<u>Environmental Projects</u>	<u>Conservation Projects</u>	<u>Drug Forfeiture</u>	<u>Total</u>
\$ -	\$ -	\$ -	11,679
-	-	-	18,741
15	149	1	1,051
-	5,547	213	5,760
<u>15</u>	<u>5,696</u>	<u>214</u>	<u>37,231</u>
-	4,346	-	4,346
-	-	-	33,600
445	-	-	1,039
<u>445</u>	<u>4,346</u>	<u>-</u>	<u>38,985</u>
(430)	1,350	214	(1,754)
<u>2,028</u>	<u>12,037</u>	<u>108</u>	<u>67,304</u>
<u>\$ 1,598</u>	<u>\$ 13,387</u>	<u>\$ 322</u>	<u>\$ 65,550</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2005

	<u>County Recorder</u>	<u>County Assessor</u>	<u>Emergency Management</u>	<u>Brucellosis and Tuberculosis Eradication</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ 292,915	\$ 28,883	\$ 52
Other County officials	17	-	-	-
Receivables:				
Property tax:				
Delinquent	-	456	-	3
Succeeding year	-	412,000	-	3,000
Accrued interest	-	-	-	-
 Total assets	 <u>\$ 17</u>	 <u>\$ 705,371</u>	 <u>\$ 28,883</u>	 <u>\$ 3,055</u>
LIABILITIES				
Accounts payable	\$ -	\$ 255	\$ 504	\$ -
Salaries and benefits payable	-	8,363	-	-
Due to other governments	17	693,745	28,379	3,055
Trusts payable	-	-	-	-
Compensated absences	-	3,008	-	-
 Total liabilities	 <u>\$ 17</u>	 <u>\$ 705,371</u>	 <u>\$ 28,883</u>	 <u>\$ 3,055</u>

<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>City Special Assessments</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>
\$ 6,502	\$ 36,678	\$ 187,445	\$ 7,877	\$ 4,238	\$ 2,834	\$ 9,689
-	-	-	-	-	-	-
317	6,393	11,223	488	-	168	639
328,000	3,099,000	10,068,000	427,000	-	152,000	578,000
-	-	-	-	-	-	-
<u>\$ 334,819</u>	<u>\$ 3,142,071</u>	<u>\$ 10,266,668</u>	<u>\$ 435,365</u>	<u>\$ 4,238</u>	<u>\$ 155,002</u>	<u>\$ 588,328</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
334,819	3,142,071	10,266,668	435,365	4,238	155,002	588,328
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 334,819</u>	<u>\$ 3,142,071</u>	<u>\$ 10,266,668</u>	<u>\$ 435,365</u>	<u>\$ 4,238</u>	<u>\$ 155,002</u>	<u>\$ 588,328</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2005

	Auto License and Use Tax	Tax Sale Redemption	Advance Tax Collection	Lake District
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 352,007	\$ 2,798	\$ 38,577	\$ 1,363
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	65
Succeeding year	-	-	-	138,000
Accrued interest	-	-	-	-
Total assets	<u>\$ 352,007</u>	<u>\$ 2,798</u>	<u>\$ 38,577</u>	<u>\$ 139,428</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	352,007	-	-	139,428
Trusts payable	-	2,798	38,577	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 352,007</u>	<u>\$ 2,798</u>	<u>\$ 38,577</u>	<u>\$ 139,428</u>

See accompanying independent auditor's report.

<u>E-911</u>	<u>Flex Plan</u>	<u>Fire District</u>	<u>County Recorders' Electronic Transaction Fee</u>	<u>Total</u>
\$ 129,972	\$ 3,555	\$ 139	\$ 737	\$ 1,106,261
-	-	-	-	17
-	-	-	-	19,752
-	-	7,000	-	15,212,000
273	-	-	1	274
<u>\$ 130,245</u>	<u>\$ 3,555</u>	<u>\$ 7,139</u>	<u>\$ 738</u>	<u>\$ 16,338,304</u>
\$ 5,726	\$ -	\$ -	\$ -	\$ 6,485
-	-	-	-	8,363
124,519	-	7,139	738	16,275,518
-	3,555	-	-	44,930
-	-	-	-	3,008
<u>\$ 130,245</u>	<u>\$ 3,555</u>	<u>\$ 7,139</u>	<u>\$ 738</u>	<u>\$ 16,338,304</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2005

	County Offices			
	County Auditor	County Recorder	County Sheriff	County Assessor
ASSETS AND LIABILITIES				
Balances beginning of year	\$ -	\$ 64	\$ -	\$ 717,396
Additions:				
Property and other County tax	-	-	-	283,144
State tax credits	-	-	-	26,608
E-911 surcharge	-	-	-	-
Reimbursements from other governments	-	-	-	-
Office fees and collections	2,293	281,781	76,182	-
Auto licenses, use tax, driver licenses, and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	326,841	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	6,603
Total additions	<u>2,293</u>	<u>281,781</u>	<u>403,023</u>	<u>316,355</u>
Deductions:				
Agency Remittance:				
To other funds	2,293	137,592	74,064	-
To other governments	-	144,236	2,118	328,380
Trusts paid out	-	-	326,841	-
Total deductions	<u>2,293</u>	<u>281,828</u>	<u>403,023</u>	<u>328,380</u>
Balances end of year	<u>\$ -</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 705,371</u>

<u>Emergency Management</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>City Special Assessments</u>
\$ 26,942	\$ 3,059	\$ 329,396	\$ 3,004,103	\$ 10,049,632	\$ 422,644	\$ 4,656
-	2,759	329,471	3,099,256	10,068,784	427,692	-
-	173	18,918	185,880	618,733	26,030	-
-	-	-	-	-	-	-
45,764	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	94,948
-	-	-	-	-	-	-
-	-	-	-	-	-	-
45,764	2,932	348,389	3,285,136	10,687,517	453,722	94,948
-	-	-	-	-	-	-
43,823	2,936	342,966	3,147,168	10,470,481	441,001	95,366
-	-	-	-	-	-	-
43,823	2,936	342,966	3,147,168	10,470,481	441,001	95,366
\$ 28,883	\$ 3,055	\$ 334,819	\$ 3,142,071	\$ 10,266,668	\$ 435,365	\$ 4,238

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2005

	Turtle Creek Special Assessment	Agricultural Extension Education	County Hospital	Auto License and Use Tax
ASSETS AND LIABILITIES				
Balances beginning of year	\$ -	\$ 151,844	\$ 390,789	\$ 356,894
Additions:				
Property and other County tax	-	152,392	707,801	-
State tax credits	-	9,372	32,040	-
E-911 surcharge	-	-	-	-
Reimbursements from other governments	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax, driver licenses, and postage	-	-	-	4,189,390
Assessments	322	-	-	-
Trusts	-	-	-	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>322</u>	<u>161,764</u>	<u>739,841</u>	<u>4,189,390</u>
Deductions:				
Agency Remittance:				
To other funds	-	-	-	212,747
To other governments	322	158,606	542,302	3,981,530
Trusts paid out	-	-	-	-
Total deductions	<u>322</u>	<u>158,606</u>	<u>542,302</u>	<u>4,194,277</u>
Balances end of year	<u>\$ -</u>	<u>\$ 155,002</u>	<u>\$ 588,328</u>	<u>\$ 352,007</u>

<u>Tax Sale Redemption</u>	<u>Advance Tax Collection</u>	<u>Lake District</u>	<u>E-911</u>	<u>Flex Plan</u>	<u>Fire District</u>
\$ 15,456	\$ 221,820	\$ 140,042	\$ 136,425	\$ 4,516	\$ 6,124
-	-	138,236	-	-	7,101
-	-	3,407	-	-	486
-	-	-	87,378	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
196,474	41,251	-	-	61,522	-
-	-	-	2,294	-	-
-	-	-	102	-	-
<u>196,474</u>	<u>41,251</u>	<u>141,643</u>	<u>89,774</u>	<u>61,522</u>	<u>7,587</u>
-	-	-	-	-	-
-	-	142,257	95,954	-	6,572
209,132	224,494	-	-	62,483	-
<u>209,132</u>	<u>224,494</u>	<u>142,257</u>	<u>95,954</u>	<u>62,483</u>	<u>6,572</u>
\$ <u>2,798</u>	\$ <u>38,577</u>	\$ <u>139,428</u>	\$ <u>130,245</u>	\$ <u>3,555</u>	\$ <u>7,139</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2005

	County Recorder's Electronic <u>Transaction Fee</u>	Anatomical Gift, Public Awareness, and <u>Transportation</u>	<u>Total</u>
ASSETS AND LIABILITIES			
Balances beginning of year	\$ 2,455	\$ 44	\$ 15,984,301
Additions:			
Property and other County tax	-	-	15,216,636
State tax credits	-	-	921,647
E-911 surcharge	-	-	87,378
Reimbursements from other governments	-	-	45,764
Office fees and collections	4,545	-	364,801
Auto licenses, use tax, driver licenses, and postage	-	58	4,189,448
Assessments	-	-	95,270
Trusts	-	-	626,088
Interest on investments	9	-	2,303
Miscellaneous	-	-	6,705
Total additions	<u>4,554</u>	<u>58</u>	<u>21,556,040</u>
Deductions:			
Agency Remittance:			
To other funds	-	-	426,696
To other governments	6,271	102	19,952,391
Trusts paid out	-	-	822,950
Total deductions	<u>6,271</u>	<u>102</u>	<u>21,202,037</u>
Balances end of year	<u>\$ 738</u>	<u>\$ -</u>	<u>\$ 16,338,304</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Property and other County tax	\$ 5,200,393	\$ 5,222,542	\$ 4,799,793	\$ 4,631,347
Interest and penalty on property tax	43,597	81,024	51,712	98,125
Intergovernmental	5,426,274	5,568,521	4,664,112	4,502,509
Licenses and permits	12,621	12,073	11,505	15,206
Charges for service	462,858	424,759	388,412	350,329
Use of money and property	132,772	126,316	163,378	212,292
Miscellaneous	100,070	224,353	148,449	268,127
Total	\$ 11,378,585	\$ 11,659,588	\$ 10,227,361	\$ 10,077,935
Expenditures:				
Current:				
Public safety and legal services	\$ 1,426,663	\$ 1,333,232	\$ 1,260,843	\$ 1,263,081
Physical health and social services	357,859	347,274	331,113	473,758
Mental health	2,064,158	2,107,917	2,065,131	2,016,786
County environment and education services	559,200	588,682	538,850	398,188
Roads and transportation	4,420,188	4,292,224	4,034,142	4,290,472
Governmental services to residents	530,774	388,652	361,134	309,043
Administrative services	922,012	854,141	907,783	878,353
Non-program	12,072	8,277	20,594	7,035
Capital projects	1,896,531	1,598,521	942,031	611,754
Total	\$ 12,189,457	\$ 11,518,920	\$ 10,461,621	\$ 10,248,470

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Delaware County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delaware County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated November 18, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delaware County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 Delaware 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 I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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 I-A-05 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Delaware County and other parties to whom Delaware 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Delaware 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.

Oskaloosa, Iowa
November 18, 2005

DELAWARE COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties

Comment – During our review of the internal control structure, 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. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(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.	Auditor, Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Auditor, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety.	Auditor, Recorder, Treasurer
(4) After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Auditor, Recorder, Treasurer

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their 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. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

DELAWARE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-A-05 Segregation of Duties (continued)

Responses –

County Auditor – We will be hiring an additional individual for the next fiscal year.

County Recorder – We will set up various checks and reviews and employees change duties from week to week. With our limited number of employees, further segregation of duties will be difficult.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will be hiring an additional individual for the next fiscal year.

Conclusion – Responses accepted.

I-B-05 Warrant Written and Held – We noted in our testing of warrants outstanding at year end that one warrant written on June 27, 2005 for \$14,133 was not redeemed until October, 2005. Upon inquiry regarding the delay in redemption of the warrant, it was noted that the disbursement was made in June to enable the expense to be recorded in the fiscal year ended June 30, 2005, but the warrant was not released by the County until September, 2005.

Recommendation – Writing and holding warrants bypasses the budgeting process, removes controls over the underlying assets and misstates the financial position of the County at any given time any warrants are written and held. The County should avoid the practice by developing guidelines for disbursements that prevent writing and holding warrants. If necessary, the budget should be amended to allow a disbursement to be made in the proper fiscal year.

Response – We will avoid this practice in the future. We will develop practices and procedures which ban the writing and holding of warrants.

Conclusion – Response accepted.

DELAWARE COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:

II-A-05 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2005, at Farmer’s Savings Bank by \$158,788.

Recommendation – The County should adopt depository limits that will cover all anticipated deposits.

Response – We will be more careful in the future. We have adopted depository limits that cover all anticipated deposits as of July 5, 2005.

Conclusion – Response accepted.

II-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the Governmental Services to Residents function. Also, disbursements in one department exceeded the amount appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

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 increasing or decreasing 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 were unaware of the requirements to expense a capital lease in the year of execution and, therefore, did not amend the budget for this expenditure. We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

II-C-05 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-E-05 Business Transactions – Business transactions between the County and County officials or employees were noted as follows:

<u>Related Party</u>	<u>Vendor</u>	<u>Amount</u>
Richard McCrabb, Spouse of County Auditor, 1/3 owner of Don & Walt, LLC	Don & Walt, LLC	\$ 1,125

The transactions with the company owned by the spouse of the County Auditor, does not appear to represent a conflict of interest since the total dollar amount was less than maximum allowed by the Code of Iowa.

DELAWARE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-I-05 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).
- II-J-05 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, 2005 for the County Extension Office did not exceed the amount budgeted.

The Board Treasurer’s bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

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