

DELAWARE COUNTY

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

JUNE 30, 2007

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DELAWARE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2007)		
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
(After January 2007)		
William J. Skinner	Board of Supervisors	Jan. 2009
Steven Koeneke	Board of Supervisors	Jan. 2009
Shirley E. Helmrichs	Board of Supervisors	Jan. 2011
Sharon McCrabb	County Auditor	(Resigned Nov 13, 2006)
Carla Becker	County Auditor	(Appointed Nov 13, 2006) Jan. 2009
Carolyn Wilson	County Treasurer	Jan. 2011
Deborah Peyton	County Recorder	Jan. 2011
John LeClere	County Sheriff	Jan. 2009
John Bernau	County Attorney	Jan. 2011
Sheri Orcutt	County Assessor	(Resigned Jan 12, 2007)
Claudia Jo Cahalan	County Assessor	(Appointed Mar 12, 2007) 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, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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 the 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 as of June 30, 2007 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2008 on our consideration of Delaware County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 46 through 48 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, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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
January 8, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Delaware County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- The County's Governmental Fund revenues increased \$713,476 from fiscal year 2006 to fiscal year 2007. Property taxes and other county tax increased \$853,389.
- The County's Governmental Fund expenditures decreased \$1,253,176, from fiscal year 2006 to Fiscal Year 2007. Roads and transportation expenditures decreased by \$515,431 and capital projects expenditures decreased \$1,398,728.
- The County's governmental activities net assets increased approximately 9.24%, or \$1,762,855, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of the 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, 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 schedule 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.

Net Assets of Governmental Activities

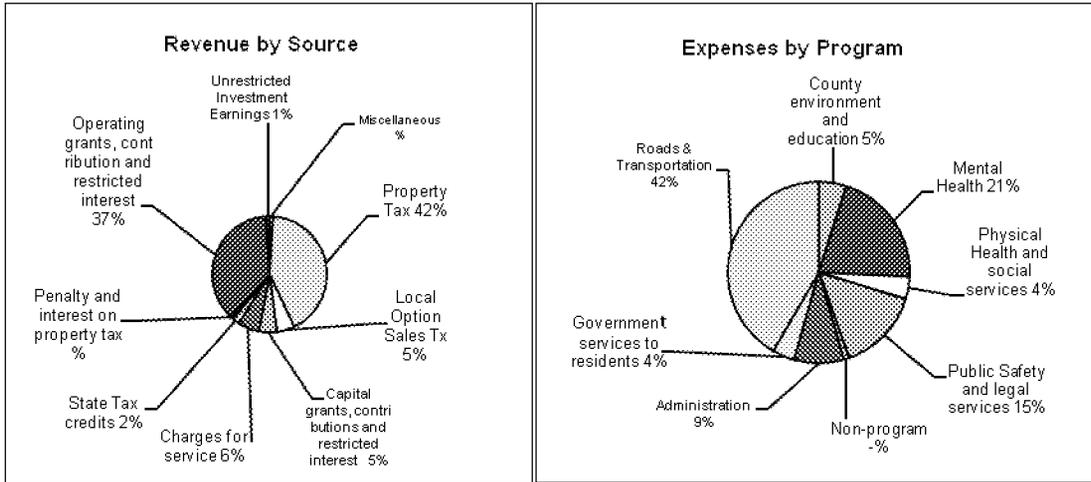
	June 30, 2007	June 30, 2006	% of Change
Current and other assets	\$ 9,236,867	\$ 8,551,913	8%
Capital assets	<u>17,993,316</u>	<u>17,045,996</u>	<u>6%</u>
Total assets	<u>27,230,183</u>	<u>25,597,909</u>	<u>6%</u>
Long-term debt outstanding	215,519	306,550	(30%)
Other liabilities	<u>6,179,560</u>	<u>6,219,110</u>	<u>(1%)</u>
Total liabilities	<u>6,395,079</u>	<u>6,525,660</u>	<u>(2%)</u>
Net assets:			
Invested in capital assets, net of related debt	17,993,316	16,839,487	7%
Restricted	1,687,672	1,228,940	37%
Unrestricted	<u>1,154,116</u>	<u>1,003,822</u>	<u>15%</u>
Total net assets	<u>\$ 20,835,104</u>	<u>\$ 19,072,249</u>	<u>9%</u>

Net assets of Delaware County's governmental activities increased by \$1,762,855 from 2006 (\$20,835,104 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). Any debt related to the investment in capital assets would be liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – are reported at \$1,154,116 at June 30, 2007.

Changes in Net Assets of Governmental Activities

	Year End <u>June 30, 2007</u>	Year End <u>June 30, 2006</u>	<u>% of Change</u>
Revenues:			
Program Revenues			
Charges for services	\$ 824,650	\$ 664,918	24%
Operating grants, contributions and restricted interest	4,746,248	4,824,504	(2%)
Capital grants, contributions and restricted interest	609,921	1,535,586	(60%)
General Revenues:			
Property Tax	5,401,074	4,558,787	18%
Penalty and interest on property tax	36,929	40,788	(10%)
State tax credits	315,850	279,344	13%
Local option sales tax	778,659	766,197	2%
Grants and contributions not restricted to specific purposes	0	0	
Unrestricted investment earnings	168,480	75,958	121%
Miscellaneous Revenues	<u>49,158</u>	<u>44,428</u>	<u>11%</u>
Total Revenues	<u>12,930,969</u>	<u>12,790,510</u>	<u>1%</u>
Program Expenses:			
Public safety and legal services	1,649,710	1,423,962	16%
Physical health and social services	434,188	384,424	13%
Mental Health	2,310,315	2,134,479	8%
County environment and education	584,244	601,319	(3%)
Roads and Transportation	4,693,632	3,787,864	24%
Governmental services to residents	452,579	524,935	(14%)
Administration	1,010,455	944,263	7%
Non-program	32,991	12,055	173%
Capital Projects	0	0	0%
Total Expenses	<u>11,168,114</u>	<u>9,813,301</u>	<u>13%</u>
Increase in net assets	1,762,855	2,977,209	(59%)
Net assets beginning of year	<u>19,072,249</u>	<u>16,095,040</u>	<u>18%</u>
Net assets end of year	<u>\$ 20,835,104</u>	<u>\$ 19,072,249</u>	<u>9%</u>



(FOR ILLUSTRATIVE PURPOSES)

INDIVIDUAL MAJOR FUND ANALYSIS

As Delaware County completed the year, its governmental funds reported a combined fund balance of \$2,975,702, an increase of \$763,326 from last year’s total of \$2,212,376. The increase in fund balance is primarily attributable to a decrease in expenditures including decreased construction costs for Secondary Roads. The following are fund balances of the major funds from the current year as compared to the prior year:

Ending Fund Balances

	General Fund	MH Fund	Rural Services Fund	Secondary Road Fund	Other	Total
2007	1,372,843	26,552	33,934	1,477,949	64,424	2,975,702
2006	1,057,545	301,940	18,992	765,762	68,137	2,212,376
Difference	315,298	(275,388)	14,942	712,187	(3,713)	763,326
%	30%	(91%)	79%	93%	(5%)	35%

As the County completed the year, its governmental funds reported a combined fund balance of \$2,975,702. This is an increase of \$763,326 over the previous year. The following are major reasons for the changes in fund balances from the prior year:

1. General Fund revenues increased \$770,093 while expenditures increased only \$264,343 when compared to the prior year. The ending fund balance showed an increase of \$315,298.
2. The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$2,596,198, an increase of approximately 21% over the prior year. The Mental Health fund balance at year end was down 91% from the prior year due to the increase in expenditures but smaller increase in revenues. Lowering the ending balance in 2006 qualified Delaware County for more state funding of the growth and other state allocation dollars in 2007. The decrease in the 2007 fund balance will directly affect the state allocation of revenue for the 2008 fiscal year
3. Net Secondary Road fund balances were higher this year because the annual county rock resurfacing program and a large construction project let in FY 2007 carried into FY 2008 with little expended on either project. The rock resurfacing program was late starting and not completed until after September 2007. Normally half of the project is completed prior to July 1. The grading project on Goose Hill Road was let in May and did not see significant startup work until late July 2007. We will file a FY 2008 amendment to adjust the budgeted expenditures to cover the carryover projects for FY 2008.
4. The Rural Services Fund expenditures for 2007 were \$121,764, down from \$134,590 expended in 2006. Revenues were up \$146,099 from 2006 (\$1,500,834 compared to \$1,354,735 in 2006). 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 increased \$14,942 during FY 2007.

BUDGETARY HIGHLIGHTS

Over the course of the year, Delaware County amended its budget two (2) times. The first amendment was made March 12, 2007 to accommodate \$188,715 in expenditures. \$22,800 was in Government Services to Residents, \$18,500 in Public Safety and the remainder was in the Secondary Road department for Road Engineering and Construction expenditures. The second amendment was made on May 21, 2007. Mental Health expenditures were increased \$150,000 to offset an unexpected increase in state allocations. Veteran Affairs expenditures increased \$6,000 to expend grant monies received from the State. With other various small changes in several areas, said amendment increased total expenditures by \$173,500.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2007, Delaware County had approximately \$17,993,316 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

Capital Assets of Governmental Activities At Year End	
	June 30, 2007
<u>Acquisition cost:</u>	
Land	\$ 591,102
Construction in progress	1,062,216
Buildings and improvement	3,415,220
Equipment and vehicles	5,851,521
Infrastructure	<u>12,981,717</u>
Total	\$ 23,901,776
<u>Accumulated depreciation:</u>	
Buildings	\$ (1,865,093)
Machinery & Equipment	(3,207,102)
Infrastructure	<u>(836,265)</u>
Total net government activities capital assets	\$ 17,993,316

The County had depreciation expense of \$900,011 in FY07 and total accumulated depreciation of \$5,908,460 at June 30, 2007.

Long-Term Liabilities

At June 30, 2007, Delaware County had \$215,519 in long-term liabilities compared to \$306,550 at June 30, 2006, as shown below:

Outstanding Long-Term Liabilities of Governmental Activities At Year End	
	June 30, 2007
Compensated absences	\$ <u>215,519</u>

Long-term liabilities decreased as a result of the completion of the real estate contract to purchase the Mitchell-Retz Park but also increased due to an increase in compensated absences for a net decrease of \$91,031.

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 2007 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 2008. Amounts available for appropriation in the operating budget are \$13,050,485, an increase of 2% from the final 2007 budget (after the final amendment). These factors were all part of the considerations for the FY 2008 budget which certified taxes as follows: (Amount certified includes utility replacement and property tax dollars)

	<u>Dollars</u> <u>Certified</u>	<u>Percentage</u> <u>Increase (Decrease)</u>
General Fund	\$2,763,794	2.1%
General Supplemental	539,820	(14.3%)
Mental Health Fund	926,948	0.0%
Rural Services	1,557,300	7.5%

Levy rates for 2006/2007 decreased slightly in all funds except Rural Services which saw an increase of 16.95 cents per thousand over the 2005/2006 levy due mostly to an increase in the amount transferred to Secondary Road. An increase in valuations helped keep the levy amounts to near 2005/2006 levels.

Delaware County has had the following initiatives to the 2008 budget:

1. The 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. A part-time GIS Specialist was added to the Auditor's staff.
3. Upgrade of data processing main AS-400 server, upgrade of optical juke box and addition of mounting rack and thin console.
4. Increase in construction costs for Secondary Road due to large scale projects carrying over into FY 08. Fuel costs and an extremely hard winter also became a factor for this limited budget.

If these estimates are realized, the County's budgetary operating balance is expected to remain fairly consistent for the close of 2008.

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, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,692,950
Receivables:	
Property tax:	
Delinquent	2,308
Succeeding year	5,479,000
Interest and penalty on property tax	749
Accounts	9,426
Accrued interest	12,969
Due from other governments	651,723
Contract receivable (note 4)	78,558
Inventories	309,184
Capital assets, net of accumulated depreciation (note 5)	<u>17,993,316</u>
 Total assets	 <u>27,230,183</u>
Liabilities	
Accounts payable	319,557
Salaries and benefits payable	127,247
Due to other governments (note 6)	253,756
Deferred revenue:	
Succeeding year property tax	5,479,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Compensated absences	111,875
Portion due or payable after one year:	
Compensated absences	<u>103,644</u>
 Total liabilities	 <u>6,395,079</u>

DELAWARE COUNTY
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets	\$ 17,993,316
Restricted for:	
Supplemental levy purposes	155,500
Jail room and board	14,298
Mental health purposes	20,395
Rural services	34,191
Secondary roads	1,398,864
Other special revenue purposes	64,424
Unrestricted	<u>1,154,116</u>
Total net assets	<u>\$ 20,835,104</u>

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

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	\$ 1,649,710	\$ 207,602	\$ 9,767	\$ -	\$ (1,432,341)
Physical health and social services	434,188	12,962	117,567	-	(303,659)
Mental health	2,310,315	29,560	1,365,529	-	(915,226)
County environment and education	584,244	174,508	124,959	132,509	(152,268)
Roads and transportation	4,693,632	36,501	3,114,225	477,412	(1,065,494)
Government services to residents	452,579	341,070	8,201	-	(103,308)
Administration	1,010,455	22,447	6,000	-	(982,008)
Non-program	32,991	-	-	-	(32,991)
Total	\$ 11,168,114	\$ 824,650	\$ 4,746,248	\$ 609,921	(4,987,295)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,401,074
Penalty and interest on property tax					36,929
State tax credits					315,850
Local option sales and services tax					778,659
Unrestricted investment earnings					168,480
Miscellaneous					49,158
Total general revenues					6,750,150
Change in net assets					1,762,855
Net assets beginning of year					19,072,249
Net assets end of year					\$ 20,835,104

See notes to financial statements.

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DELAWARE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,451,086	\$ 398,436	\$ 33,932	\$ 748,218
Receivables:				
Property tax:				
Delinquent	1,600	449	259	-
Succeeding year	3,127,000	877,000	1,475,000	-
Interest and penalty on property tax	749	-	-	-
Accounts	4,604	1,154	-	3,668
Accrued interest	12,568	-	-	-
Contract receivable (note 4)	-	-	-	78,558
Due from other governments	57,744	42,297	-	548,464
Inventories	-	-	-	309,184
Total assets	<u>\$ 4,655,351</u>	<u>\$ 1,319,336</u>	<u>\$ 1,509,191</u>	<u>\$ 1,688,092</u>

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 61,278	\$ 2,692,950
-	2,308
-	5,479,000
-	749
-	9,426
401	12,969
-	78,558
3,218	651,723
-	309,184
<u>\$ 64,897</u>	<u>\$ 9,236,867</u>

DELAWARE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 75,578	\$ 148,963	\$ -	\$ 94,543
Salaries and benefits payable	77,588	12,617	-	37,042
Due to other governments (note 6)	-	253,756	-	-
Deferred revenue:				
Succeeding year property tax	3,127,000	877,000	1,475,000	-
Other	2,342	448	257	78,558
Total liabilities	<u>3,282,508</u>	<u>1,292,784</u>	<u>1,475,257</u>	<u>210,143</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	309,184
Supplemental levy purposes	155,239	-	-	-
Jail room and board	14,298	-	-	-
Unreserved, reported in:				
General fund	1,203,306	-	-	-
Special revenue funds	-	26,552	33,934	1,168,765
Total fund balances	<u>1,372,843</u>	<u>26,552</u>	<u>33,934</u>	<u>1,477,949</u>
Total liabilities and fund balances	<u>\$ 4,655,351</u>	<u>\$ 1,319,336</u>	<u>\$ 1,509,191</u>	<u>\$ 1,688,092</u>

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 473	\$ 319,557
-	127,247
-	253,756
-	5,479,000
-	81,605
473	6,261,165
-	309,184
-	155,239
-	14,298
-	1,203,306
64,424	1,293,675
64,424	2,975,702
\$ 64,897	\$ 9,236,867

DELAWARE COUNTY
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2007

Total fund balances of governmental funds	\$ 2,975,702
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 \$23,901,776 and the accumulated depreciation is \$5,908,460.	17,993,316
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	81,605
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(215,519)</u>
Net assets of governmental activities	<u>\$ 20,835,104</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, 2007

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 3,232,055	\$ 875,911	\$ 1,370,516	\$ 700,793
Interest and penalty on property tax	36,929	-	-	-
Intergovernmental	554,435	1,417,191	130,318	3,420,257
Licenses and permits	8,500	-	-	4,735
Charges for service	464,503	-	-	-
Use of money and property	199,800	9,351	-	-
Miscellaneous	83,368	18,357	-	35,028
Total revenues	<u>4,579,590</u>	<u>2,320,810</u>	<u>1,500,834</u>	<u>4,160,813</u>
Expenditures:				
Operating:				
Public safety and legal services	1,660,015	-	-	-
Physical health and social services	431,955	-	-	-
Mental health	-	2,596,198	-	-
County environment and education	573,177	-	116,725	-
Roads and transportation	-	-	-	3,187,373
Government services to residents	435,921	-	5,039	-
Administration	967,030	-	-	-
Non-program	32,991	-	-	-
Capital projects	163,203	-	-	1,661,677
Total expenditures	<u>4,264,292</u>	<u>2,596,198</u>	<u>121,764</u>	<u>4,849,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>315,298</u>	<u>(275,388)</u>	<u>1,379,070</u>	<u>(688,237)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	36,296
Interfund transfers in (note 3)	-	-	-	1,364,128
Interfund transfers out (note 3)	-	-	(1,364,128)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,364,128)</u>	<u>1,400,424</u>
Net change in fund balances	315,298	(275,388)	14,942	712,187
Fund balances beginning of year	<u>1,057,545</u>	<u>301,940</u>	<u>18,992</u>	<u>765,762</u>
Fund balances end of year	<u>\$ 1,372,843</u>	<u>\$ 26,552</u>	<u>\$ 33,934</u>	<u>\$ 1,477,949</u>

See notes to financial statements.

	Nonmajor Governmental Funds	Total
\$	-	\$ 6,179,275
	-	36,929
	17,504	5,539,705
	-	13,235
	4,199	468,702
	1,925	211,076
	4,651	141,404
	<u>28,279</u>	<u>12,590,326</u>
	-	1,660,015
	-	431,955
	-	2,596,198
	12,604	702,506
	-	3,187,373
	3,290	444,250
	-	967,030
	-	32,991
	<u>16,098</u>	<u>1,840,978</u>
	<u>31,992</u>	<u>11,863,296</u>
	<u>(3,713)</u>	<u>727,030</u>
	-	36,296
	-	1,364,128
	-	(1,364,128)
	<u>-</u>	<u>36,296</u>
	(3,713)	763,326
	<u>68,137</u>	<u>2,212,376</u>
\$	<u><u>64,424</u></u>	<u><u>\$ 2,975,702</u></u>

DELAWARE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 763,326

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 outlay
expenditures and depreciation expense in the current year are as follows:

	Capital outlays	\$ 1,636,671	
Capital assets contributed by the Iowa Department of Transportation		210,660	
Depreciation expense		<u>(900,011)</u>	947,320

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, as follows:

	Property tax	458	
Other		<u>(39,280)</u>	(38,822)

Repayment of real estate contract principle is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities in the
Statement of Net Assets. 74,000

Payments made by outside entities to retire long-term County liabilities
are not recorded as revenue in governmental funds but are shown as
capital contributions in the Statement of Activities. 132,509

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 the governmental funds, as follows:

	Compensated absences	<u>(115,478)</u>	
--	----------------------	------------------	--

Change in net assets of governmental activities \$ 1,762,855

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2007

	<u>Private - Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ -	\$ 1,355,270
Other County officials	248,087	3
Receivables:		
Property tax:		
Delinquent	-	11,620
Succeeding year	-	15,861,000
Accounts	-	2,536
Accrued interest	-	448
Total assets	<u>248,087</u>	<u>\$ 17,230,877</u>
Liabilities		
Accounts payable	-	\$ 20,623
Salaries and benefits payable	-	7,798
Due to other governments (note 6)	-	17,117,355
Trusts payable	-	81,838
Compensated absences	-	3,263
Total liabilities	<u>-</u>	<u>\$ 17,230,877</u>
Net Assets		
Restricted for:		
Trust principal - Spangler	128,000	
Trust principal - Corell	2,162	
Unrestricted	<u>117,925</u>	
	<u>\$ 248,087</u>	

See notes to financial statements.

DELAWARE COUNTY
 STATEMENT OF CHANGES IN NET ASSETS
 PRIVATE – PURPOSE TRUST FUNDS
 Year Ended June 30, 2007

	<u>Private - Purpose Trust Funds</u>
Revenues	
Interest on investments	\$ <u>7,290</u>
Expenditures:	
Vision care	1,053
Supplies and equipment	<u>12,445</u>
Total expenditures	<u>13,498</u>
Net change in fund balance	(6,208)
Balance beginning of year	<u>254,295</u>
Balance end of year	\$ <u><u>248,087</u></u>

See notes to financial statements.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

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 accounting principles generally accepted in the United States of America, 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. 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.

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.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

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

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues 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 expenditures, 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, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

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.

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.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund 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 liabilities 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, 2007

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

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, 2007

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, 2007. 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 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, 2007, disbursements did not exceed the amounts budgeted in any of the County functions and disbursements did not exceed the amounts appropriated in any department.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 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.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u>1,364,128</u>

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

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:

<u>Year Ended June 30,</u>	<u>Amount</u>
2008	\$ 39,280
2009	<u>39,278</u>
	<u>\$ 78,558</u>

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 579,102	\$ 12,000	\$ -	\$ 591,102
Construction in progress	108,284	1,132,501	178,569	1,062,216
Total capital assets not being depreciated	<u>687,386</u>	<u>1,144,501</u>	<u>178,569</u>	<u>1,653,318</u>
Capital assets being depreciated:				
Buildings	3,252,020	163,200	-	3,415,220
Machinery and equipment	5,804,098	319,681	272,258	5,851,521
Infrastructure	12,583,199	398,518	-	12,981,717
Total capital assets being depreciated	<u>21,639,317</u>	<u>881,399</u>	<u>272,258</u>	<u>22,248,458</u>
Less accumulated depreciation for:				
Buildings	1,799,769	65,324	-	1,865,093
Machinery and equipment	2,970,411	508,949	272,258	3,207,102
Infrastructure	510,527	325,738	-	836,265
Total accumulated depreciation	<u>5,280,707</u>	<u>900,011</u>	<u>272,258</u>	<u>5,908,460</u>
Total capital assets being depreciated, net	<u>16,358,610</u>	<u>(18,612)</u>	<u>-</u>	<u>16,339,998</u>
Governmental activities capital assets, net	<u>\$ 17,045,996</u>	<u>\$ 1,125,889</u>	<u>\$ 178,569</u>	<u>\$ 17,993,316</u>

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	44,619
Physical health and social services		1,914
Mental health		25,069
County environment and education		32,153
Roads and transportation		739,842
Government services to residents		9,814
Administration		<u>46,600</u>
Total depreciation expense - governmental activities	\$	<u><u>900,011</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	\$ <u><u>253,756</u></u>
Agency:		
County Assessor	Collections	\$ 1,053,817
Townships		351,927
Corporations		3,074,580
Schools		10,629,437
Area Schools		471,729
Auto License and Use Tax		382,975
County Hospital		717,952
All Other		<u>434,938</u>
Total for agency funds		\$ <u><u>17,117,355</u></u>

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Real Estate Contract	Compensated Absences	Total
Balance beginning of year	\$ 206,509	\$ 100,041	\$ 306,550
Increases	-	215,519	215,519
Decreases	206,509	100,041	306,550
Balance end of year	<u>\$ -</u>	<u>\$ 215,519</u>	<u>\$ 215,519</u>
Due within one year	<u>\$ -</u>	<u>\$ 111,875</u>	<u>\$ 111,875</u>

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, 2007, 2006 and 2005 were \$199,679, \$187,611 and \$181,778, respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

Note 10. Construction Commitment

The County has entered into contracts totaling \$2,174,066 for various construction projects. As of June 30, 2007, costs of \$258,440 have been incurred against the contracts. The balance remaining at June 30, 2007 of \$1,915,626 will be paid as work on the projects progresses. In addition, the County's farm-to-market program through the State of Iowa entered into a contract totaling \$1,553,959. This amount will be paid by the State of Iowa except for a \$600,000 local match contribution which was paid by the County prior to year end.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 11. Private-Purpose Trust Funds

James E. Corell Trust

A portion of the estate of James E. Corell 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, an agency fund of the County, 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, 2007, the County Emergency Management Commission had a balance due on the line-of-credit of \$135,894. During the year ended June 30, 2007, the Commission made loan principal repayments on the agreement totaling \$54,106. The line of credit is not a general obligation of the County and is payable solely from emergency management revenues.

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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, 2007

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 6,115,678	\$ 6,116,012	\$ 6,116,012	\$ (334)
Interest and penalty on property tax	37,036	30,800	30,800	6,236
Intergovernmental	5,445,841	5,469,628	5,469,628	(23,787)
Licenses and permits	13,525	11,200	11,200	2,325
Charges for service	467,008	370,410	370,410	96,598
Use of money and property	218,903	107,175	107,175	111,728
Miscellaneous	141,124	83,910	83,910	57,214
Total receipts	<u>12,439,115</u>	<u>12,189,135</u>	<u>12,189,135</u>	<u>249,980</u>
DISBURSEMENTS:				
Public safety and legal services	1,649,000	1,706,964	1,733,964	84,964
Physical health and social services	410,835	490,105	496,105	85,270
Mental health	2,393,145	2,243,219	2,393,219	74
County environment and education	700,798	730,050	735,050	34,252
Roads and transportation	3,294,425	3,545,000	3,510,000	215,575
Government services to residents	451,263	461,665	484,465	33,202
Administration	966,969	1,065,016	1,069,016	102,047
Non-program	23,650	25,960	25,960	2,310
Capital projects	2,147,182	2,202,500	2,384,915	237,733
Total disbursements	<u>12,037,267</u>	<u>12,470,479</u>	<u>12,832,694</u>	<u>795,427</u>
Excess (deficiency) of receipts over (under) disbursements	401,848	(281,344)	(643,559)	1,045,407
Other financing sources, net	<u>36,296</u>	<u>5,000</u>	<u>5,000</u>	<u>31,296</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	438,144	(276,344)	(638,559)	1,076,703
Balance beginning of year	<u>2,254,806</u>	<u>1,657,955</u>	<u>2,254,806</u>	-
Balance end of year	<u>\$ 2,692,950</u>	<u>\$ 1,381,611</u>	<u>\$ 1,616,247</u>	<u>\$ 1,076,703</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,439,115	\$ 151,211	\$ 12,590,326
Expenditures	12,037,267	(173,971)	11,863,296
Net	401,848	325,182	727,030
Other financing sources	36,296	-	36,296
Beginning fund balances	2,254,806	(42,430)	2,212,376
Ending fund balances	<u>\$ 2,692,950</u>	<u>\$ 282,752</u>	<u>\$ 2,975,702</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2007

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, internal service funds, 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, two budget amendments increased budgeted disbursements by \$362,215. These budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted in any of the functions and disbursements did not exceed the amounts appropriated in any department.

Other Supplementary Information

DELAWARE COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Land Acquisition
Assets				
Cash and pooled investments	\$ 26,389	\$ 234	\$ 24,915	\$ 2,981
Receivables:				
Accrued interest	-	-	252	25
Due from other governments	-	-	3,218	-
Total assets	<u>\$ 26,389</u>	<u>\$ 234</u>	<u>\$ 28,385</u>	<u>\$ 3,006</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Fund equity:				
Fund balances:				
Unreserved	<u>26,389</u>	<u>234</u>	<u>28,385</u>	<u>3,006</u>
Total liabilities and fund equity	<u>\$ 26,389</u>	<u>\$ 234</u>	<u>\$ 28,385</u>	<u>\$ 3,006</u>

See accompanying independent auditor's report.

<u>Environmental Projects</u>	<u>Conservation Projects</u>	<u>Drug Forfeiture</u>	<u>Total</u>
\$ 1,644	\$ 4,470	\$ 645	\$ 61,278
16	102	6	401
-	-	-	3,218
<u>\$ 1,660</u>	<u>\$ 4,572</u>	<u>\$ 651</u>	<u>\$ 64,897</u>
<u>\$ -</u>	<u>\$ 473</u>	<u>\$ -</u>	<u>\$ 473</u>
1,660	4,099	651	64,424
<u>\$ 1,660</u>	<u>\$ 4,572</u>	<u>\$ 651</u>	<u>\$ 64,897</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2007

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Land Acquisition
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 17,504	\$ -
Charges for service	4,199	-	-	-
Use of money and property	121	-	552	860
Miscellaneous	-	-	-	-
Total revenues	<u>4,320</u>	<u>-</u>	<u>18,056</u>	<u>860</u>
Expenditures:				
Operating:				
County environment and education	-	-	-	-
Government services to residents	3,290	-	-	-
Capital Projects	-	-	16,000	98
Total expenditures	<u>3,290</u>	<u>-</u>	<u>16,000</u>	<u>98</u>
Excess (deficiency) of revenues over (under) expenditures	1,030	-	2,056	762
Fund balances beginning of year	<u>25,359</u>	<u>234</u>	<u>26,329</u>	<u>2,244</u>
Fund balances end of year	<u>\$ 26,389</u>	<u>\$ 234</u>	<u>\$ 28,385</u>	<u>\$ 3,006</u>

See accompanying independent auditor's report.

<u>Environmental Projects</u>	<u>Conservation Projects</u>	<u>Drug Forfeiture</u>	<u>Total</u>
\$ -	\$ -	\$ -	17,504
-	-	-	4,199
47	327	18	1,925
-	4,651	-	4,651
47	4,978	18	28,279
-	12,604	-	12,604
-	-	-	3,290
-	-	-	16,098
-	12,604	-	31,992
47	(7,626)	18	(3,713)
1,613	11,725	633	68,137
<u>\$ 1,660</u>	<u>\$ 4,099</u>	<u>\$ 651</u>	<u>\$ 64,424</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2007

	<u>County Recorder</u>	<u>County Assessor</u>	<u>Emergency Management</u>	<u>Brucellosis and Tuberculosis Eradication</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ 546,734	\$ 20,386	\$ 48
Other County officials	3	-	-	-
Receivables:				
Property tax:				
Delinquent	-	266	-	1
Succeeding year	-	519,000	-	3,000
Accounts	-	233	-	-
Accrued interest	-	-	-	-
 Total assets	 \$ <u>3</u>	 \$ <u>1,066,233</u>	 \$ <u>20,386</u>	 \$ <u>3,049</u>
 LIABILITIES				
Accounts payable	\$ -	\$ 1,355	\$ 18,037	\$ -
Salaries and benefits payable	-	7,798	-	-
Due to other governments	3	1,053,817	2,349	3,049
Trusts payable	-	-	-	-
Compensated absences	-	3,263	-	-
 Total liabilities	 \$ <u>3</u>	 \$ <u>1,066,233</u>	 \$ <u>20,386</u>	 \$ <u>3,049</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>
\$ 5,848	\$ 36,204	\$ 170,274	\$ 7,495	\$ 11,360	\$ 2,598	\$ 10,590
-	-	-	-	-	-	-
79	5,376	5,163	234	-	86	362
346,000	3,033,000	10,454,000	464,000	-	168,000	707,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 351,927</u>	<u>\$ 3,074,580</u>	<u>\$ 10,629,437</u>	<u>\$ 471,729</u>	<u>\$ 11,360</u>	<u>\$ 170,684</u>	<u>\$ 717,952</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
351,927	3,074,580	10,629,437	471,729	11,360	170,684	717,952
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 351,927</u>	<u>\$ 3,074,580</u>	<u>\$ 10,629,437</u>	<u>\$ 471,729</u>	<u>\$ 11,360</u>	<u>\$ 170,684</u>	<u>\$ 717,952</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2007

	<u>Auto License and Use Tax</u>	<u>Tax Sale Redemption</u>	<u>Advance Tax Collection</u>	<u>Lake District</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 382,975	\$ 46,732	\$ 26,916	\$ 1,229
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	53
Succeeding year	-	-	-	160,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
	<hr/>			
Total assets	<u>\$ 382,975</u>	<u>\$ 46,732</u>	<u>\$ 26,916</u>	<u>\$ 161,282</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	382,975	-	-	161,282
Trusts payable	-	46,732	26,916	-
Compensated absences	-	-	-	-
	<hr/>			
Total liabilities	<u>\$ 382,975</u>	<u>\$ 46,732</u>	<u>\$ 26,916</u>	<u>\$ 161,282</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>
\$ 79,064	\$ 5,887	\$ 150	\$ 780	\$ 1,355,270
-	-	-	-	3
-	-	-	-	11,620
-	-	7,000	-	15,861,000
-	2,303	-	-	2,536
446	-	-	2	448
<u>\$ 79,510</u>	<u>\$ 8,190</u>	<u>\$ 7,150</u>	<u>\$ 782</u>	<u>\$ 17,230,877</u>
\$ 1,231	\$ -	\$ -	\$ -	\$ 20,623
-	-	-	-	7,798
78,279	-	7,150	782	17,117,355
-	8,190	-	-	81,838
-	-	-	-	3,263
<u>\$ 79,510</u>	<u>\$ 8,190</u>	<u>\$ 7,150</u>	<u>\$ 782</u>	<u>\$ 17,230,877</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2007

	County Offices			
	County Auditor	County Recorder	County Sheriff	County Assessor
ASSETS AND LIABILITIES				
Balances beginning of year	\$ -	\$ 118	\$ -	\$ 839,155
Additions:				
Property and other County tax	-	-	-	519,382
State tax credits	-	-	-	23,906
E-911 surcharge	-	-	-	-
Reimbursements from other governments	-	-	-	-
Office fees and collections	2,369	362,418	89,358	-
Auto licenses, use tax, driver licenses, and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	77,962	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	6,165
Total additions	2,369	362,418	167,320	549,453
Deductions:				
Agency Remittance:				
To other funds	2,369	154,371	87,020	-
To other governments	-	208,162	2,338	322,375
Trusts paid out	-	-	77,962	-
Total deductions	2,369	362,533	167,320	322,375
Balances end of year	\$ -	\$ 3	\$ -	\$ 1,066,233

<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>
\$ 1,829	\$ 3,057	\$ 347,913	\$ 3,308,278	\$ 10,514,042	\$ 461,592	\$ 5,348
-	2,919	346,538	3,048,249	10,452,836	464,800	-
-	172	19,403	179,695	608,719	26,816	-
-	-	-	-	-	-	-
238,221	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	188,335
-	-	-	-	-	-	-
-	-	-	-	-	-	-
238,221	3,091	365,941	3,227,944	11,061,555	491,616	188,335
-	-	-	-	-	-	-
219,664	3,099	361,927	3,461,642	10,946,160	481,479	182,323
-	-	-	-	-	-	-
219,664	3,099	361,927	3,461,642	10,946,160	481,479	182,323
\$ 20,386	\$ 3,049	\$ 351,927	\$ 3,074,580	\$ 10,629,437	\$ 471,729	\$ 11,360

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2007

	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Auto License and Use Tax</u>	<u>Tax Sale Redemption</u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 161,061	\$ 656,646	\$ 296,921	\$ 3,815
Additions:				
Property and other County tax	168,187	706,951	-	-
State tax credits	9,330	38,037	-	-
E-911 surcharge	-	-	-	-
Reimbursements from other governments	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax, driver licenses, and postage	-	-	4,150,428	-
Assessments	-	-	-	-
Trusts	-	-	-	104,714
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>177,517</u>	<u>744,988</u>	<u>4,150,428</u>	<u>104,714</u>
Deductions:				
Agency Remittance:				
To other funds	-	-	160,479	-
To other governments	167,894	683,682	3,903,895	-
Trusts paid out	-	-	-	61,797
Total deductions	<u>167,894</u>	<u>683,682</u>	<u>4,064,374</u>	<u>61,797</u>
Balances end of year	<u>\$ 170,684</u>	<u>\$ 717,952</u>	<u>\$ 382,975</u>	<u>\$ 46,732</u>

<u>Advance Tax Collection</u>	<u>Lake District</u>	<u>E-911</u>	<u>Flex Plan</u>	<u>Fire District</u>
\$ <u>38,819</u>	\$ <u>161,848</u>	\$ <u>100,467</u>	\$ <u>5,740</u>	\$ <u>7,150</u>
-	160,799	-	-	6,528
-	3,438	-	-	469
-	-	144,724	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
26,085	-	-	58,642	-
-	-	4,699	-	-
-	-	-	-	-
<u>26,085</u>	<u>164,237</u>	<u>149,423</u>	<u>58,642</u>	<u>6,997</u>
-	-	-	-	-
-	164,803	170,380	-	6,997
37,988	-	-	56,192	-
<u>37,988</u>	<u>164,803</u>	<u>170,380</u>	<u>56,192</u>	<u>6,997</u>
\$ <u><u>26,916</u></u>	\$ <u><u>161,282</u></u>	\$ <u><u>79,510</u></u>	\$ <u><u>8,190</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, 2007

	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
ASSETS AND LIABILITIES		
Balances beginning of year	\$ <u>757</u>	\$ <u>16,914,556</u>
Additions:		
Property and other County tax	-	15,877,189
State tax credits	-	909,985
E-911 surcharge	-	144,724
Reimbursements from other governments	-	238,221
Office fees and collections	4,199	458,344
Auto licenses, use tax, driver licenses, and postage	-	4,150,428
Assessments	-	188,335
Trusts	-	267,403
Interest on investments	13	4,712
Miscellaneous	-	6,165
Total additions	<u>4,212</u>	<u>22,245,506</u>
Deductions:		
Agency Remittance:		
To other funds	-	404,239
To other governments	4,187	21,291,007
Trusts paid out	-	233,939
Total deductions	<u>4,187</u>	<u>21,929,185</u>
Balances end of year	\$ <u><u>782</u></u>	\$ <u><u>17,230,877</u></u>

See accompanying independent auditor's report.

DELAWARE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2007	2006	2005	2004
Revenues:				
Property and other County tax	\$ 6,179,275	\$ 5,325,886	\$ 5,200,393	\$ 5,222,542
Interest and penalty on property tax	36,929	40,788	43,597	81,024
Intergovernmental	5,539,705	5,791,503	5,426,274	5,568,521
Licenses and permits	13,235	17,588	12,621	12,073
Charges for service	468,702	479,998	462,858	424,759
Use of money and property	211,076	105,223	132,772	126,316
Miscellaneous	141,404	115,864	100,070	224,353
Total	\$ 12,590,326	\$ 11,876,850	\$ 11,378,585	\$ 11,659,588
Expenditures:				
Current:				
Public safety and legal services	\$ 1,660,015	\$ 1,455,562	\$ 1,426,663	\$ 1,333,232
Physical health and social services	431,955	382,510	357,859	347,274
Mental health	2,596,198	2,148,717	2,064,158	2,107,917
County environment and education services	702,506	638,930	559,200	588,682
Roads and transportation	3,187,373	3,702,804	4,420,188	4,292,224
Governmental services to residents	444,250	619,518	530,774	388,652
Administrative services	967,030	916,670	922,012	854,141
Non-program	32,991	12,055	12,072	8,277
Capital projects	1,840,978	3,239,706	1,896,531	1,598,521
Total	\$ 11,863,296	\$ 13,116,472	\$ 12,189,457	\$ 11,518,920

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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delaware County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Delaware County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Delaware County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Delaware County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Delaware County's financial statements that is more than inconsequential will not be prevented or detected by Delaware County's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Delaware County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07 and I-B-07 are material weaknesses.

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 and contracts, 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.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 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.

Delaware County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Delaware County's responses and, accordingly, we express no opinion on them.

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
January 8, 2008

DELAWARE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 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, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

DELAWARE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

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

SIGNIFICANT DEFICIENCIES (continued):

I-A-07 Segregation of Duties (continued)

Responses –

County Auditor – The Auditor will evaluate the assignment of personnel in the payroll and disbursement processes and determine if an alternative method would enhance internal controls. We are working on improvements for the next year.

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.

I-B-07 Financial Reporting – During the audit, we identified material amounts of receivables not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables are identified and included in the County’s financial statements.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

I-C-07 Untimely Recording of Receipts – We noted in our testing of bank reconciliations and accounts receivable that three receipts totaling \$66,700.74 had been deposited in cash in early June, 2007 but had not been recorded as receipts until July, 2007. This resulted in a misclassification of assets at year end by understating cash and overstating accounts receivable.

Recommendation – All receipts should be recorded into cash in a timely manner to protect the underlying asset and to maintain accurate County records.

DELAWARE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

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

SIGNIFICANT DEFICIENCIES (continued):

I-C-07 Untimely Recording of Receipts (continued)

Response – This was an oversight for the month of June where we missed recording three direct deposits made to our account by the State of Iowa. We discovered the oversight while preparing our June bank reconciliation in early July and made an entry to accounts receivable rather than cash because we had already closed out our records for fiscal year ending June 30, 2007. We will develop procedures to insure that we properly and timely account for all direct deposit receipts.

Conclusion – Response accepted.

DELAWARE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted in any of the County functions or departmental appropriations.
- II-B-07 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-07 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-H-07 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-J-07 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, 2007 for the County Extension Office did not exceed the amount budgeted.