

DELAWARE COUNTY

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

JUNE 30, 2008

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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. 2011
Carla Becker	County Auditor	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
Claudia Jo Cahalan	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Delaware County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delaware County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements 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 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, 2008 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 29, 2009 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 and 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 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 conducted 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, 2007 (which are not 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 29, 2009

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, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- The County's Governmental Fund revenues increased \$606,830 from Fiscal Year 2007 to Fiscal Year 2008. Property taxes and other county tax increased \$188,417.
- The County's Governmental Fund expenditures increased \$1,011,786, from Fiscal Year 2007 to Fiscal Year 2008. Roads and transportation expenditures increased by \$1,099,235 and capital projects expenditures decreased \$561,785.
- The County's governmental activities net assets increased approximately 19.68%, or \$4,101,386, from June 30, 2007 to June 30, 2008.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

The County's Governmental Activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, 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 fiduciary 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 2008.

Net Assets of Governmental Activities

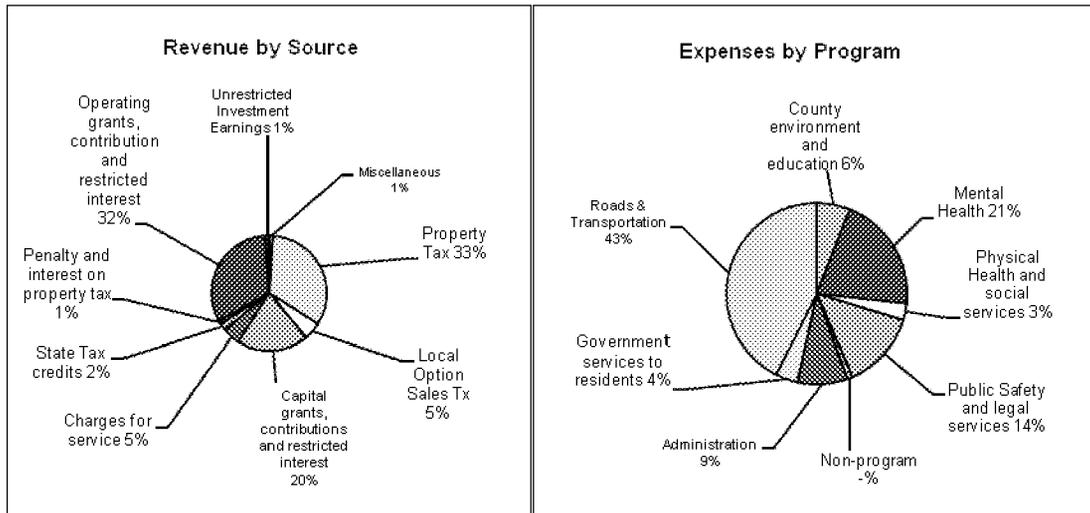
	June 30, 2008	June 30, 2007	% of Change
Current and other assets	\$ 9,918,230	\$ 9,236,867	7%
Current assets	<u>21,885,030</u>	<u>17,993,316</u>	<u>22%</u>
Total assets	<u>31,803,310</u>	<u>27,230,183</u>	<u>17%</u>
Long-term debt outstanding	286,435	215,519	33%
Other liabilities	<u>6,580,385</u>	<u>6,179,560</u>	<u>6%</u>
Total liabilities	<u>6,866,820</u>	<u>6,395,079</u>	<u>7%</u>
Net assets:			
Invested in capital assets, net of related debt	21,885,030	17,993,316	22%
Restricted	1,802,877	1,687,672	7%
Unrestricted	<u>1,248,583</u>	<u>1,154,116</u>	<u>8%</u>
Total net assets	<u>\$ 24,936,490</u>	<u>\$ 20,835,104</u>	<u>20%</u>

Net assets of Delaware County's governmental activities increased by \$4,101,386 from 2007 (\$24,936,490 compared to \$20,835,104). 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. 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 \$1,248,583 at June 30, 2008.

Changes in Net Assets of Governmental Activities

	<u>Year End</u> <u>June 30, 2008</u>	<u>Year End</u> <u>June 30, 2007</u>	<u>% of</u> <u>Change</u>
Revenues:			
Program Revenues			
Charges for services	\$ 802,926	\$ 824,650	(3%)
Operating grants, contributions and restricted interest	5,358,820	4,746,248	13%
Capital grants, contributions and restricted interest	3,376,391	609,921	454%
General Revenues:			
Property Tax	5,479,071	5,401,074	1%
Penalty and interest on property tax	43,984	36,929	19%
State tax credits	301,137	315,850	(5%)
Local option sales tax	886,874	778,659	14%
Unrestricted investment earnings	156,059	168,480	(8%)
Miscellaneous Revenues	<u>94,382</u>	<u>49,158</u>	<u>92%</u>
Total Revenues	<u>16,499,644</u>	<u>12,930,969</u>	<u>28%</u>
Program Expenses:			
Public safety and legal services	1,758,181	1,649,710	7%
Physical health and social services	417,286	434,188	(4%)
Mental Health	2,574,398	2,310,315	11%
County environment and education	748,158	584,244	28%
Roads and Transportation	5,299,963	4,693,632	13%
Governmental services to residents	498,193	452,579	10%
Administration	1,095,267	1,010,455	8%
Non-program	<u>6,812</u>	<u>32,991</u>	<u>(79%)</u>
Total Expenses	<u>12,398,258</u>	<u>11,168,114</u>	<u>11%</u>
Increase in net assets	4,101,386	1,762,855	133%
Net assets beginning of year	<u>20,835,104</u>	<u>19,072,249</u>	
Net assets end of year	<u>\$ 24,936,490</u>	<u>\$ 20,835,104</u>	



(FOR ILLUSTRATIVE PURPOSES)

INDIVIDUAL MAJOR FUND ANALYSIS

As Delaware County completed the year, its governmental funds reported a combined fund balance of \$3,297,776, an increase of \$322,074 from last year's total of \$2,975,702. The increase in fund balance is attributable to many factors. The following are fund balances of the major funds from 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>
2008	1,601,768	1,781	34,250	1,562,529	97,448	3,297,776
2007	1,372,843	26,552	33,934	1,477,949	64,424	2,975,702
Difference	228,925	(24,771)	316	84,580	33,024	322,074
%	17%	(93%)	1%	6%	51%	11%

The following are major reasons for the changes in fund balances from the prior year:

1. General Basic Fund revenues increased \$45,283 while expenditures increased \$131,656 when compared to the prior year. The ending fund balance showed an increase of \$228,925.
2. The County has continued to look for ways to effectively manage the cost of mental health services while still providing said services without a long waiting line. For the year, expenditures totaled \$2,847,779, an increase of approximately 10% over the prior year. The Mental Health fund balance at year end was down 93% from the prior year due to the increase in service demands. Lowering the ending balance in 2007 qualified Delaware County for more state funding of the growth and other state allocation dollars in 2008. The decrease in the 2008 fund balance will directly affect the state allocation of revenue for the 2009 and 2010 fiscal years.
3. Net Secondary Road fund balances were higher this year because of a delay in a local resurfacing project let for FY 2008 carried into FY 2009 with little expended. The paving project on Goose Hill Road was not started until FY 09 due to the flooding issues of FY 2008. This was a trying year for the Secondary Roads Department. Flash flooding late in 2007 caused major infrastructure damage including the loss of the 150th Ave Bridge. This extreme weather carried into the winter season where we saw record snowfalls and into the spring with heavy rains and flooding. We will file a FY 2009 amendment to adjust the budgeted expenditures to cover the carryover projects for FY 2009 and to show increased revenue for FEMA reimbursements for flood damages.
4. The Rural Services Fund expenditures for 2008 were \$139,991, up from \$121,764 expended in 2007. Revenues were up \$108,299 from 2007 (\$1,609,133 compared to \$1,500,834 in 2007). 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 \$316 during FY 2008.

BUDGETARY HIGHLIGHTS

Over the course of the year, Delaware County amended its budget four (4) times. The first amendment was made March 10, 2008 to accommodate \$582,427 in expenditures. \$14,300 was in Government Services to Residents, \$48,005 in Public Safety, \$39,000 in Physical Health & Social Services, \$111,000 in Mental Health, \$2,500 in County Environment & Education, \$422,936 for Roads & Transportation to cover increased snow removal and fuel expenditures, \$19,686 in Administration for the adding of a part-time GIS Specialist, \$10,000 in Nonprogram for tiling at the County Farm and a decrease of \$85,000 in Capital Projects in bridge construction. The second amendment was made on May 5, 2008. Expenditures increased \$13,250 in the Sheriff's Department for employee retirement expense and \$2,400 for the creation of the Sheriff's Reserve Fund, \$150,000 in Mental health due to increased services funded by

unexpected growth funds, \$5,000 for fuel expense in County Environment, \$128,000 in Roads and Transportation due to the severe weather conditions, \$1,000 for Twp Trustee Expense and a decrease of \$5,000 in Capital Projects to offset the cost of fuel for Conservation. The third budget amendment was made on May 19, 2008. The only increase in expenditures was in Physical Health & Social Services to increase \$20,000 in the McGee fund to expend \$20,000 in additional revenue. The final amendment was made May 28, 2009. Expenditures were increased \$10,000 in Physical Health & Social Services for services to veterans and \$3,800 in Government Services to Residents for election management and polling place handicap accessibility.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2008, Delaware County had approximately \$21,885,030 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges, net of accumulated depreciation of \$6,623,572.

Capital Assets of Governmental Activities At Year End	
	June 30, 2008
<u>Acquisition cost:</u>	
Land	\$ 591,102
Construction in progress	695,769
Buildings and improvement	3,677,577
Equipment and vehicles	6,137,960
Infrastructure	<u>17,406,194</u>
Total	\$ 28,508,602
<u>Accumulated depreciation:</u>	
Buildings	\$ (1,936,887)
Machinery & Equipment	(3,389,398)
Infrastructure	<u>(1,297,287)</u>
Total net government activities capital assets	\$ 21,885,030

The County had depreciation expense of \$1,108,864 in FY08 and total accumulated depreciation of \$6,623,572 at June 30, 2008.

Long-Term Debt

At June 30, 2008, Delaware County had \$286,435 in long-term liabilities compared to \$215,519 at June 30, 2007, as shown below:

Long-term Liabilities of Governmental Activities At Year End	
	<u>June 30, 2008</u>
Compensated absences	\$ <u>286,435</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the actual 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 2008 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 2009. Amounts available for appropriation in the operating budget are \$16,272,534, an increase of 16% from the final 2008 budget (after the final amendment). These factors were all part of the considerations for the FY 2009 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	\$2,762,115	(1.0) %
General Supplemental	540,009	1.0%
Mental Health Fund	922,692	(1.0) %
Rural Services	1,803,057	15.0%

Levy rates for 2008/2009 remained fairly constant in all funds except Rural Services which saw an increase of 51 cents per thousand over the 2007/2008 levy due mostly to an increase in the amount transferred to Secondary Road.

Delaware County has had the following initiatives to the 2009 budget:

1. County had to continue 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. Will require pt-time GIS Specialist added to the Auditor's staff in 2008 to go full-time.
3. Completion of Communications Project may require the County to look at having its first debt service levy.
4. Increase in construction costs for Secondary Roads due to large scale projects carrying over into FY 09. Fuel costs and extremely hard winter also becoming a factor for this limited budget. Completion of flood damage repair and FEMA reimbursements.

If these estimates are realized, the County's budgetary operating balance is expected to remain fairly consistent for the close of 2009.

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 at 301 E. Main Street, Room 210 in Manchester, Iowa.

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Basic Financial Statements

DELAWARE COUNTY
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,248,909
Receivables:	
Property tax:	
Delinquent	1,107
Succeeding year	5,732,000
Interest and penalty on property tax	290
Accounts	136,585
Accrued interest	11,791
Due from other governments	466,978
Contract receivable (note 4)	39,278
Inventories	281,342
Capital assets, net of accumulated depreciation (note 5)	<u>21,885,030</u>
 Total assets	 <u>31,803,310</u>
Liabilities	
Accounts payable	327,878
Salaries and benefits payable	143,824
Due to other governments (note 6)	376,683
Deferred revenue:	
Succeeding year property tax	5,732,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Compensated absences	118,582
Portion due or payable after one year:	
Compensated absences	<u>167,853</u>
 Total liabilities	 <u>6,866,820</u>

DELAWARE COUNTY
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets	\$ 21,885,030
Restricted for:	
Supplemental levy purposes	230,396
Rural services	34,304
Secondary roads	1,423,339
Other special revenue purposes	97,448
Prisoner room and board	17,390
Unrestricted	<u>1,248,583</u>
Total net assets	<u>\$ 24,936,490</u>

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

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	\$ 1,758,181	\$ 105,588	\$ 118,822	\$ -	\$ (1,533,771)
Physical health and social services	417,286	13,713	165,983	-	(237,590)
Mental health	2,574,398	31,462	1,869,381	-	(673,555)
County environment and education	748,158	169,271	107,402	-	(471,485)
Roads and transportation	5,299,963	106,915	3,060,716	3,376,391	1,244,059
Government services to residents	498,193	333,115	35,316	-	(129,762)
Administration	1,095,267	42,862	1,200	-	(1,051,205)
Non-program	6,812	-	-	-	(6,812)
Total	<u>\$ 12,398,258</u>	<u>\$ 802,926</u>	<u>\$ 5,358,820</u>	<u>\$ 3,376,391</u>	<u>(2,860,121)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					5,479,071
Penalty and interest on property tax					43,984
State tax credits					301,137
Local option sales and services tax					886,874
Unrestricted investment earnings					156,059
Miscellaneous					94,382
Total general revenues					<u>6,961,507</u>
Change in net assets					4,101,386
Net assets beginning of year					<u>20,835,104</u>
Net assets end of year					<u>\$ 24,936,490</u>

See notes to financial statements.

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DELAWARE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,630,764	\$ 448,546	\$ 40,946	\$ 1,034,872
Receivables:				
Property tax:				
Delinquent	816	228	63	-
Succeeding year	3,139,000	877,000	1,716,000	-
Interest and penalty on property tax	290	-	-	-
Accounts	107,472	10,829	-	-
Accrued interest	11,599	-	-	-
Contract receivable (note 4)	-	-	-	39,278
Due from other governments	37,077	37,464	-	392,437
Inventories	-	-	-	281,342
Total assets	\$ 4,927,018	\$ 1,374,067	\$ 1,757,009	\$ 1,747,929
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 100,771	\$ 103,482	\$ 6,139	\$ 102,677
Salaries and benefits payable	84,865	14,948	566	43,445
Due to other governments (note 6)	-	376,683	-	-
Deferred revenue:				
Succeeding year property tax	3,139,000	877,000	1,716,000	-
Other	614	173	54	39,278
Total liabilities	3,325,250	1,372,286	1,722,759	185,400
Fund balance:				
Reserved for:				
Inventories	-	-	-	281,342
Prisoner room and board	17,390	-	-	-
Supplemental levy purposes	230,572	-	-	-
Unreserved, reported in:				
General fund	1,353,806	-	-	-
Special revenue funds	-	1,781	34,250	1,281,187
Total fund balances	1,601,768	1,781	34,250	1,562,529
Total liabilities and fund balances	\$ 4,927,018	\$ 1,374,067	\$ 1,757,009	\$ 1,747,929

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 93,781	\$ 3,248,909
-	1,107
-	5,732,000
-	290
18,284	136,585
192	11,791
-	39,278
-	466,978
-	281,342
<u>\$ 112,257</u>	<u>\$ 9,918,280</u>

\$ 14,809	\$ 327,878
-	143,824
-	376,683
-	5,732,000
-	40,119
<u>14,809</u>	<u>6,620,504</u>

-	281,342
-	17,390
-	230,572
97,448	1,451,254
-	1,317,218
<u>97,448</u>	<u>3,297,776</u>
<u>\$ 112,257</u>	<u>\$ 9,918,280</u>

DELAWARE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Total fund balances of governmental funds		\$ 3,297,776
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>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 \$28,508,602 and the accumulated depreciation is \$6,623,572.</p>		21,885,030
<p>Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.</p>		40,119
<p>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.</p>		<u>(286,435)</u>
Net assets of governmental activities		<u>\$ 24,936,490</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, 2008

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 3,217,309	\$ 877,842	\$ 1,474,355	\$ 798,186
Interest and penalty on property tax	44,443	-	-	-
Intergovernmental	551,377	1,917,892	131,898	3,166,743
Licenses and permits	7,425	-	-	6,485
Charges for service	476,365	-	-	-
Use of money and property	185,871	12,554	-	-
Miscellaneous	142,083	14,720	2,880	68,888
Total revenues	<u>4,624,873</u>	<u>2,823,008</u>	<u>1,609,133</u>	<u>4,040,302</u>
Expenditures:				
Operating:				
Public safety and legal services	1,758,020	-	-	-
Physical health and social services	426,725	-	-	-
Mental health	-	2,847,779	-	-
County environment and education	547,557	-	133,538	-
Roads and transportation	-	-	-	4,286,608
Government services to residents	476,923	-	6,453	-
Administration	1,068,861	-	-	-
Non-program	6,812	-	-	-
Capital projects	111,050	-	-	1,137,940
Total expenditures	<u>4,395,948</u>	<u>2,847,779</u>	<u>139,991</u>	<u>5,424,548</u>
Excess (deficiency) of revenues over (under) expenditures	<u>228,925</u>	<u>(24,771)</u>	<u>1,469,142</u>	<u>(1,384,246)</u>
Other financing sources (uses):				
Interfund transfers in (note 3)	-	-	-	1,468,826
Interfund transfers out (note 3)	-	-	(1,468,826)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,468,826)</u>	<u>1,468,826</u>
Net change in fund balances	228,925	(24,771)	316	84,580
Fund balances beginning of year	<u>1,372,843</u>	<u>26,552</u>	<u>33,934</u>	<u>1,477,949</u>
Fund balances end of year	<u>\$ 1,601,768</u>	<u>\$ 1,781</u>	<u>\$ 34,250</u>	<u>\$ 1,562,529</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total
\$ -	\$ 6,367,692
-	44,443
22,292	5,790,202
-	13,910
4,177	480,542
21,848	220,273
51,523	280,094
<u>99,840</u>	<u>13,197,156</u>
2,379	1,760,399
26,022	452,747
-	2,847,779
2,596	683,691
-	4,286,608
5,616	488,992
-	1,068,861
-	6,812
30,203	1,279,193
<u>66,816</u>	<u>12,875,082</u>
<u>33,024</u>	<u>322,074</u>
-	1,468,826
-	(1,468,826)
<u>-</u>	<u>-</u>
33,024	322,074
<u>64,424</u>	<u>2,975,702</u>
<u>\$ 97,448</u>	<u>\$ 3,297,776</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, 2008

Net change in fund balances - total governmental funds \$ 322,074

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:

	Expenditures for capital assets	\$ 1,656,604	
Capital assets contributed by the Iowa Department of Transportation		3,343,974	
	Depreciation expense	<u>(1,108,864)</u>	3,891,714

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	(2,206)	
	Other	<u>(39,280)</u>	(41,486)

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>(70,916)</u>	
--	----------------------	-----------------	--

Change in net assets of governmental activities \$ 4,101,386

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	<u>Private - Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ -	\$ 1,572,602
Other County officials	257,487	151
Receivables:		
Property tax:		
Delinquent	-	6,995
Succeeding year	-	16,660,000
Accounts	-	414
Accrued interest	-	230
	<u>257,487</u>	<u>18,240,392</u>
Total assets		
Liabilities		
Accounts payable	-	560
Salaries and benefits payable	-	8,068
Due to other governments (note 6)	-	18,155,491
Trusts payable	-	62,072
Compensated absences	-	14,201
	<u>-</u>	<u>18,240,392</u>
Total liabilities		
Net Assets		
Restricted for:		
Trust principal - Spangler (note 11)	128,000	-
Trust principal - Corell (note 11)	2,162	-
Unrestricted	<u>127,325</u>	<u>-</u>
	<u>\$ 257,487</u>	<u>\$ -</u>

See notes to financial statements.

DELAWARE COUNTY
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE-PURPOSE TRUST FUNDS
 Year Ended June 30, 2008

	<u>Private - Purpose Trust Funds</u>
Revenues:	
Interest on investments	\$ <u>12,660</u>
Expenditures:	
Vision care	409
Supplies	<u>2,851</u>
Total expenditures	<u>3,260</u>
Net change in fund balance	9,400
Balance beginning of year	<u>248,087</u>
Balance end of year	<u>\$ <u>257,487</u></u>

See notes to financial statements.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

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 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.

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, 2008

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 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, 2008

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 and fiduciary, agency 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 and fiduciary, private-purpose trust 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.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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 tax 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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 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, 2008

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 County), 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, 2008

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.

Long-term Liabilities – In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

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 fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

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.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$1,802,877.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in any County function or any departmental appropriation.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 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, 2008

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u>1,468,826</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 \$39,278. Payments to be received under the contract are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ <u>39,278</u>

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 591,102	\$ -	\$ -	\$ 591,102
Construction in progress	1,062,216	941,296	1,307,743	695,769
Total capital assets not being depreciated	<u>1,653,318</u>	<u>941,296</u>	<u>1,307,743</u>	<u>1,286,871</u>
Capital assets being depreciated:				
Buildings	3,415,220	262,357	-	3,677,577
Machinery and equipment	5,851,521	680,191	393,752	6,137,960
Infrastructure	12,981,717	4,424,477	-	17,406,194
Total capital assets being depreciated	<u>22,248,458</u>	<u>5,367,025</u>	<u>393,752</u>	<u>27,221,731</u>
Less accumulated depreciation for:				
Buildings	1,865,093	71,794	-	1,936,887
Machinery and equipment	3,207,102	576,048	393,752	3,389,398
Infrastructure	836,265	461,022	-	1,297,287
Total accumulated depreciation	<u>5,908,460</u>	<u>1,108,864</u>	<u>393,752</u>	<u>6,623,572</u>
Total capital assets being depreciated, net	<u>16,339,998</u>	<u>4,258,161</u>	<u>-</u>	<u>20,598,159</u>
Governmental activities capital assets, net	<u>\$ 17,993,316</u>	<u>\$ 5,199,457</u>	<u>\$ 1,307,743</u>	<u>\$ 21,885,030</u>

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	54,534
Physical health and social services		3,249
Mental health		53,364
County environment and education		25,469
Roads and transportation		906,946
Government services to residents		8,787
Administration		<u>56,515</u>
Total depreciation expense - governmental activities	\$	<u><u>1,108,864</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>376,683</u></u>
Agency:		
County Assessor	Collections	\$ 1,301,773
Townships		348,385
Schools		10,913,734
Corporations		3,569,820
Area Schools		433,391
Hospital		770,738
Auto License and Use Tax		355,411
All Other		<u>462,239</u>
Total for agency funds		\$ <u><u>18,155,491</u></u>

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	<u>Compensated Absences</u>
Balance beginning of year	\$ 215,519
Increases	198,766
Decreases	<u>127,850</u>
Balance end of year	<u>\$ 286,435</u>
Due within one year	<u>\$ 118,582</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 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$219,583, \$199,679 and \$187,611, 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.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting 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, 2008

Note 10. Construction Commitment

The County has entered into a contract totaling \$1,491,334 for roadway paving. As of June 30, 2008, costs of \$664,056 have been incurred against the contract. The balance remaining at June 30, 2008 of \$827,278 will be paid as work on the project progresses.

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, 2008, the County Emergency Management Commission had a balance due on the line-of-credit of \$80,384. During the year ended June 30, 2008, the Commission made loan principal repayments on the agreement totaling \$55,510. The line-of-credit is not a general obligation of the County and is payable solely from emergency management revenues.

Note 13. Subsequent Events

On October 8, 2008, the County issued \$572,000 in general obligation emergency services communication equipment notes. The notes bear an annual interest rate of four percent and are payable through the year ending June 30, 2019.

In September, October, and December 2008, the County entered into various contracts totaling \$565,552 for Courthouse repairs, roadwork, and a bridge replacement.

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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, 2008

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 6,381,092	\$ 6,182,364	\$ 6,342,364	\$ 38,728
Interest and penalty on property tax	44,155	30,400	30,400	13,755
Intergovernmental	5,937,982	5,562,841	5,663,836	274,146
Licenses and permits	13,345	11,600	11,600	1,745
Charges for service	480,943	370,110	370,110	110,833
Use of money and property	205,120	173,478	173,478	31,642
Miscellaneous	192,737	239,780	291,125	(98,388)
Total receipts	<u>13,255,374</u>	<u>12,570,573</u>	<u>12,882,913</u>	<u>372,461</u>
DISBURSEMENTS:				
Public safety and legal services	1,725,204	1,781,820	1,845,475	120,271
Physical health and social services	456,227	468,771	537,771	81,544
Mental health	2,768,002	2,507,051	2,768,051	49
County environment and education	679,083	715,338	722,838	43,755
Roads and transportation	4,213,649	3,689,000	4,239,936	26,287
Government services to residents	485,845	496,431	515,531	29,686
Administration	1,062,742	1,097,614	1,117,300	54,558
Non-program	16,153	15,960	25,960	9,807
Capital projects	1,292,510	2,278,500	2,188,500	895,990
Total disbursements	<u>12,699,415</u>	<u>13,050,485</u>	<u>13,961,362</u>	<u>1,261,947</u>
Excess (deficiency) of receipts over (under) disbursements	555,959	(479,912)	(1,078,449)	1,634,408
Other financing sources, net	-	5,000	5,000	(5,000)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	555,959	(474,912)	(1,073,449)	1,629,408
Balance beginning of year	<u>2,692,950</u>	<u>1,960,527</u>	<u>2,692,950</u>	-
Balance end of year	<u>\$ 3,248,909</u>	<u>\$ 1,485,615</u>	<u>\$ 1,619,501</u>	<u>\$ 1,629,408</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,255,374	\$ (58,218)	\$ 13,197,156
Expenditures	12,699,415	175,667	12,875,082
Net	555,959	(233,885)	322,074
Beginning fund balances	2,692,950	282,752	2,975,702
Ending fund balances	<u>\$ 3,248,909</u>	<u>\$ 48,867</u>	<u>\$ 3,297,776</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2008

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. 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, four budget amendments increased budgeted disbursements by \$910,877. 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, 2008, disbursements did not exceed the amounts budgeted in any County function and disbursements did not exceed departmental appropriations.

Other Supplementary Information

DELAWARE COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2008

	<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	\$ 25,073	\$ 234	\$ 35,136	\$ 6,682
Receivables:				
Accounts	-	-	-	17,116
Accrued interest	30	-	129	15
Total assets	<u>\$ 25,103</u>	<u>\$ 234</u>	<u>\$ 35,265</u>	<u>\$ 23,813</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 13,963	\$ 45
Fund equity:				
Fund balances:				
Unreserved	<u>25,103</u>	<u>234</u>	<u>21,302</u>	<u>23,768</u>
Total liabilities and fund equity	<u>\$ 25,103</u>	<u>\$ 234</u>	<u>\$ 35,265</u>	<u>\$ 23,813</u>

See accompanying independent auditor's report.

<u>Environmental Projects</u>	<u>Conservation Projects</u>	<u>Drug Forfeiture</u>	<u>Sheriff's Reserve</u>	<u>McGee Discretionary Trust</u>	<u>Total</u>
\$ 1,680	\$ 5,543	\$ 659	\$ 4,162	\$ 14,612	\$ 93,781
-	988	-	-	180	18,284
<u>4</u>	<u>12</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>192</u>
<u>\$ 1,684</u>	<u>\$ 6,543</u>	<u>\$ 661</u>	<u>\$ 4,162</u>	<u>\$ 14,792</u>	<u>\$ 112,257</u>
<u>\$ -</u>	<u>\$ 167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634</u>	<u>\$ 14,809</u>
<u>1,684</u>	<u>6,376</u>	<u>661</u>	<u>4,162</u>	<u>14,158</u>	<u>97,448</u>
<u>\$ 1,684</u>	<u>\$ 6,543</u>	<u>\$ 661</u>	<u>\$ 4,162</u>	<u>\$ 14,792</u>	<u>\$ 112,257</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2008

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Land Acquisition
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 22,292	\$ -
Charges for service	4,177	-	-	-
Use of money and property	153	-	492	21,098
Miscellaneous	-	-	-	-
Total revenues	<u>4,330</u>	<u>-</u>	<u>22,784</u>	<u>21,098</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	-
County environment and education	-	-	-	-
Government services to residents	5,616	-	-	-
Capital projects	-	-	29,867	336
Total expenditures	<u>5,616</u>	<u>-</u>	<u>29,867</u>	<u>336</u>
Excess (deficiency) of revenues over (under) expenditures	(1,286)	-	(7,083)	20,762
Fund balances beginning of year	<u>26,389</u>	<u>234</u>	<u>28,385</u>	<u>3,006</u>
Fund balances end of year	<u>\$ 25,103</u>	<u>\$ 234</u>	<u>\$ 21,302</u>	<u>\$ 23,768</u>

See accompanying independent auditor's report.

<u>Environmental Projects</u>	<u>Conservation Projects</u>	<u>Drug Forfeiture</u>	<u>Sheriff's Reserve</u>	<u>McGee Discretionary Trust</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	22,292
-	-	-	-	-	4,177
24	71	10	-	-	21,848
-	4,802	-	6,541	40,180	51,523
24	4,873	10	6,541	40,180	99,840
-	-	-	2,379	-	2,379
-	-	-	-	26,022	26,022
-	2,596	-	-	-	2,596
-	-	-	-	-	5,616
-	-	-	-	-	30,203
-	2,596	-	2,379	26,022	66,816
24	2,277	10	4,162	14,158	33,024
1,660	4,099	651	-	-	64,424
<u>\$ 1,684</u>	<u>\$ 6,376</u>	<u>\$ 661</u>	<u>\$ 4,162</u>	<u>\$ 14,158</u>	<u>\$ 97,448</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2008

	<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	\$ -	\$ 797,673	\$ 7,875	\$ 46
Other County officials	151	-	-	-
Receivables:				
Property tax:				
Delinquent	-	137	-	1
Succeeding year	-	526,000	-	3,000
Accounts	-	232	-	-
Accrued interest	-	-	-	-
	<hr/>			
Total assets	<u>\$ 151</u>	<u>\$ 1,324,042</u>	<u>\$ 7,875</u>	<u>\$ 3,047</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 127	\$ -
Salaries and benefits payable	-	8,068	-	-
Due to other governments	151	1,301,773	7,748	3,047
Trusts payable	-	-	-	-
Compensated absences	-	14,201	-	-
	<hr/>			
Total liabilities	<u>\$ 151</u>	<u>\$ 1,324,042</u>	<u>\$ 7,875</u>	<u>\$ 3,047</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>
\$ 6,363	\$ 39,059	\$ 189,011	\$ 8,282	\$ 7,079	\$ 2,969	\$ 12,541
-	-	-	-	-	-	-
22	3,761	2,723	109	-	44	197
342,000	3,527,000	10,722,000	425,000	-	171,000	758,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 348,385</u>	<u>\$ 3,569,820</u>	<u>\$ 10,913,734</u>	<u>\$ 433,391</u>	<u>\$ 7,079</u>	<u>\$ 174,013</u>	<u>\$ 770,738</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
348,385	3,569,820	10,913,734	433,391	7,079	174,013	770,738
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 348,385</u>	<u>\$ 3,569,820</u>	<u>\$ 10,913,734</u>	<u>\$ 433,391</u>	<u>\$ 7,079</u>	<u>\$ 174,013</u>	<u>\$ 770,738</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2008

	<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	\$ 355,411	\$ 7,313	\$ 46,155	\$ 1,512
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	178,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
	<hr/>			
Total assets	<u>\$ 355,411</u>	<u>\$ 7,313</u>	<u>\$ 46,155</u>	<u>\$ 179,512</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	355,411	-	-	179,512
Trusts payable	-	7,313	46,155	-
Compensated absences	-	-	-	-
	<hr/>			
Total liabilities	<u>\$ 355,411</u>	<u>\$ 7,313</u>	<u>\$ 46,155</u>	<u>\$ 179,512</u>

See accompanying independent auditor's report.

<u>E-911</u>	<u>Flex Plan</u>	<u>Fire District</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 81,833	\$ 8,604	\$ 180	\$ 696	\$ 1,572,602
-	-	-	-	151
-	-	1	-	6,995
-	-	8,000	-	16,660,000
182	-	-	-	414
229	-	-	1	230
<hr/>				
<u>\$ 82,244</u>	<u>\$ 8,604</u>	<u>\$ 8,181</u>	<u>\$ 697</u>	<u>\$ 18,240,392</u>
\$ 433	\$ -	\$ -	\$ -	\$ 560
-	-	-	-	8,068
81,811	-	8,181	697	18,155,491
-	8,604	-	-	62,072
-	-	-	-	14,201
<hr/>				
<u>\$ 82,244</u>	<u>\$ 8,604</u>	<u>\$ 8,181</u>	<u>\$ 697</u>	<u>\$ 18,240,392</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2008

	County Offices			
	County Auditor	County Recorder	County Sheriff	County Assessor
ASSETS AND LIABILITIES				
Balances beginning of year	\$ -	\$ 3	\$ -	\$ 1,066,233
Additions:				
Property and other County tax	-	-	-	526,678
State tax credits	-	-	-	28,727
E-911 surcharge	-	-	-	-
Reimbursements from other governments	-	-	-	-
Office fees and collections	2,380	325,326	82,544	-
Auto licenses, use tax, driver licenses, and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	67,964	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	5,504
Total additions	<u>2,380</u>	<u>325,326</u>	<u>150,508</u>	<u>560,909</u>
Deductions:				
Agency Remittance:				
To other funds	2,380	160,091	80,308	-
To other governments	-	165,087	2,236	303,100
Trusts paid out	-	-	67,964	-
Total deductions	<u>2,380</u>	<u>325,178</u>	<u>150,508</u>	<u>303,100</u>
Balances end of year	<u>\$ -</u>	<u>\$ 151</u>	<u>\$ -</u>	<u>\$ 1,324,042</u>

<u>Emergency Management</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>City Special Assessments</u>
\$ 20,386	\$ 3,049	\$ 351,927	\$ 3,074,580	\$ 10,629,437	\$ 471,729	\$ 11,360
-	2,614	341,709	3,540,811	10,719,176	425,454	-
-	144	18,604	162,259	579,715	25,741	-
-	-	-	-	-	-	-
109,313	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	116,658
-	-	-	-	-	-	-
-	-	-	-	-	-	-
60,000	-	-	-	-	-	-
<u>169,313</u>	<u>2,758</u>	<u>360,313</u>	<u>3,703,070</u>	<u>11,298,891</u>	<u>451,195</u>	<u>116,658</u>
-	-	-	-	-	-	-
181,824	2,760	363,855	3,207,830	11,014,594	489,533	120,939
-	-	-	-	-	-	-
<u>181,824</u>	<u>2,760</u>	<u>363,855</u>	<u>3,207,830</u>	<u>11,014,594</u>	<u>489,533</u>	<u>120,939</u>
\$ <u>7,875</u>	\$ <u>3,047</u>	\$ <u>348,385</u>	\$ <u>3,569,820</u>	\$ <u>10,913,734</u>	\$ <u>433,391</u>	\$ <u>7,079</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2008

	<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	\$ 170,684	\$ 717,952	\$ 382,975	\$ 46,732
Additions:				
Property and other County tax	170,572	758,856	-	-
State tax credits	9,263	39,128	-	-
E-911 surcharge	-	-	-	-
Reimbursements from other governments	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax, driver licenses, and postage	-	-	4,356,099	-
Assessments	-	-	-	-
Trusts	-	-	-	117,845
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>179,835</u>	<u>797,984</u>	<u>4,356,099</u>	<u>117,845</u>
Deductions:				
Agency Remittance:				
To other funds	-	-	176,656	-
To other governments	176,506	745,198	4,207,007	-
Trusts paid out	-	-	-	157,264
Total deductions	<u>176,506</u>	<u>745,198</u>	<u>4,383,663</u>	<u>157,264</u>
Balances end of year	<u>\$ 174,013</u>	<u>\$ 770,738</u>	<u>\$ 355,411</u>	<u>\$ 7,313</u>

See accompanying independent auditor's report.

<u>Advance Tax Collection</u>	<u>Lake District</u>	<u>E-911</u>	<u>Flex Plan</u>	<u>Fire District</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 26,916	\$ 161,282	\$ 79,510	\$ 8,190	\$ 7,150	\$ 782	\$ 17,230,877
-	179,567	-	-	7,534	-	16,672,971
-	3,107	-	-	439	-	867,127
-	-	129,343	-	-	-	129,343
-	-	-	-	-	-	109,313
-	-	-	-	-	4,176	414,426
-	-	-	-	-	-	4,356,099
-	-	-	-	-	-	116,658
49,842	-	-	49,902	-	-	285,553
-	-	4,218	-	-	1	4,219
-	-	-	-	-	-	65,504
<u>49,842</u>	<u>182,674</u>	<u>133,561</u>	<u>49,902</u>	<u>7,973</u>	<u>4,177</u>	<u>23,021,213</u>
-	-	-	-	-	-	419,435
-	164,444	130,827	-	6,942	4,262	21,286,944
30,603	-	-	49,488	-	-	305,319
<u>30,603</u>	<u>164,444</u>	<u>130,827</u>	<u>49,488</u>	<u>6,942</u>	<u>4,262</u>	<u>22,011,698</u>
\$ <u>46,155</u>	\$ <u>179,512</u>	\$ <u>82,244</u>	\$ <u>8,604</u>	\$ <u>8,181</u>	\$ <u>697</u>	\$ <u>18,240,392</u>

DELAWARE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2008	2007	2006	2005
Revenues:				
Property and other County tax	\$ 6,367,692	\$ 6,179,275	\$ 5,325,886	\$ 5,200,393
Interest and penalty on property tax	44,443	36,929	40,788	43,597
Intergovernmental	5,790,202	5,539,705	5,791,503	5,426,274
Licenses and permits	13,910	13,235	17,588	12,621
Charges for service	480,542	468,702	479,998	462,858
Use of money and property	220,273	211,076	105,223	132,772
Miscellaneous	280,094	141,404	115,864	100,070
Total	\$ 13,197,156	\$ 12,590,326	\$ 11,876,850	\$ 11,378,585
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,760,399	\$ 1,660,015	\$ 1,455,562	\$ 1,426,663
Physical health and social services	452,747	431,955	382,510	357,859
Mental health	2,847,779	2,596,198	2,148,717	2,064,158
County environment and education services	683,691	702,506	638,930	559,200
Roads and transportation	4,286,608	3,187,373	3,702,804	4,420,188
Governmental services to residents	488,992	444,250	619,518	530,774
Administrative services	1,068,861	967,030	916,670	922,012
Non-program	6,812	32,991	12,055	12,072
Capital projects	1,279,193	1,840,978	3,239,706	1,896,531
Total	\$ 12,875,082	\$ 11,863,296	\$ 13,116,472	\$ 12,189,457

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 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, 2008, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 29, 2009. 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. We noted no material weaknesses during the course of our audit.

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, 2008 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 29, 2009

DELAWARE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-08 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.	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.	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.	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.	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, 2008

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

SIGNIFICANT DEFICIENCIES (continued):

I-A-08 Segregation of Duties (continued)

Responses –

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.

DELAWARE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted in any County function or departmental appropriations.
- II-B-08 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-08 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-08 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-E-08 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-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-08 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-08 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-I-08 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, 2008 for the County Extension Office did not exceed the amount budgeted.