

DELAWARE COUNTY

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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DELAWARE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
William J. Skinner	Board of Supervisors	Jan. 2009
Steven Koeneke	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	(retired) Jan. 2010
Sheri Orcutt	County Assessor	(appointed Jan 18, 2006) 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, 2006, 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, 2006 and the respective changes in financial position 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 9, 2006 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 grant agreements 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 44 through 46 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, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 9, 2006

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- The County's Governmental fund revenues increased by \$498,265 from fiscal 2005 to fiscal 2006. Property taxes and other County tax increased approximately \$125,493.
- The County's Governmental fund expenditures increased by \$927,015, from fiscal 2005 to fiscal year 2006. Roads and transportation expenditures decreased by \$717,384 and capital projects expenditures increased \$1,343,175.
- The County's net assets increased by approximately 18%, or \$2,977,209, from June 30, 2005 to June 30, 2006.

### 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 also 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. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the County.

## **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, and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. 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 will be shown for the next fiscal year focusing on the changes in the net assets for governmental activities as shown below for 2005.

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### Net Assets of Governmental Activities

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	June 30, 2005	June 30, 2006	% of Change
Current and other assets	\$ 9,095,946	\$ 8,551,913	(6%)
Capital assets	<u>12,822,922</u>	<u>17,045,996</u>	33%
Total assets	<u>21,918,868</u>	<u>25,597,909</u>	17%
Long-term debt outstanding	336,554	306,550	9%
Other liabilities	<u>5,487,274</u>	<u>6,219,110</u>	13%
Total liabilities	<u>5,823,828</u>	<u>6,525,660</u>	12%
Net assets:			
Invested in capital assets, net of related debt	12,616,413	16,839,487	33%
Restricted	2,181,862	1,228,940	(44%)
Unrestricted	<u>1,296,765</u>	<u>1,003,822</u>	(23%)
Total net assets	<u>\$ 16,095,040</u>	<u>\$ 19,072,249</u>	19%

Net assets of Delaware County's governmental activities increased by \$2,977,209 from 2005 (\$16,095,040 compared to \$19,072,249). The largest portion of the County's net assets is 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.

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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 \$1,003,822 at June 30, 2006.

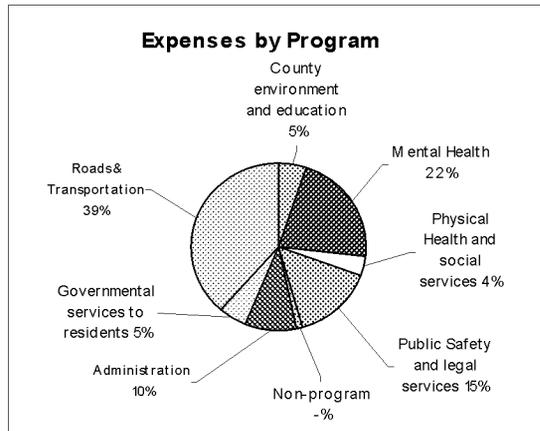
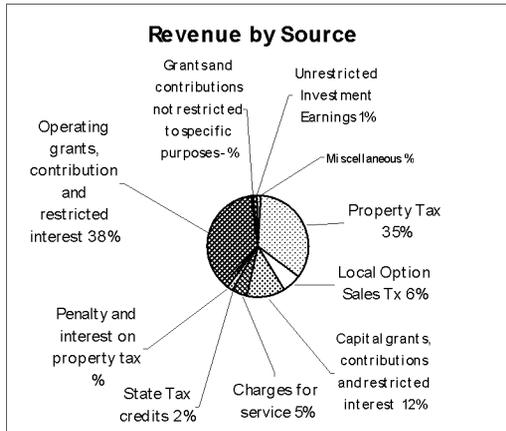
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Changes in Net Assets of Governmental Activities

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	Year End <u>June 30, 2005</u>	Year End <u>June 30, 2006</u>	% of <u>Change</u>
Revenues:			
Program Revenues			
Charges for services	\$ 841,955	\$ 664,918	(21%)
Operating grants, contributions and restricted interest	4,732,652	4,824,504	2%
Capital grants, contributions and restricted interest	3,890,833	1,535,586	(61%)
General Revenues:			
Property Tax	4,490,988	4,558,787	2%
Penalty and interest on property tax	43,597	40,788	( 6%)
State tax credits	276,833	279,344	1%
Local option sales tax	710,597	766,197	8%
Grants and contributions not restricted to specific purposes	17,711		(100%)
Unrestricted investment earnings	129,705	75,958	( 41%)
Miscellaneous Revenues	<u>25,607</u>	<u>44,428</u>	<u>74%</u>
Total Revenues	<u>15,160,478</u>	<u>12,790,510</u>	<u>( 16%)</u>
Program Expenses:			
Public safety and legal services	1,432,818	1,423,962	( 1%)
Physical health and social services	379,232	384,424	1%
Mental Health	2,066,759	2,134,479	3%
County environment and education	574,171	601,319	5%
Roads and Transportation	4,134,205	3,787,864	( 8%)
Governmental services to residents	496,803	524,935	6%
Administration	1,006,414	944,263	( 6%)
Non-program	<u>12,072</u>	<u>12,055</u>	<u>46%</u>
Total Expenses	10,102,474	9,813,301	( 3%)
Increase in net assets	5,058,004	2,977,209	(41%)
Net assets beginning of year, as restated	<u>11,037,036</u>	<u>16,095,040</u>	<u>46%</u>
Net assets end of year	<u>\$ 16,095,040</u>	<u>\$ 19,072,249</u>	<u>19%</u>

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(FOR ILLUSTRATIVE PURPOSES)

### INDIVIDUAL MAJOR FUND ANALYSIS

As Delaware County completed the year, its governmental funds reported a combined fund balance of \$2,212,376, a decrease of \$1,235,687 from last year's total of \$3,448,063. The decrease in fund balance is primarily attributable to increased expenditures including increased construction costs for Secondary Roads. The following is a comparison of fund balances to the prior year:

<u>Ending Fund Balances</u>						
	<u>General Fund</u>	<u>MH Fund</u>	<u>Rural Services Fund</u>	<u>Secondary Road Fund</u>	<u>Other</u>	<u>Total</u>
2005	1,369,504	252,859	40,547	1,719,603	65,550	3,448,063
2006	1,057,545	301,940	18,992	765,762	68,137	2,212,376
Difference	(311,959)	49,081	(21,555)	(953,841)	2,587	(1,235,687)
%	(23%)	(19%)	(53%)	(55%)	(4%)	(36%)

As the County completed the year, its governmental funds reported a combined fund balance of \$2,212,376. This is a decrease of \$1,235,687 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 both increased when compared to the prior year. The purchase of required new voting optical scan machines and handicap machines and high fuel costs were just a couple reasons for the increased expenditures. The ending fund balance showed a decrease of \$311,959.
2. The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$2,148,717, an increase of approximately 4% over the prior year. Some of this increase was attributable to the construction of a new Community Services/Mental Health Building. Even with the increase in expenditures, the Mental Health fund balance at year end was up 19% from the prior year due to the increase in revenues. Lowering the ending balance in 2005 qualified Delaware County for more state funding of the growth and other state allocation dollars in the 2006 fiscal year.
3. Secondary Road Fund construction (capital improvement) expenditures increased significantly for 2006 at \$6,813,600, up \$624,132, or 12 percent, from 2005. The Engineer's Department continues to aggressively upgrade the condition of the County road system. A portion of this years' increase was to allow completion of a very large scale construction project and to replace a bridge which failed unexpectedly in the spring of 2005. The road department drew heavily on its balance to complete these two (2) projects which were one time construction necessities.
4. The Rural Services Fund expenditures for 2006 were \$134,590, up from \$125,235 expended in 2005. 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 \$21,555 from 2005.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Delaware County amended its budget three (3) times. The first amendment was made November 28, 2005 to accommodate \$905,000 in expenditures in the Secondary Road Department for Road Engineering and Construction expenses.

The second amendment was made on March 13, 2006 for various small increases within several County functions.

The final amendment was made June 5, 2006 to increase the Mental Health expenditures by \$200,000 for the construction of a new building for Mental Health and Community Services.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

On June 30, 2006, Delaware County had approximately \$17,045,996 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

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Capital Assets of Governmental Activities At Year End	
	June 30, 2006
<u>Acquisition cost:</u>	
Land	\$ 579,102
Construction in progress	108,284
Buildings and improvement	3,252,020
Equipment and vehicles	5,804,098
Infrastructure	<u>12,583,199</u>
Total	<u>\$ 22,326,703</u>
<u>Accumulated depreciation:</u>	
Buildings	\$ (1,799,769)
Machinery & Equipment	(2,970,411)
Infrastructure	<u>( 510,527)</u>
Total accumulated depreciation	<u>\$ (5,280,707)</u>
Total net government activities capital assets	<u>\$ 17,045,996</u>

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The County had depreciation expense of \$853,579 in FY06 and total accumulated depreciation of \$5,280,707 at June 30, 2006.

*Long-Term Liabilities*

At June 30, 2006, Delaware County had \$306,550 in long-term liabilities compared to \$336,554 at June 30, 2005, as shown below:

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Outstanding Debt of Governmental Activities At Year End	
	June 30, 2006
Real Estate Contract for purchase of Mitchell-Retz Park	\$ 206,509
Compensated absences	<u>100,041</u>
Total	<u>\$ 306,550</u>

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Debt decreased as a result of the completion of 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. Other obligations include accrued vacation pay and sick leave. 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 charged for various County activities.

Various indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are \$12,470,479 million, a decrease of 9% from the final 2006 budget (after the final amendment). These factors were all part of the considerations for the FY 2007 budget which certified taxes as follows (amount certified includes utility replacement and property tax dollars):

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	<u>Dollars Certified</u>	<u>Percentage Increase (Decrease)</u>
General Fund	\$2,707,963	3.5%
General Supplemental	630,000	100.0%
Mental Health Fund	926,948	0.0%
Rural Services	1,448,873	18.7%

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Levy rates for 2006/2007 increased slightly because of increased expenditures.

Delaware County has had the following initiatives to the 2007 budget:

1. County had to levy out of General Supplemental Fund due to increased expenditures and maximum levy rate in the General Fund.
2. The GIS program continues to grow and requires increased expenditures for its development.
3. Upgrade of Data Processing to include a domain server for security purposes.
4. Decreased construction costs for Secondary Road due to large scale projects completed in prior year.

If these estimates are realized, the County's budgetary operating balance is expected to remain fairly consistent for the close of 2007.

## **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, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,254,806
Receivables:	
Property tax:	
Delinquent	2,467
Succeeding year	5,399,000
Interest and penalty on property tax	469
Accounts	8,287
Accrued interest	51,709
Due from other governments	462,574
Contracts receivable (note 4)	117,838
Inventories	254,763
Capital assets, net of accumulated depreciation (note 5)	<u>17,045,996</u>
 Total assets	 <u>25,597,909</u>
Liabilities	
Accounts payable	509,825
Salaries and benefits payable	131,255
Due to other governments (note 6)	179,030
Deferred revenue:	
Succeeding year property tax	5,399,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Compensated absences	100,041
Portion due or payable after one year:	
Real estate contract	<u>206,509</u>
 Total liabilities	 <u>6,525,660</u>

DELAWARE COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2006

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 16,839,487
Restricted for:	
Supplemental levy purposes	12,408
Jail room and board	10,086
Mental health purposes	295,286
Rural services	19,169
Secondary roads	823,854
Other special revenue purposes	68,137
Unrestricted	<u>1,003,822</u>
Total net assets	<u>\$ 19,072,249</u>

See notes to financial statements.

DELAWARE COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

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	\$ 1,423,962	\$ 204,577	\$ 3,458	\$ -	(1,215,927)
Physical health and social services	384,424	14,927	108,086	-	(261,411)
Mental health	2,134,479	5,348	1,265,859	-	(863,272)
County environment and education	601,319	77,571	142,622	-	(381,126)
Roads and transportation	3,787,864	28,605	3,266,889	1,409,371	917,001
Government services to residents	524,935	308,398	31,116	126,215	(59,206)
Administration	944,263	25,492	6,474	-	(912,297)
Non-program	12,055	-	-	-	(12,055)
Total	<u>\$ 9,813,301</u>	<u>\$ 664,918</u>	<u>\$ 4,824,504</u>	<u>\$ 1,535,586</u>	<u>(2,788,293)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					4,558,787
Penalty and interest on property tax					40,788
State tax credits					279,344
Local option sales and services tax					766,197
Unrestricted investment earnings					75,958
Miscellaneous					44,428
Total general revenues					<u>5,765,502</u>
Change in net assets					2,977,209
Net assets beginning of year					<u>16,095,040</u>
Net assets end of year					<u>\$ 19,072,249</u>

See notes to financial statements.

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DELAWARE COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,068,914	\$ 496,940	\$ 27,980	\$ 592,993
Receivables:				
Property tax:				
Delinquent	1,746	484	237	-
Succeeding year	3,153,000	875,000	1,371,000	-
Interest and penalty on property tax	469	-	-	-
Accounts	4,352	-	-	3,935
Accrued interest	51,464	-	-	-
Due from other governments	41,436	17,245	-	403,893
Contracts receivable (note 4)	-	-	-	117,838
Inventories	-	-	-	254,763
<b>Total assets</b>	<b>\$ 4,321,381</b>	<b>\$ 1,389,669</b>	<b>\$ 1,399,217</b>	<b>\$ 1,373,422</b>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 39,510	\$ 22,890	\$ 8,790	\$ 438,548
Salaries and benefits payable	69,360	10,621	-	51,274
Due to other governments (note 6)	-	178,772	258	-
Deferred revenue:				
Succeeding year property tax	3,153,000	875,000	1,371,000	-
Other	1,966	446	177	117,838
<b>Total liabilities</b>	<b>3,263,836</b>	<b>1,087,729</b>	<b>1,380,225</b>	<b>607,660</b>
Fund balance:				
Reserved for:				
Inventories	-	-	-	254,763
Supplemental levy purposes	12,104	-	-	-
Jail room and board	10,086	-	-	-
Unreserved, reported in:				
General fund	1,035,355	-	-	-
Special revenue funds	-	301,940	18,992	510,999
<b>Total fund balances</b>	<b>1,057,545</b>	<b>301,940</b>	<b>18,992</b>	<b>765,762</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,321,381</b>	<b>\$ 1,389,669</b>	<b>\$ 1,399,217</b>	<b>\$ 1,373,422</b>

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 67,979	\$ 2,254,806
-	2,467
-	5,399,000
-	469
-	8,287
245	51,709
-	462,574
-	117,838
-	254,763
<u>\$ 68,224</u>	<u>\$ 8,551,913</u>

\$ 87	\$ 509,825
-	131,255
-	179,030
-	5,399,000
-	120,427
<u>87</u>	<u>6,339,537</u>

-	254,763
-	12,104
-	10,086
-	1,035,355
68,137	900,068
<u>68,137</u>	<u>2,212,376</u>
<u>\$ 68,224</u>	<u>\$ 8,551,913</u>

DELAWARE COUNTY  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2006

Total fund balances of governmental funds		\$ 2,212,376
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 \$22,326,703 and the accumulated depreciation is \$5,280,707.		17,045,996
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		120,427
Long-term liabilities, including 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>(306,550)</u>
Net assets of governmental activities		<u>\$ 19,072,249</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, 2006

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other County tax	\$ 2,533,254	\$ 872,589	\$ 1,226,295	\$ 693,748
Interest and penalty on property tax	40,788	-	-	-
Intergovernmental	610,779	1,319,861	128,440	3,726,353
Licenses and permits	11,101	-	-	6,487
Charges for service	475,447	-	-	-
Use of money and property	102,391	1,188	-	-
Miscellaneous	35,737	4,160	-	66,029
Total revenues	<u>3,809,497</u>	<u>2,197,798</u>	<u>1,354,735</u>	<u>4,492,617</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,455,562	-	-	-
Physical health and social services	382,510	-	-	-
Mental health	-	2,148,717	-	-
County environment and education	497,854	-	129,713	-
Roads and transportation	-	-	-	3,702,804
Government services to residents	608,484	-	4,877	-
Administration	916,670	-	-	-
Non-program	12,055	-	-	-
Capital projects	126,814	-	-	3,110,796
Total expenditures	<u>3,999,949</u>	<u>2,148,717</u>	<u>134,590</u>	<u>6,813,600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(190,452)</u>	<u>49,081</u>	<u>1,220,145</u>	<u>(2,320,983)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	285	-	-	3,650
Interfund transfers in (note 3)	-	-	-	1,363,492
Interfund transfers out (note 3)	(121,792)	-	(1,241,700)	-
Total other financing sources (uses)	<u>(121,507)</u>	<u>-</u>	<u>(1,241,700)</u>	<u>1,367,142</u>
Net change in fund balances	(311,959)	49,081	(21,555)	(953,841)
Fund balances beginning of year	<u>1,369,504</u>	<u>252,859</u>	<u>40,547</u>	<u>1,719,603</u>
Fund balances end of year	<u>\$ 1,057,545</u>	<u>\$ 301,940</u>	<u>\$ 18,992</u>	<u>\$ 765,762</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total
\$ -	\$ 5,325,886
-	40,788
6,070	5,791,503
-	17,588
4,551	479,998
1,644	105,223
9,938	115,864
22,203	11,876,850
-	1,455,562
-	382,510
-	2,148,717
11,363	638,930
-	3,702,804
6,157	619,518
-	916,670
-	12,055
2,096	3,239,706
19,616	13,116,472
2,587	(1,239,622)
-	3,935
-	1,363,492
-	(1,363,492)
-	3,935
2,587	(1,235,687)
65,550	3,448,063
\$ 68,137	\$ 2,212,376

## 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, 2006

Net change in fund balances - total governmental funds \$ (1,235,687)

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	\$ 949,907	
Capital assets contributed by the Iowa Department of Transportation		4,126,746	
Depreciation expense		<u>(853,579)</u>	4,223,074

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	(902)	
Contract payments		<u>(39,280)</u>	(40,182)

Repayment of bond principal 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>(1,550)</u>	
--	----------------------	----------------	--

Change in net assets of governmental activities \$ 2,977,209

See notes to financial statements.

DELAWARE COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2006

	<u>Private - Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ -	\$ 1,153,426
Other County officials	254,295	118
Property tax receivable:		
Delinquent	-	13,366
Succeeding year	-	15,747,000
Accrued interest	-	646
Total assets	<u>254,295</u>	<u>16,914,556</u>
Liabilities		
Accounts payable	-	37,049
Salaries and benefits payable	-	6,602
Due to other governments (note 6)	-	16,820,586
Trusts payable	-	48,374
Compensated absences	-	1,945
Total liabilities	<u>-</u>	<u>16,914,556</u>
Net Assets		
Restricted for:		
Trust principal - Spangler	128,000	-
Trust principal - Corell	2,162	-
Unrestricted	<u>124,133</u>	<u>-</u>
Net Assets	<u>\$ 254,295</u>	<u>\$ -</u>

See notes to financial statements.

DELAWARE COUNTY  
 STATEMENT OF CHANGES IN NET ASSETS  
 PRIVATE – PURPOSE TRUST FUND  
 Year Ended June 30, 2006

	<u>Private - Purpose Trust Funds</u>
Revenues:	
Interest on investments	\$ <u>7,655</u>
Expenditures:	
Vision care	393
Supplies	<u>3,248</u>
Total expenditures	<u>3,641</u>
Net change in fund balance	4,014
Balance beginning of year	<u>250,281</u>
Balance end of year	\$ <u><u>254,295</u></u>

See notes to financial statements.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

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, 2006

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 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 general operating fund of the County. All general tax revenues and other revenues 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, 2006

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.

Fiduciary Funds - 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, 2006

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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, 2006

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.

<u>Asset Class</u>	<u>Amount</u>
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:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
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.

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.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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 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, 2006. 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.

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, 2006, disbursements exceeded the amount budgeted in the Capital Projects function prior to amendment of the budget.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 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.

DELAWARE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2006

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 121,792
	Special Revenue: Rural Services	<u>1,241,700</u>
		<u>\$ 1,363,492</u>

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

In addition, the County had two temporary loans from the General Fund to the Special Revenue, Secondary Roads Fund which totaled \$580,000. All amounts had been repaid by June 30, 2006.

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. Payments to be received under the contract are as follows:

Year Ended June 30,	Amount
2007	\$ 39,280
2008	39,280
2009	<u>39,278</u>
	<u>\$ 117,838</u>

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 571,124	\$ 7,978	\$ -	\$ 579,102
Construction in progress	315,568	2,422,865	2,630,149	108,284
Total capital assets not being depreciated	<u>886,692</u>	<u>2,430,843</u>	<u>2,630,149</u>	<u>687,386</u>
Capital assets being depreciated:				
Buildings	3,244,867	15,653	8,500	3,252,020
Machinery and equipment	5,333,877	767,267	297,046	5,804,098
Infrastructure	8,090,160	4,493,039	-	12,583,199
Total capital assets being depreciated	<u>16,668,904</u>	<u>5,275,959</u>	<u>305,546</u>	<u>21,639,317</u>
Less accumulated depreciation for:				
Buildings	1,741,028	67,241	8,500	1,799,769
Machinery and equipment	2,747,329	520,128	297,046	2,970,411
Infrastructure	244,317	266,210	-	510,527
Total accumulated depreciation	<u>4,732,674</u>	<u>853,579</u>	<u>305,546</u>	<u>5,280,707</u>
Total capital assets being depreciated, net	<u>11,936,230</u>	<u>4,422,380</u>	<u>-</u>	<u>16,358,610</u>
Governmental activities capital assets, net	<u>\$ 12,822,922</u>	<u>\$ 6,853,223</u>	<u>\$ 2,630,149</u>	<u>\$ 17,045,996</u>

DELAWARE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	23,727
Physical health and social services		1,914
Mental health		6,287
County environment and education		22,845
Roads and transportation		723,560
Government services to residents		10,240
Administration		<u>65,006</u>
Total depreciation expense - governmental activities	\$	<u><u>853,579</u></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>Amount</u>
Special Revenue:		
Mental Health	Services	\$ 178,772
Secondary Roads	Services	<u>258</u>
Total for governmental funds		<u><u>\$ 179,030</u></u>
Agency:		
County Assessor	Collections	\$ 796,668
Townships		347,913
Schools		10,514,042
Corporations		3,308,278
Area Schools		461,592
Auto License and Use Tax		296,921
County Hospital		656,646
All Other		<u>438,526</u>
Total for agency funds		<u><u>\$ 16,820,586</u></u>

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Capital Lease Purchase Agreements	Real Estate Contract	Compensated Absences	Total
Balance beginning of year	\$ 31,554	\$ 206,509	\$ 98,491	\$ 336,554
Increases	-	-	100,041	100,041
Decreases	31,554	-	98,491	130,045
Balance end of year	<u>\$ -</u>	<u>\$ 206,509</u>	<u>\$ 100,041</u>	<u>\$ 306,550</u>
Due within one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,041</u>	<u>\$ 100,041</u>

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.

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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$187,611, \$181,778 and \$173,684, 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.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 10. Construction Commitment

The County has entered into contracts totaling \$235,366 for various construction projects. As of June 30, 2006, costs of \$108,284 have been incurred against the contracts. The balance remaining at June 30, 2006 of \$127,082 will be paid as work on the project progresses.

Note 11. Private-Purpose Trust Funds

James E. Correll Trust

A portion of the estate of James E. Correll 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.

Note 12. Emergency Management Line-of-Credit

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. At June 30, 2006, the County Emergency Management Commission had a balance due on the line-of-credit of \$100,000. During the year ended June 30, 2006, the Commission made no loan repayments on the agreement.

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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, 2006

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 5,262,236	\$ 5,245,655	\$ 5,245,655	\$ 16,581
Interest and penalty on property tax	41,473	30,400	30,400	11,073
Intergovernmental	5,688,472	5,447,499	5,447,499	240,973
Licenses and permits	17,348	11,600	11,600	5,748
Charges for service	481,456	364,140	364,140	117,316
Use of money and property	123,687	246,941	246,941	(123,254)
Miscellaneous	112,798	81,010	81,010	31,788
Total receipts	<u>11,727,470</u>	<u>11,427,245</u>	<u>11,427,245</u>	<u>300,225</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	1,488,915	1,512,282	1,538,772	49,857
Physical health and social services	379,468	450,568	450,568	71,100
Mental health	2,176,281	2,077,087	2,277,087	100,806
County environment and education	638,880	650,140	650,140	11,260
Roads and transportation	3,865,209	4,298,000	4,053,000	187,791
Government services to residents	610,735	583,552	652,052	41,317
Administration	921,845	987,399	1,004,687	82,842
Non-program	12,578	17,900	17,900	5,322
Capital projects	3,081,705	2,023,500	3,173,500	91,795
Total disbursements	<u>13,175,616</u>	<u>12,600,428</u>	<u>13,817,706</u>	<u>642,090</u>
Excess (deficiency) of receipts over (under) disbursements	(1,448,146)	(1,173,183)	(2,390,461)	942,315
Other financing sources, net	<u>3,935</u>	<u>5,000</u>	<u>5,000</u>	<u>(1,065)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,444,211)	(1,168,183)	(2,385,461)	941,250
Balance beginning of year	<u>3,699,017</u>	<u>2,890,781</u>	<u>2,890,781</u>	<u>808,236</u>
Balance end of year	<u>\$ 2,254,806</u>	<u>\$ 1,722,598</u>	<u>\$ 505,320</u>	<u>\$ 1,749,486</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,727,470	\$ 149,380	\$ 11,876,850
Expenditures	13,175,616	(59,144)	13,116,472
Net	(1,448,146)	208,524	(1,239,622)
Other financing sources	3,935	-	3,935
Beginning fund balances	3,699,017	(250,954)	3,448,063
Ending fund balances	<u>\$ 2,254,806</u>	<u>\$ (42,430)</u>	<u>\$ 2,212,376</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2006

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 \$1,217,278. The 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, 2006, disbursements exceeded the amount budgeted in the capital projects function prior to the County amending the budget.

## Other Supplementary Information

DELAWARE COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2006

	<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	\$ 25,359	\$ 234	\$ 26,084	\$ 2,244
Receivables:				
Accrued interest	-	-	245	-
Total assets	<u>\$ 25,359</u>	<u>\$ 234</u>	<u>\$ 26,329</u>	<u>\$ 2,244</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund equity:				
Unreserved	<u>25,359</u>	<u>234</u>	<u>26,329</u>	<u>2,244</u>
Total liabilities and fund equity	<u>\$ 25,359</u>	<u>\$ 234</u>	<u>\$ 26,329</u>	<u>\$ 2,244</u>

See accompanying independent auditor's report.

<u>Environmental Projects</u>	<u>Conservation Projects</u>	<u>Drug Forfeiture</u>	<u>Total</u>
\$ 1,613	\$ 11,812	\$ 633	\$ 67,979
-	-	-	245
<u>\$ 1,613</u>	<u>\$ 11,812</u>	<u>\$ 633</u>	<u>\$ 68,224</u>
<u>\$ -</u>	<u>\$ 87</u>	<u>\$ -</u>	<u>\$ 87</u>
<u>1,613</u>	<u>11,725</u>	<u>633</u>	<u>68,137</u>
<u>\$ 1,613</u>	<u>\$ 11,812</u>	<u>\$ 633</u>	<u>\$ 68,224</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Land Acquisition
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 6,070	\$ -
Charges for service	4,551	-	-	-
Use of money and property	112	16	353	1,074
Miscellaneous	-	-	-	-
Total revenues	<u>4,663</u>	<u>16</u>	<u>6,423</u>	<u>1,074</u>
Expenditures:				
Operating:				
County environment and education	-	-	-	-
Government services to residents	2,872	3,285	-	-
Capital projects	-	-	2,000	96
Total expenditures	<u>2,872</u>	<u>3,285</u>	<u>2,000</u>	<u>96</u>
Excess (deficiency) of revenues over (under) expenditures	1,791	(3,269)	4,423	978
Fund balances beginning of year	<u>23,568</u>	<u>3,503</u>	<u>21,906</u>	<u>1,266</u>
Fund balances end of year	<u>\$ 25,359</u>	<u>\$ 234</u>	<u>\$ 26,329</u>	<u>\$ 2,244</u>

See accompanying independent auditor's report.

<u>Environmental Projects</u>	<u>Conservation Projects</u>	<u>Drug Forfeiture</u>	<u>Total</u>
\$ -	\$ -	\$ -	6,070
-	-	-	4,551
15	72	2	1,644
-	9,629	309	9,938
<u>15</u>	<u>9,701</u>	<u>311</u>	<u>22,203</u>
-	11,363	-	11,363
-	-	-	6,157
-	-	-	2,096
<u>-</u>	<u>11,363</u>	<u>-</u>	<u>19,616</u>
15	(1,662)	311	2,587
<u>1,598</u>	<u>13,387</u>	<u>322</u>	<u>65,550</u>
<u>\$ 1,613</u>	<u>\$ 11,725</u>	<u>\$ 633</u>	<u>\$ 68,137</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2006

	<u>County Recorder</u>	<u>County Assessor</u>	<u>Emergency Management</u>	<u>Brucellosis and Tuberculosis Eradication</u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ 433,931	\$ 1,829	\$ 55
Other County officials	118	-	-	-
Receivables:				
Property tax:				
Delinquent	-	224	-	2
Succeeding year	-	405,000	-	3,000
Accrued interest	-	-	-	-
	<hr/>			
Total assets	<u>\$ 118</u>	<u>\$ 839,155</u>	<u>\$ 1,829</u>	<u>\$ 3,057</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 33,940	\$ 1,829	\$ -
Salaries and benefits payable	-	6,602	-	-
Due to other governments	118	796,668	-	3,057
Trusts payable	-	-	-	-
Compensated absences	-	1,945	-	-
	<hr/>			
Total liabilities	<u>\$ 118</u>	<u>\$ 839,155</u>	<u>\$ 1,829</u>	<u>\$ 3,057</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>
\$ 6,834	\$ 38,532	\$ 196,520	\$ 8,345	\$ 5,348	\$ 2,973	\$ 11,289
-	-	-	-	-	-	-
79	6,746	5,522	247	-	88	357
341,000	3,263,000	10,312,000	453,000	-	158,000	645,000
-	-	-	-	-	-	-
<u>\$ 347,913</u>	<u>\$ 3,308,278</u>	<u>\$ 10,514,042</u>	<u>\$ 461,592</u>	<u>\$ 5,348</u>	<u>\$ 161,061</u>	<u>\$ 656,646</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
347,913	3,308,278	10,514,042	461,592	5,348	161,061	656,646
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 347,913</u>	<u>\$ 3,308,278</u>	<u>\$ 10,514,042</u>	<u>\$ 461,592</u>	<u>\$ 5,348</u>	<u>\$ 161,061</u>	<u>\$ 656,646</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2006

	<u>Auto License and Use Tax</u>	<u>Tax Sale Redemption</u>	<u>Advance Tax Collection</u>	<u>Lake District</u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 296,921	\$ 3,815	\$ 38,819	\$ 1,747
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	101
Succeeding year	-	-	-	160,000
Accrued interest	-	-	-	-
	<hr/>			
Total assets	<u>\$ 296,921</u>	<u>\$ 3,815</u>	<u>\$ 38,819</u>	<u>\$ 161,848</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	296,921	-	-	161,848
Trusts payable	-	3,815	38,819	-
Compensated absences	-	-	-	-
	<hr/>			
Total liabilities	<u>\$ 296,921</u>	<u>\$ 3,815</u>	<u>\$ 38,819</u>	<u>\$ 161,848</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>
\$ 99,821	\$ 5,740	\$ 150	\$ 757	\$ 1,153,426
-	-	-	-	118
-	-	-	-	13,366
-	-	7,000	-	15,747,000
646	-	-	-	646
<u>\$ 100,467</u>	<u>\$ 5,740</u>	<u>\$ 7,150</u>	<u>\$ 757</u>	<u>\$ 16,914,556</u>
\$ 1,280	\$ -	\$ -	\$ -	\$ 37,049
-	-	-	-	6,602
99,187	-	7,150	757	16,820,586
-	5,740	-	-	48,374
-	-	-	-	1,945
<u>\$ 100,467</u>	<u>\$ 5,740</u>	<u>\$ 7,150</u>	<u>\$ 757</u>	<u>\$ 16,914,556</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2006

	County Offices			
	County Auditor	County Recorder	County Sheriff	County Assessor
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ -	\$ 17	\$ -	\$ 705,371
<b>Additions:</b>				
Property and other County tax	-	-	-	404,880
State tax credits	-	-	-	25,490
E-911 surcharge	-	-	-	-
Reimbursements from other governments	-	-	-	-
Office fees and collections	2,779	293,721	84,227	-
Auto licenses, use tax, driver licenses, and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	430,248	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	13,650
<b>Total additions</b>	<b>2,779</b>	<b>293,721</b>	<b>514,475</b>	<b>444,020</b>
<b>Deductions:</b>				
Agency Remittance:				
To other funds	2,779	146,446	81,999	-
To other governments	-	147,174	2,228	310,236
Trusts paid out	-	-	430,248	-
<b>Total deductions</b>	<b>2,779</b>	<b>293,620</b>	<b>514,475</b>	<b>310,236</b>
Balances end of year	\$ -	\$ 118	\$ -	\$ 839,155

<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>
\$ 28,883	\$ 3,055	\$ 334,819	\$ 3,142,071	\$ 10,266,668	\$ 435,365	\$ 4,238
-	2,810	341,068	3,271,664	10,308,297	452,592	-
-	174	19,448	179,151	623,039	26,409	-
-	-	-	-	-	-	-
138,071	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	90,251
-	-	-	-	-	-	-
-	-	-	-	-	-	-
138,071	2,984	360,516	3,450,815	10,931,336	479,001	90,251
-	-	-	-	-	-	-
165,125	2,982	347,422	3,284,608	10,683,962	452,774	89,141
-	-	-	-	-	-	-
165,125	2,982	347,422	3,284,608	10,683,962	452,774	89,141
\$ 1,829	\$ 3,057	\$ 347,913	\$ 3,308,278	\$ 10,514,042	\$ 461,592	\$ 5,348

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2006

	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Auto License and Use Tax</u>	<u>Tax Sale Redemption</u>
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 155,002	\$ 588,328	\$ 352,007	\$ 2,798
Additions:				
Property and other County tax	158,123	644,645	-	-
State tax credits	9,414	35,746	-	-
E-911 surcharge	-	-	-	-
Reimbursements from other governments	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax, driver licenses, and postage	-	-	4,102,191	-
Assessments	-	-	-	-
Trusts	-	-	-	89,741
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>167,537</u>	<u>680,391</u>	<u>4,102,191</u>	<u>89,741</u>
Deductions:				
Agency Remittance:				
To other funds	-	-	168,584	-
To other governments	161,478	612,073	3,988,693	-
Trusts paid out	-	-	-	88,724
Total deductions	<u>161,478</u>	<u>612,073</u>	<u>4,157,277</u>	<u>88,724</u>
Balances end of year	<u>\$ 161,061</u>	<u>\$ 656,646</u>	<u>\$ 296,921</u>	<u>\$ 3,815</u>

<u>Advance Tax Collection</u>	<u>Lake District</u>	<u>E-911</u>	<u>Flex Plan</u>	<u>Fire District</u>
\$ <u>38,577</u>	\$ <u>139,428</u>	\$ <u>130,245</u>	\$ <u>3,555</u>	\$ <u>7,139</u>
-	160,506	-	-	6,502
-	3,416	-	-	494
-	-	112,385	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
38,680	-	-	57,066	-
-	-	5,031	-	-
-	-	-	-	-
<u>38,680</u>	<u>163,922</u>	<u>117,416</u>	<u>57,066</u>	<u>6,996</u>
-	-	-	-	-
-	141,502	147,194	-	6,985
38,438	-	-	54,881	-
<u>38,438</u>	<u>141,502</u>	<u>147,194</u>	<u>54,881</u>	<u>6,985</u>
\$ <u><u>38,819</u></u>	\$ <u><u>161,848</u></u>	\$ <u><u>100,467</u></u>	\$ <u><u>5,740</u></u>	\$ <u><u>7,150</u></u>

DELAWARE COUNTY  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
Year Ended June 30, 2006

	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
<b>ASSETS AND LIABILITIES</b>		
Balances beginning of year	\$ 738	\$ 16,338,304
Additions:		
Property and other County tax	-	15,751,087
State tax credits	-	922,781
E-911 surcharge	-	112,385
Reimbursements from other governments	-	138,071
Office fees and collections	4,551	385,278
Auto licenses, use tax, driver licenses, and postage	-	4,102,191
Assessments	-	90,251
Trusts	-	615,735
Interest on investments	4	5,035
Miscellaneous	-	13,650
Total additions	4,555	22,136,464
Deductions:		
Agency Remittance:		
To other funds	-	399,808
To other governments	4,536	20,548,113
Trusts paid out	-	612,291
Total deductions	4,536	21,560,212
Balances end of year	\$ 757	\$ 16,914,556

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			
	2006	2005	2004	2003
<b>Revenues:</b>				
Property and other County tax	\$ 5,325,886	\$ 5,200,393	\$ 5,222,542	\$ 4,799,793
Interest and penalty on property tax	40,788	43,597	81,024	51,712
Intergovernmental	5,791,503	5,426,274	5,568,521	4,664,112
Licenses and permits	17,588	12,621	12,073	11,505
Charges for service	479,998	462,858	424,759	388,412
Use of money and property	105,223	132,772	126,316	163,378
Miscellaneous	115,864	100,070	224,353	148,449
<b>Total</b>	<b>\$ 11,876,850</b>	<b>\$ 11,378,585</b>	<b>\$ 11,659,588</b>	<b>\$ 10,227,361</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety and legal services	\$ 1,455,562	\$ 1,426,663	\$ 1,333,232	\$ 1,260,843
Physical health and social services	382,510	357,859	347,274	331,113
Mental health	2,148,717	2,064,158	2,107,917	2,065,131
County environment and education services	638,930	559,200	588,682	538,850
Roads and transportation	3,702,804	4,420,188	4,292,224	4,034,142
Governmental services to residents	619,518	530,774	388,652	361,134
Administrative services	916,670	922,012	854,141	907,783
Non-program	12,055	12,072	8,277	20,594
Capital projects	3,239,706	1,896,531	1,598,521	942,031
<b>Total</b>	<b>\$ 13,116,472</b>	<b>\$ 12,189,457</b>	<b>\$ 11,518,920</b>	<b>\$ 10,461,621</b>

See accompanying independent auditor's report.

DELAWARE COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administration Reimbursements:			
State Administration Matching Grants for Food Stamp Program	10.561	FY 06	\$ <u>6,942</u>
U.S. Department of Justice:			
Iowa Department of Secretary of State:			
Protection of Voting Rights	16.104	FY 06	<u>16,323</u>
U.S. General Services Administration:			
Iowa Department of Secretary of State:			
Election Reform Payments	39.011	06-HAVA-28-100	122,680
Election Reform Payments	39.011	06-HAVA-28-SAI	<u>3,535</u>
			<u>126,215</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS CO28(55)	<u>459,464</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558	FY 06	<u>8,375</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 06	<u>1,978</u>
Foster Care - Title IV-E	93.658	FY 06	<u>4,328</u>
Adoption Assistance	93.659	FY 06	<u>1,056</u>
Medical Assistance Program	93.778	FY 06	<u>11,267</u>
Social Services Block Grant	93.667	FY 06	<u>5,881</u>
Social Services Block Grant	93.667	FY 06	<u>69,453</u>
			<u>75,334</u>
Total			<u>\$ 711,282</u>

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

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, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated November 9, 2006. 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 II of the accompanying Schedule of Findings and Questioned Costs.

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 II-A-06 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 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 9, 2006

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Delaware County:

Compliance

We have audited the compliance of Delaware County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Delaware County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Delaware County's management. Our responsibility is to express an opinion on Delaware County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Delaware County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Delaware County's compliance with those requirements.

In our opinion, Delaware County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Delaware County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants agreements applicable to federal programs. In planning and performing our audit, we considered Delaware County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Delaware County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements.

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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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. We noted no material weaknesses during the course of our audit.

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.

Oskaloosa, Iowa  
November 9, 2006

DELAWARE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

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

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

DELAWARE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 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.	Recorder, Sheriff
(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 AND QUESTIONED COSTS  
Year Ended June 30, 2006

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

REPORTABLE CONDITIONS (continued):

II-A-06 Segregation of Duties (continued)

Responses –

County Auditor – The Auditor will evaluate the assignment of personnel in the disbursement processes and determine if an alternative method would enhance internal controls.

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

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

County Treasurer – We have improved procedures during the year and will try to make any necessary changes to improve internal control in the future.

Conclusion – Responses accepted.

II-B-06 Inappropriate Check Signer – We noted that one bank account held by the Sheriff still listed a former employee as an authorized check signer.

Recommendation – The Sheriff should update the authorized signers for this account and should keep the authorized signature card timely updated in the future.

Response – We have already made the necessary change and we will make all future required changes in a timely manner.

Conclusion – Response accepted.

II-C-06 Capital Assets – We noted in our testing of capital assets that the County did not reconcile the year end capital asset summary to the prior year capital asset summary. We also noted that some historical values had been changed and assets purchased in prior years but not capitalized were added to the current year listing. In addition, we noted that adjustments for the capital asset summary are made from two independent input locations with no communication between the employees making the adjustments. All adjustments necessary were made prior to issuance of the financial statements.

Recommendation – The County should have an employee reconcile the capital asset summary and all adjustments to the prior year summary. No changes should be made to historical values unless the change can be well documented and unless the amount is material to the County financial statements. All additions and disposals adjustment inputs should be made at one location to avoid errors and miscommunication and to insure that proper historical values are used. An employee independent of the record-keeping process should use the final capital asset summary for the year and trace, on a test basis, some assets on the listing to the actual asset to verify its existence.

DELAWARE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

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

REPORTABLE CONDITIONS (continued):

II-C-06 Capital Assets (continued)

Response – We will implement these suggestions in the current year. We will properly reconcile all capital assets in the future.

Conclusion – Response accepted.

DELAWARE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

DELAWARE COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amount budgeted in the Capital Projects function prior to amending the budget.

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.

Response – We will amend the budget when required in the future and will watch disbursement levels more closely.

Conclusion – Response accepted.

IV-B-06 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.

IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-06 Business Transactions – Business transactions between the County and County officials or employees were noted as follows:

Related Party	Vendor	Amount
Richard McCrabb, Spouse of County Auditor, 1/3 owner of Don & Walt, LLC	Don & Walt, LLC	\$20,000

The transaction with the company owned by the spouse of the County Auditor does not appear to represent a conflict of interest since the contract was competitively bid as required by the Code of Iowa.

IV-E-06 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.

IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-06 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.

IV-H-06 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).

DELAWARE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

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

IV-I-06 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, 2006 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.