

DELAWARE COUNTY

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

JUNE 30, 2010

## TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	6-16
BASIC FINANCIAL STATEMENTS:	
Exhibit	
Government-Wide Financial Statements:	
A    Statement of Net Assets	18-19
B    Statement of Activities	20
Governmental Fund Financial Statements:	
C    Balance Sheet	22-25
D    Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	26
E    Statement of Revenues, Expenditures and Changes in Fund Balances	28-31
F    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	32
Fiduciary Fund Financial Statements:	
G    Statement of Fiduciary Net Assets – Fiduciary Funds	33
H    Statement of Changes in Fiduciary Net Assets – Private-Purpose Trust Funds	34
Notes to Financial Statements	35-48
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	50
Budget to GAAP Reconciliation	51
Notes to Required Supplementary Information – Budgetary Reporting	52
Schedule of Funding Progress for the Retiree Health Plan	53
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1    Combining Balance Sheet	56-57
2    Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	58-59
Agency Funds:	
3    Combining Schedule of Fiduciary Assets and Liabilities	60-63
4    Combining Schedule of Changes in Fiduciary Assets and Liabilities	64-67
5    Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	68-69
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	70-71
SCHEDULE OF FINDINGS	72-75

DELAWARE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shirley E. Helmrichs	Board of Supervisors	Jan. 2011
Jeff Madlom	Board of Supervisors	Jan. 2013
Jerry Reis	Board of Supervisors	Jan. 2013
Carla Becker	County Auditor	Jan. 2013
Carolyn Wilson	County Treasurer	Jan. 2011
Deborah Peyton	County Recorder	Jan. 2011
John LeClere	County Sheriff	Jan. 2013
John Bernau	County Attorney	Jan. 2011
Claudia Jo Cahalan	County Assessor	Jan. 2016

## 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, 2010, 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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, 2010 and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2011 on our consideration of Delaware County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 16 and 50 through 53 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. However, 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 five years ended June 30, 2009 (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 is the responsibility of County management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
February 9, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Delaware County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- The County's Governmental Fund revenues decreased \$252,674 from Fiscal Year 2009 to Fiscal Year 2010. Property taxes and other county tax increased \$529,426.
- The County's Governmental Fund expenditures decreased \$507,025, from Fiscal Year 2009 to Fiscal Year 2010. Roads and transportation expenditures decreased by \$76,504 and capital projects expenditures decreased \$280,883.
- The net assets of the County's governmental activities increased approximately 16.49%, or \$4,374,486, from June 30, 2009 to June 30, 2010.

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has two kinds of funds:

- 1) Governmental Funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measure cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in 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 is shown below for the 2010 and 2009 fiscal years focusing on the changes in the net assets for governmental activities.

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### Net Assets of Governmental Activities

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	June 30, 2010	June 30, 2009	%
			Change
Current and other assets	\$12,244,609	\$10,957,082	12%
Current assets	<u>28,047,042</u>	<u>23,596,577</u>	<u>19%</u>
Total assets	<u>40,291,651</u>	<u>34,553,659</u>	<u>9%</u>
Long-term debt outstanding	965,673	920,335	5%
Other liabilities	<u>8,420,330</u>	<u>7,102,162</u>	<u>5%</u>
Total liabilities	<u>9,386,003</u>	<u>8,022,497</u>	<u>17%</u>
Net assets:			
Invested in capital assets, net of related debt	28,047,042	23,596,577	19%
Restricted	2,044,989	2,382,276	(14%)
Unrestricted	<u>813,617</u>	<u>552,309</u>	<u>47%</u>
Total net assets	<u>\$30,905,648</u>	<u>\$26,531,162</u>	<u>16%</u>

Net assets of Delaware County's governmental activities increased by \$4,374,486 from 2009 (\$30,905,648 compared to \$26,531,162). 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 \$813,617 at June 30, 2010.

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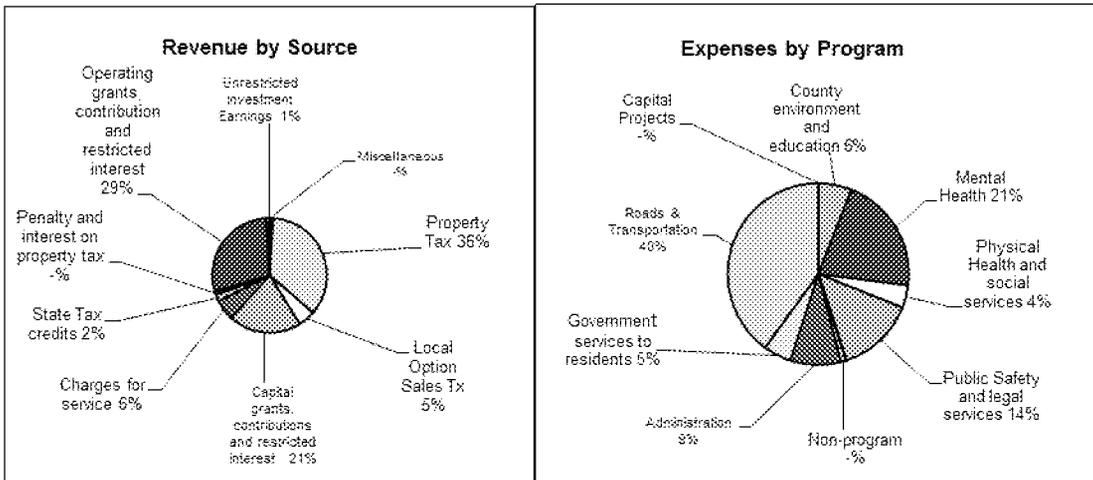
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## Changes in Net Assets of Governmental Activities

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	Year End June 30, 2010	Year End June 30, 2009	% of Change
Revenues:			
Program Revenues			
Charges for services	\$974,563	\$1,075,050	(10%)
Operating grants, contributions and restricted Interest	5,024,459	5,199,135	(3%)
Capital grants, contributions and restricted interest	3,718,891	1,102,120	237%
General Revenues:			
Property Tax	6,345,681	5,732,823	11%
Penalty and interest on property tax	64,252	50,626	27%
State tax credits	276,740	303,719	(9%)
Local option sales tax	839,920	924,358	(9%)
Grants and contributions not restricted to specific Purposes	0	0	
Unrestricted investment earnings	113,420	144,221	(21%)
Miscellaneous Revenues	<u>45,312</u>	<u>142,228</u>	<u>(68%)</u>
Total Revenues	\$17,403,238	\$14,674,280	19%
Program Expenses:			
Public safety and legal services	1,868,204	2,246,792	(17%)
Physical health and social services	508,647	607,428	(16%)
Mental Health	2,715,360	2,684,350	1%
County environment and education	858,450	799,013	7%
Roads and Transportation	5,202,475	4,979,384	4%
Governmental services to residents	610,623	555,836	10%
Administration	1,219,387	1,150,112	6%
Non-program	32,375	30,445	6%
Interest on Long-term Investments	<u>13,231</u>	<u>26,248</u>	<u>(50%)</u>
Total Expenses	13,028,752	13,079,608	(1%)
Increase in net assets	4,374,486	1,594,672	174%
Net assets beginning of year, as restated	<u>26,531,162</u>	<u>24,936,940</u>	<u>6%</u>
Net assets end of year	<u>\$30,905,648</u>	<u>\$ 26,531,162</u>	<u>16%</u>

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(FOR ILLUSTRATIVE PURPOSES)

### INDIVIDUAL MAJOR FUND ANALYSIS

As Delaware County completed the year, its governmental funds reported a combined fund balance of \$3,822,106, an increase of \$44,214 from last year's total of \$3,777,892. The increase in fund balance is attributable to many factors. The following are fund balances of the major governmental funds compared to the prior year:

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<u>Ending Fund Balances</u>						
	<b>General Fund</b>	<b>MH Fund</b>	<b>Rural Services Fund</b>	<b>Secondary Road Fund</b>	<b>Other</b>	<b>Total</b>
2010	1,878,595	74,655	64,433	1,654,600	149,823	3,822,106
2009	1,414,223	217,823	60,196	2,007,614	78,036	3,777,892
Difference	464,372	(143,168)	4,237	(353,014)	71,787	44,214
%	33%	(66%)	7%	(18%)	92%	1%

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As the County completed the year, its governmental funds reported a combined fund balance of \$3,822,106. This is an increase of \$44,214 over the previous year. The following are major reasons for the changes in fund balances from the prior year:

1. There was a combined increase of \$464,372 in the General Basic & General Supplemental Funds ending balances compared to June 30, 2009. Even though revenues increased only \$95,952 from FY 2009 to FY 2010, expenditures remained fairly steady compared to the prior year except in the area of capital projects. Expenditures in this area decreased \$313,317 compared to FY 2009. The major portion of this decrease was due to insurance repair and FEMA mitigation work completed in FY 2009 on the courthouse tower due to several lightning strikes in the late spring of 2007.
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 \$2,769,047, an increase of 78,403 over the prior year. The Mental Health fund balance at year end was down \$143,168 from the prior year due to the increase in expenditures and decrease of \$280,807 in revenues. Keeping the fund balance low in 2009 qualified Delaware County for state funding of the growth and other state allocation dollars in 2010. The ending fund balance in 2010 will also directly affect the state allocation of revenue for the 2011 and 2012 fiscal years.
3. The Secondary Roads Fund expenditures for 2010 were \$6,128,663, up from \$5,742,816 expended in 2009. Revenues were down in 2010, \$3,985,947 compared to \$4,416,526 in 2009. The revenues were higher in 2009 due to FEMA reimbursements received throughout the spring of 2009. The FEMA reimbursements covered the expenses incurred by Delaware County from the floods of 2008. The Board of Supervisors also increased the amount transferred from the Rural Services Fund by \$136,519 as compared to the amount transferred in 2009. Most major projects in 2010 were locally funded projects. The cumulative effect was a decrease of \$353,014 in the ending fund balance compared to the ending fund balance in 2009.
4. The Rural Services Fund expenditures for 2010 were \$219,338, up from \$206,011 expended in 2009. Revenues were up \$128,137 from 2009 (\$2,013,277 compared to \$1,885,140 in 2009). This fund supports county libraries, weed eradication, township officials, economic development, solid waste disposal and water well/sanitation expenses in the County. Transfers are also made from this fund to the Secondary Road Fund per Iowa Code. The ending fund balance increased \$4,237 during FY 2010.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Delaware County amended its budget three (3) times. The first amendment was made July 20, 2009 to accommodate for an extra \$56,000 in expenditures for the Communications Project held over from FY 2009 and \$200,000 in expenditures and revenues for the Emergency Watershed Projects

The second amendment was made on March 8, 2010. Expenditures, overall, decreased a total of \$5,712 with Public Safety increasing \$18,833, Physical Health and Social Services increasing \$21,848, Mental Health decreasing \$79,100, Government Services to Residents increasing \$24,196, Administration increasing \$1,032 Non-program current increasing \$9,000, Debt Service decreasing \$21,412, and Capital Projects increasing \$19,891.

The third amendment was made on May 24, 2010 increasing expenditures in Public Safety by \$20,000 for employee payout in the Sheriff's Department and \$5,000 for autopsy expenses. Expenditures also increased by \$10,000 Physical Health & Social Services for training in Veteran Affairs while Administration Expenditures increased by \$25,000 to incorporate a Mini-self funding policy change and \$3,125 for FEMA auditing and filing fees. Nonprogram current expenditures increased by \$5,000 for building repairs/maintenance and Capital Project expenditures increased by \$1.00 for a rounding error.

Delaware County also amended its Appropriations four (4) times outside of any budget amendment. On October 5, 2009 \$5,000 was taken from the General Fund appropriation for the Sheriff's Department and added to the Sheriff's Reserves appropriation. On December 14, 2009, \$2,000 of Appropriation was transferred within the General Fund from the Conservation Department to the County Department to cover emergency tiling expenditures which came in higher than anticipated. On January 25, 2010, \$2,000 of General Fund Appropriations was transferred from the Conservation Department to the Supervisor's Department to expend a Future Foundation of Delaware County pass thru revenues received for Spring Hill Cemetery renovation. And, on June 21, 2010, \$1,200 was transferred from County Services' Rural Services Fund Appropriation into the Weed Commissioner's Rural Services Fund Appropriation for unexpected expenditures.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### *Capital Assets*

On June 30, 2010, Delaware County had approximately \$28,047,042 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges, net of \$8,740,703 accumulated depreciation.

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Capital Assets of Governmental Activities  
At Year End

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	June 30, 2010
<u>Acquisition cost:</u>	
Land	\$591,102
Construction in progress	1,028,428
Buildings and improvement	4,114,369
Equipment and vehicles	6,656,648
Infrastructure	<u>24,397,198</u>
Total	\$35,168,215
<u>Accumulated depreciation:</u>	
Buildings	\$(2,097,336)
Machinery & Equipment	(4,128,045)
Infrastructure	<u>(2,515,322)</u>
Total net government activities capital assets	\$28,047,042

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The County had depreciation expense of \$1,434,410 in FY10 and total accumulated depreciation of \$8,740,703 at June 30, 2010.

*Long-Term Debt*

At June 30, 2009, Delaware County had approximately \$920,335 in long-term liabilities compared to approximately \$965,673 at June 30, 2010, as shown below:

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Outstanding Debt of Governmental Activities  
At Year End

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	June 30, 2010
General Obligation Note	\$537,412
Compensated Absences	\$382,688
Net Other Post-Employment Benefits	<u>\$45,573</u>
Total	\$965,673

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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's outstanding general obligation debt is well within this limitation.

Other obligations include accrued vacation pay and sick leave as well as post-employment benefits per GASB 45 . 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 2011 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 2011. Amounts available for appropriation in the operating budget are \$14,203,208, an increase of 1% from the final 2010 budget (after the final amendment). These factors were all part of the considerations for the FY 2011 budget which certified taxes as follows: (Amount certified includes utility replacement and property tax dollars)

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	<u>Dollars</u> <u>Certified</u>	<u>Percentage</u> <u>Increase (Decrease)</u>
General Fund	\$3,037,326	4.1 %
General Supplemental	715,967	(7.1%)
Mental Health Fund	919,782	(1%)
Debt Service	71,758	(25%)
Rural Services	1,978,385	2.1 %

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Levy rates for 2010/2011 decreased by about 9.5 cents in the General Supplemental Fund and increased in the Rural Services Fund by a little over 2.5 cents per thousand over the 2009/2010 levy due mostly to an increase in the amount transferred to Secondary Roads. Delaware County also decreased the Debt Service levy in FY 2011 by over 3 cents per thousand.

Delaware County has had the following initiatives to the 2011 budget:

1. The 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 General Supplemental Fund expenditures will continue at present levels due to the placement of children at the Juvenile Home in Toledo and the increasing costs of election administration.
3. Delaware County will continue to levy for Debt Service until the Communications General Obligation Note is paid off.
4. The County will look into new cost saving ideas for Secondary Roads Department to help offset increased costs of construction and fuel.

In July 2010, a flood event breached the dam at Lake Delhi and drained the impoundment area. The devastation left behind has caused great expenditures for Delaware County in the areas of debris removal and the demolition of structures due to public health issues. The majority of these expenditures will come from the Rural Services Fund. Since this fund does not normally carry a large fund balance, all reserves will most likely be utilized to pay for the County's portion of these emergency expenditures. However, if estimates are realized, the County's budgetary operating balances in all other funds are expected to remain fairly consistent for the close of 2011.

Due to the draining of the impoundment, Delaware County will need to take measures during the 2011-12 budget process to preserve fund balances in order to offset the loss of assessed valuation as determined on January 1, 2011 for taxes payable in FY 2012-13. The County will also need to assess its options in replacing the bridge which spanned the former dam.

### **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.

## Basic Financial Statements

DELAWARE COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2010

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,003,564
Receivables:	
Property tax:	
Delinquent	2,247
Succeeding year	6,464,000
Interest and penalty on property tax	1,834
Accounts	43,665
Accrued interest	9,802
Due from other governments	397,475
Inventories	322,022
Capital assets, net of accumulated depreciation (note 4)	<u>28,047,042</u>
 Total assets	 <u>40,291,651</u>
Liabilities	
Accounts payable	1,493,759
Salaries and benefits payable	202,029
Due to other governments (note 5)	258,751
Accrued interest payable	1,791
Deferred revenue:	
Succeeding year property tax	6,464,000
Long-term liabilities (notes 7 and 8):	
Portion due or payable within one year:	
General obligation notes	50,781
Compensated absences	145,767
Portion due or payable after one year:	
General obligation notes	486,631
Compensated absences	236,921
Net OPEB liability	<u>45,573</u>
 Total liabilities	 <u>9,386,003</u>

DELAWARE COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2010

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets	\$ 28,047,042
Restricted for:	
Supplemental levy purposes	340,822
Mental health purposes	52,084
Rural services	63,727
Secondary roads	1,409,542
Debt service	19,502
Other special revenue purposes	128,564
Jail room and board	30,748
Unrestricted	<u>813,617</u>
Total net assets	<u>\$ 30,905,648</u>

See notes to financial statements.

DELAWARE COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 1,868,204	\$ 131,915	\$ 124,739	\$ -	\$ (1,611,550)
Physical health and social services	508,647	39,416	119,283	-	(349,948)
Mental health	2,715,360	33,502	1,674,130	-	(1,007,728)
County environment and education	858,450	253,825	91,352	33,580	(479,693)
Roads and transportation	5,202,475	114,123	2,988,196	3,685,311	1,585,155
Government services to residents	610,623	358,721	21,414	-	(230,488)
Administration	1,219,387	43,061	5,345	-	(1,170,981)
Non-program	32,375	-	-	-	(32,375)
Interest on long-term debt	13,231	-	-	-	(13,231)
<b>Total</b>	<b>\$ 13,028,752</b>	<b>\$ 974,563</b>	<b>\$ 5,024,459</b>	<b>\$ 3,718,891</b>	<b>(3,310,839)</b>
General Revenues:					
Property and other county tax levied for:					
General purposes					6,256,102
Debt service					89,579
Penalty and interest on property tax					64,252
State tax credits					276,740
Local option sales and services tax					839,920
Unrestricted investment earnings					113,420
Miscellaneous					45,312
<b>Total general revenues</b>					<b>7,685,325</b>
Change in net assets					4,374,486
Net assets beginning of year					26,531,162
Net assets end of year					<b>\$ 30,905,648</b>

See notes to financial statements.

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DELAWARE COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,974,154	\$ 362,869	\$ 67,115	\$ 2,449,467
Receivables:				
Property tax:				
Delinquent	1,376	345	491	-
Succeeding year	3,610,000	883,000	1,902,000	-
Interest and penalty on property tax	1,834	-	-	-
Accounts	26,946	10,292	-	2,657
Accrued interest	9,782	-	-	-
Due from other governments	42,425	46,062	-	308,988
Inventories	-	-	-	322,022
Total assets	\$ <u>5,666,517</u>	\$ <u>1,302,568</u>	\$ <u>1,969,606</u>	\$ <u>3,083,134</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 149,959	\$ 5,003,564
35	2,247
69,000	6,464,000
-	1,834
3,770	43,665
20	9,802
-	397,475
-	322,022
<u>\$ 222,784</u>	<u>\$ 12,244,609</u>

DELAWARE COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 64,058	\$ 66,921	\$ 631	\$ 1,360,418
Salaries and benefits payable	110,728	18,907	2,082	68,116
Due to other governments (note 5)	-	258,751	-	-
Deferred revenue:				
Succeeding year property tax	3,610,000	883,000	1,902,000	-
Other	3,136	334	460	-
Total liabilities	<u>3,787,922</u>	<u>1,227,913</u>	<u>1,905,173</u>	<u>1,428,534</u>
Fund balances:				
Reserved for:				
Inventories	-	-	-	322,022
Supplemental levy purposes	340,544	-	-	-
Debt service	-	-	-	-
Prisoner room and board	30,748	-	-	-
Unreserved, reported in:				
General fund	1,507,303	-	-	-
Special revenue funds	-	74,655	64,433	1,332,578
Total fund balances	<u>1,878,595</u>	<u>74,655</u>	<u>64,433</u>	<u>1,654,600</u>
Total liabilities and fund balances	<u>\$ 5,666,517</u>	<u>\$ 1,302,568</u>	<u>\$ 1,969,606</u>	<u>\$ 3,083,134</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 1,731	\$ 1,493,759
2,196	202,029
-	258,751
69,000	6,464,000
34	3,964
<u>72,961</u>	<u>8,422,503</u>
-	322,022
-	340,544
21,259	21,259
-	30,748
-	1,507,303
<u>128,564</u>	<u>1,600,230</u>
<u>149,823</u>	<u>3,822,106</u>
<u>\$ 222,784</u>	<u>\$ 12,244,609</u>

## DELAWARE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2010

Total fund balances of governmental funds	\$ 3,822,106
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 \$36,787,745 and the accumulated depreciation is \$8,740,703.	28,047,042
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	3,964
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,791)
Long-term liabilities, including notes payable, compensated absences payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(965,673)</u>
Net assets of governmental activities	<u>\$ 30,905,648</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, 2010

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other County tax	\$ 3,600,028	\$ 879,444	\$ 1,853,659	\$ 762,589
Interest and penalty on property tax	62,985	-	-	-
Intergovernmental	501,226	1,712,933	149,067	3,106,597
Licenses and permits	50	-	9,952	8,940
Charges for service	518,696	-	-	-
Use of money and property	167,069	13,573	-	-
Miscellaneous	153,721	19,929	599	107,821
Total revenues	<u>5,003,775</u>	<u>2,625,879</u>	<u>2,013,277</u>	<u>3,985,947</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,786,616	-	-	-
Physical health and social services	480,707	-	-	-
Mental health	-	2,769,047	-	-
County environment and education	515,497	-	214,483	-
Roads and transportation	-	-	-	4,171,369
Government services to residents	565,317	-	4,855	-
Administration	1,134,450	-	-	-
Non-program	32,375	-	-	-
Debt service	-	-	-	-
Capital projects	24,441	-	-	1,957,294
Total expenditures	<u>4,539,403</u>	<u>2,769,047</u>	<u>219,338</u>	<u>6,128,663</u>
Excess (deficiency) of revenues over (under) expenditures	464,372	(143,168)	1,793,939	(2,142,716)
<b>Other financing sources (uses):</b>				
Interfund transfers in (note 3)	-	-	-	1,789,702
Interfund transfers out (note 3)	-	-	(1,789,702)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,789,702)</u>	<u>1,789,702</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 89,579	\$ 7,185,299
-	62,985
156,116	5,625,939
-	18,942
4,340	523,036
3,564	184,206
52,563	334,633
306,162	13,935,040
13,045	1,799,661
9,634	490,341
-	2,769,047
38,445	768,425
-	4,171,369
4,924	575,096
-	1,134,450
-	32,375
72,276	72,276
96,051	2,077,786
234,375	13,890,826
71,787	44,214
-	1,789,702
-	(1,789,702)
-	-

DELAWARE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2010

		<u>Special Revenue</u>		
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Net change in fund balances	\$ 464,372	\$ (143,168)	\$ 4,237	\$ (353,014)
Fund balances beginning of year	<u>1,414,223</u>	<u>217,823</u>	<u>60,196</u>	<u>2,007,614</u>
Fund balances end of year	<u>\$ 1,878,595</u>	<u>\$ 74,655</u>	<u>\$ 64,433</u>	<u>\$ 1,654,600</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 71,787	\$ 44,214
<u>78,036</u>	<u>3,777,892</u>
<u>\$ 149,823</u>	<u>\$ 3,822,106</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, 2010

Net change in fund balances - total governmental funds \$ 44,214

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	\$ 2,317,365	
Capital assets contributed by the Iowa Department of Transportation		3,567,510	
	Depreciation expense	<u>(1,434,410)</u>	4,450,465

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	1,569	
	Other	<u>(100,881)</u>	(99,312)

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the Statement of  
Net Assets. 34,588

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	(34,353)	
	Net OPEB liability	(45,573)	
	Interest on long-term debt	<u>24,457</u>	<u>(55,469)</u>

Change in net assets of governmental activities \$ 4,374,486

See notes to financial statements.

DELAWARE COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2010

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ -	\$ 1,516,531
Other County officials	255,640	304
Receivables:		
Property tax:		
Delinquent	-	7,834
Succeeding year	-	19,830,000
Accounts	-	254
Due from other governments	-	412
	<u>255,640</u>	<u>21,355,335</u>
Liabilities		
Accounts payable	-	1,838
Salaries and benefits payable	-	9,369
Due to other governments (note 5)	-	21,251,480
Trusts payable	-	72,511
Compensated absences	-	20,137
	<u>-</u>	<u>21,355,335</u>
Total liabilities		
	<u>-</u>	<u>21,355,335</u>
Net assets		
Restricted for:		
Trust principal - Spangler (note 12)	128,000	-
Trust principal - Corell (note 12)	2,162	-
Unrestricted	125,478	-
	<u>\$ 255,640</u>	<u>\$ -</u>
Total net assets		

See notes to financial statements.

DELAWARE COUNTY  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PRIVATE-PURPOSE TRUST FUNDS  
 Year Ended June 30, 2010

	<u>Private - Purpose Trust Funds</u>
Revenues:	
Interest on investments	\$ <u>9,310</u>
Expenditures:	
Vision care	891
Supplies	2,947
Construction services and supplies	<u>1,935</u>
Total expenditures	<u>5,773</u>
Net change in fund balance	3,537
Balance beginning of year	<u>252,103</u>
Balance end of year	<u>\$ <u>255,640</u></u>

See notes to financial statements.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Delaware County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County. The County has no component units which meet 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, 2010

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, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following fiduciary funds:

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

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, 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, 2010

Note 1. Summary of Significant Accounting Policies (continued)

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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, 2010

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>
Intangibles	\$ 100,000
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.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable and delinquent property tax receivables.

Deferred revenue in the Statement of Net Assets consists of the 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 debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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, 2010. 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, 2010 consists of \$2,044,989.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted. However, disbursements in the County farm department exceeded the amount appropriated prior to the amendment of the appropriations.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2010 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.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u>1,789,702</u>

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

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2010

Note 4. Capital Assets

A summary of capital assets activity for the year ended June 30, 2010 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	85,746	1,945,134	1,002,452	1,028,428
Total capital assets not being depreciated	<u>676,848</u>	<u>1,945,134</u>	<u>1,002,452</u>	<u>1,619,530</u>
Capital assets being depreciated:				
Buildings	3,908,701	205,668	-	4,114,369
Machinery and equipment	6,538,534	303,404	185,290	6,656,648
Infrastructure	19,964,077	4,433,121	-	24,397,198
Total capital assets being depreciated	<u>30,411,312</u>	<u>4,942,193</u>	<u>185,290</u>	<u>35,168,215</u>
Less accumulated depreciation for:				
Buildings	2,015,288	82,048	-	2,097,336
Machinery and equipment	3,667,312	646,023	185,290	4,128,045
Infrastructure	1,808,983	706,339	-	2,515,322
Total accumulated depreciation	<u>7,491,583</u>	<u>1,434,410</u>	<u>185,290</u>	<u>8,740,703</u>
Total capital assets being depreciated, net	<u>22,919,729</u>	<u>3,507,783</u>	<u>-</u>	<u>26,427,512</u>
Governmental activities capital assets, net	<u>\$ 23,596,577</u>	<u>\$ 5,452,917</u>	<u>\$ 1,002,452</u>	<u>\$ 28,047,042</u>

DELAWARE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2010

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	62,639
Physical health and social services		3,249
Mental health		57,477
County environment and education		50,866
Roads and transportation		1,164,792
Government services to residents		28,246
Administration		<u>67,141</u>
Total depreciation expense - governmental activities	\$	<u><u>1,434,410</u></u>

Note 5. 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>258,751</u></u>
Agency:		
County Assessor	Collections	\$ 1,175,070
Townships		378,321
Corporations		4,281,169
Schools		12,636,183
Area Schools		881,783
County Hospital		944,783
Auto License and Use Tax		479,335
All Other		<u>474,836</u>
Total for agency funds		\$ <u><u>21,251,480</u></u>

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2010

Note 6. Short-Term Interfund Financing

The County has several projects and obligations occurring throughout the year that require funding at specific times. Due to cash flow differences, monies may not be available in the required fund but are available in other funds. To address these cash flow problems, the County approved the following short-term interfund loans:

General Basic to General Supplemental, \$250,000 interest-free loan, approved July 6, 2009 and repaid April 10, 2010.

General Basic to Special Revenue, Emergency Watershed Protection, \$200,000 interest-free loan, approved July 6, 2009 and repaid February 8, 2010.

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	General Obligation Notes	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 572,000	\$ 348,335	\$ -	\$ 920,335
Increases	-	166,694	45,573	212,267
Decreases	34,588	132,341	-	166,929
Balance end of year	<u>\$ 537,412</u>	<u>\$ 382,688</u>	<u>\$ 45,573</u>	<u>\$ 965,673</u>
Due within one year	<u>\$ 50,781</u>	<u>\$ 145,767</u>	<u>\$ -</u>	<u>\$ 196,548</u>

DELAWARE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2010

Note 7. Long-Term Liabilities (continued)

General Obligation Emergency Services Communication Notes

Details of the County's June 30, 2010 general obligation emergency services communication notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	4.00 %	\$ 50,781	\$ 21,496	\$ 72,277
2012	4.00	52,813	19,465	72,278
2013	4.00	54,925	17,353	72,278
2014	4.00	57,123	15,156	72,279
2015	4.00	59,408	12,871	72,279
2016	4.00	61,784	10,494	72,278
2017	4.00	64,255	8,023	72,278
2018	4.00	66,825	5,453	72,278
2019	4.00	69,498	2,780	72,278
		<u>\$ 537,412</u>	<u>\$ 113,091</u>	<u>\$ 650,503</u>

Note 8. Other Postemployment Benefits (OPEB)

Delaware County prospectively implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 87 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is administered by Alliance Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2010

Note 8. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 69,586
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>69,586</u>
Contributions made	<u>24,013</u>
Increase in net OPEB obligation	45,573
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 45,573</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$24,013 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 69,586	34.5%	\$ 45,573

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$606,295, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$606,295. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,666,000 and the ratio of the UAAL to covered payroll was 16.5%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

Note 8. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table, projected to 2010 using scale AA.

Projected claim costs of the medical plan are \$459 per month for retirees between the ages of 55 and 59 and \$565 per month for retirees between the ages of 60 and 64. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. 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 4.3% of their annual covered salary and the County is required to contribute 6.65% 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, 2010, 2009, and 2008 were \$253,195, \$234,937 and \$219,583, respectively, equal to the required contributions for each year.

Note 10. 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 for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$200,000, 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, 2010

Note 11. Construction Commitment

The County has entered into contracts totaling \$1,392,675 for various roadway projects. As of June 30, 2010, costs of \$1,028,429 had been paid on the projects. The balance remaining at June 30, 2010 of \$364,246 will be paid as work on the projects progresses.

Note 12. 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 13. Subsequent Events

In July, 2010, the County experienced severe flooding and the collapse of a local dam as a result of heavy rain. Preliminary estimates of damages to the County are approximately \$5,000,000. The County is unsure at this time as to possible insurance recoveries and federal and state disaster assistance.

In November, 2010, the County entered into a contract totaling \$988,678 for a bridge replacement project.

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, 2010

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 7,171,076	\$ 7,091,896	\$ 7,135,921	\$ 35,155
Interest and penalty on property tax	63,069	30,400	30,400	32,669
Intergovernmental	5,700,438	5,646,385	5,756,360	(55,922)
Licenses and permits	19,372	11,350	11,350	8,022
Charges for service	519,804	394,970	415,970	103,834
Use of money and property	197,562	190,500	188,965	8,597
Miscellaneous	338,991	193,046	199,602	139,389
Total receipts	<u>14,010,312</u>	<u>13,558,547</u>	<u>13,738,568</u>	<u>271,744</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	1,814,214	1,888,475	1,932,308	118,094
Physical health and social services	536,002	682,372	714,220	178,218
Mental health	2,721,140	2,803,114	2,724,014	2,874
County environment and education	863,224	800,953	1,000,953	137,729
Roads and transportation	3,817,167	3,923,645	3,923,645	106,478
Government services to residents	579,992	599,569	623,765	43,773
Administration	1,125,054	1,213,470	1,242,627	117,573
Non-program	29,819	16,550	30,550	731
Debt service	72,276	96,000	74,588	2,312
Capital projects	1,093,012	1,712,123	1,788,015	695,003
Total disbursements	<u>12,651,900</u>	<u>13,736,271</u>	<u>14,054,685</u>	<u>1,402,785</u>
Excess (deficiency) of receipts over (under) disbursements	1,358,412	(177,724)	(316,117)	1,674,529
Balance beginning of year	<u>3,645,152</u>	<u>1,724,381</u>	<u>1,724,381</u>	<u>1,920,771</u>
Balance end of year	<u>\$ 5,003,564</u>	<u>\$ 1,546,657</u>	<u>\$ 1,408,264</u>	<u>\$ 3,595,300</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,010,312	\$ (75,272)	\$ 13,935,040
Expenditures	12,651,900	1,238,926	13,890,826
Net	1,358,412	(1,314,198)	44,214
Beginning fund balances	3,645,152	132,740	3,777,892
Ending fund balances	<u>\$ 5,003,564</u>	<u>\$ (1,181,458)</u>	<u>\$ 3,822,106</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2010

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, three budget amendments increased budgeted disbursements by \$318,414. 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, 2010, disbursements did not exceed the amounts budgeted. However, disbursements in the County farm department exceeded the amount appropriated prior to the amendment of the appropriations.

DELAWARE COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 606	\$ 606	0.0%	\$ 3,666	16.5%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

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## Other Supplementary Information

DELAWARE COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2010

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition	Conservation Projects
Assets				
Cash and pooled investments	\$ 24,857	\$ 21,584	\$ 17,737	\$ 27,371
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	370
Accrued interest	20	-	-	-
Total assets	<u>\$ 24,877</u>	<u>\$ 21,584</u>	<u>\$ 17,737</u>	<u>\$ 27,741</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 1,179	\$ -	\$ 552
Salaries and benefits payable	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	<u>-</u>	<u>1,179</u>	<u>-</u>	<u>552</u>
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved	24,877	20,405	17,737	27,189
Total fund balances	<u>24,877</u>	<u>20,405</u>	<u>17,737</u>	<u>27,189</u>
Total liabilities and fund balances	<u>\$ 24,877</u>	<u>\$ 21,584</u>	<u>\$ 17,737</u>	<u>\$ 27,741</u>

See accompanying independent auditor's report.

<u>Drug Forfeiture</u>	<u>Sheriff's Reserve</u>	<u>McGee Discretionary Trust</u>	<u>Debt Service</u>	<u>Total</u>
\$ 670	\$ 3,484	\$ 32,998	\$ 21,258	\$ 149,959
-	-	-	35	35
-	-	-	69,000	69,000
-	3,400	-	-	3,770
-	-	-	-	20
<u>\$ 670</u>	<u>\$ 6,884</u>	<u>\$ 32,998</u>	<u>\$ 90,293</u>	<u>\$ 222,784</u>
\$ -	\$ -	\$ -	\$ -	1,731
-	2,196	-	-	2,196
-	-	-	69,000	69,000
-	-	-	34	34
-	2,196	-	69,034	72,961
-	-	-	21,259	21,259
670	4,688	32,998	-	128,564
670	4,688	32,998	21,259	149,823
<u>\$ 670</u>	<u>\$ 6,884</u>	<u>\$ 32,998</u>	<u>\$ 90,293</u>	<u>\$ 222,784</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition	Conservation Projects
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	17,703	-	-
Charges for service	4,340	-	-	-
Use of money and property	232	224	3,019	86
Miscellaneous	-	-	-	17,724
Total revenues	<u>4,572</u>	<u>17,927</u>	<u>3,019</u>	<u>17,810</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	-
County environment and education	-	-	-	4,865
Government services to residents	4,924	-	-	-
Debt service	-	-	-	-
Capital projects	-	37,173	2,903	-
Total expenditures	<u>4,924</u>	<u>37,173</u>	<u>2,903</u>	<u>4,865</u>
Excess (deficiency) of revenues over (under) expenditures	(352)	(19,246)	116	12,945
Fund balances beginning of year	<u>25,229</u>	<u>39,651</u>	<u>17,621</u>	<u>14,244</u>
Fund balances end of year	<u>\$ 24,877</u>	<u>\$ 20,405</u>	<u>\$ 17,737</u>	<u>\$ 27,189</u>

See accompanying independent auditor's report.

<u>Drug Forfeiture</u>	<u>Sheriff's Reserve</u>	<u>Emergency Watershed Protection</u>	<u>McGee Discretionary Trust</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	89,579	\$ -	89,579
-	-	134,461	-	3,952	-	156,116
-	-	-	-	-	-	4,340
3	-	-	-	-	-	3,564
-	12,715	-	22,124	-	-	52,563
<u>3</u>	<u>12,715</u>	<u>134,461</u>	<u>22,124</u>	<u>93,531</u>	<u>-</u>	<u>306,162</u>
-	13,045	-	-	-	-	13,045
-	-	-	9,634	-	-	9,634
-	-	33,580	-	-	-	38,445
-	-	-	-	-	-	4,924
-	-	-	-	72,276	-	72,276
-	-	-	-	-	55,975	96,051
<u>-</u>	<u>13,045</u>	<u>33,580</u>	<u>9,634</u>	<u>72,276</u>	<u>55,975</u>	<u>234,375</u>
3	(330)	100,881	12,490	21,255	(55,975)	71,787
<u>667</u>	<u>5,018</u>	<u>(100,881)</u>	<u>20,508</u>	<u>4</u>	<u>55,975</u>	<u>78,036</u>
<u>\$ 670</u>	<u>\$ 4,688</u>	<u>\$ -</u>	<u>\$ 32,998</u>	<u>\$ 21,259</u>	<u>\$ -</u>	<u>\$ 149,823</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2010

	<u>County Recorder</u>	<u>County Assessor</u>	<u>Emergency Management</u>	<u>Brucellosis and Tuberculosis Eradication</u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ 610,130	\$ 3,152	\$ 38
Other County officials	304	-	-	-
Receivables:				
Property tax:				
Delinquent	-	221	-	1
Succeeding year	-	589,000	-	3,000
Accounts	-	144	-	-
Due from other governments	-	-	412	-
	<hr/>			
Total assets	<u>\$ 304</u>	<u>\$ 1,199,495</u>	<u>\$ 3,564</u>	<u>\$ 3,039</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 99	\$ 635	\$ -
Salaries and benefits payable	-	9,369	-	-
Due to other governments	304	1,175,070	(2,251)	3,039
Trusts payable	-	-	-	-
Compensated absences	-	14,957	5,180	-
	<hr/>			
Total liabilities	<u>\$ 304</u>	<u>\$ 1,199,495</u>	<u>\$ 3,564</u>	<u>\$ 3,039</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>
\$ 6,228	\$ 42,076	\$ 180,504	\$ 12,473	\$ 5,924	\$ 2,736	\$ 13,453
-	-	-	-	-	-	-
93	2,093	4,679	310	-	67	330
372,000	4,237,000	12,451,000	869,000	-	173,000	931,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 378,321</u>	<u>\$ 4,281,169</u>	<u>\$ 12,636,183</u>	<u>\$ 881,783</u>	<u>\$ 5,924</u>	<u>\$ 175,803</u>	<u>\$ 944,783</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
378,321	4,281,169	12,636,183	881,783	5,924	175,803	944,783
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 378,321</u>	<u>\$ 4,281,169</u>	<u>\$ 12,636,183</u>	<u>\$ 881,783</u>	<u>\$ 5,924</u>	<u>\$ 175,803</u>	<u>\$ 944,783</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2010

	<u>Auto License and Use Tax</u>	<u>Tax Sale Redemption</u>	<u>Advance Tax Collection</u>	<u>Lake District</u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 479,335	\$ 21,358	\$ 43,734	\$ 1,997
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	40
Succeeding year	-	-	-	196,000
Accounts	-	-	-	-
Due form other governments	-	-	-	-
	<hr/>			
Total assets	<u>\$ 479,335</u>	<u>\$ 21,358</u>	<u>\$ 43,734</u>	<u>\$ 198,037</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	479,335	-	-	198,037
Trusts payable	-	21,358	43,734	-
Compensated absences	-	-	-	-
	<hr/>			
Total liabilities	<u>\$ 479,335</u>	<u>\$ 21,358</u>	<u>\$ 43,734</u>	<u>\$ 198,037</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>
\$ 83,633	\$ 7,419	\$ 138	\$ 2,203	\$ 1,516,531
-	-	-	-	304
-	-	-	-	7,834
-	-	9,000	-	19,830,000
110	-	-	-	254
-	-	-	-	412
<u>\$ 83,743</u>	<u>\$ 7,419</u>	<u>\$ 9,138</u>	<u>\$ 2,203</u>	<u>\$ 21,355,335</u>
\$ 1,104	\$ -	\$ -	\$ -	1,838
-	-	-	-	9,369
82,639	-	9,138	2,203	21,251,480
-	7,419	-	-	72,511
-	-	-	-	20,137
<u>\$ 83,743</u>	<u>\$ 7,419</u>	<u>\$ 9,138</u>	<u>\$ 2,203</u>	<u>\$ 21,355,335</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2010

	County Offices		County Assessor	Emergency Management
	County Recorder	County Sheriff		
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 93	\$ -	\$ 1,247,210	\$ 3,612
Additions:				
Property and other County tax	-	-	589,267	-
State tax credits	-	-	25,028	-
E-911 surcharge	-	-	-	-
Reimbursements from other governments	-	-	-	116,722
Office fees and collections	416,309	104,035	3,565	-
Auto licenses, use tax, driver licenses, and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	167,422	-	-
Interest on investments	-	-	-	-
Total additions	416,309	271,457	617,860	116,722
Deductions:				
Agency remittances:				
To other funds	178,982	101,878	-	-
To other governments	237,116	2,157	665,575	116,770
Trusts paid out	-	167,422	-	-
Total deductions	416,098	271,457	665,575	116,770
Balances end of year	\$ 304	\$ -	\$ 1,199,495	\$ 3,564

<u>Brucellosis and Tuberculosis Eradication</u>	<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>City Special Assessments</u>	<u>Agricultural Extension Education</u>
\$ 2,060	\$ 372,099	\$ 3,889,661	\$ 11,689,156	\$ 805,960	\$ 8,356	\$ 175,886
3,387	372,732	4,247,542	12,454,297	869,789	-	173,117
105	15,300	159,244	506,687	34,859	-	7,594
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	113,499	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,492	388,032	4,406,786	12,960,984	904,648	113,499	180,711
-	-	-	-	-	-	-
2,513	381,810	4,015,278	12,013,957	828,825	115,931	180,794
-	-	-	-	-	-	-
2,513	381,810	4,015,278	12,013,957	828,825	115,931	180,794
\$ 3,039	\$ 378,321	\$ 4,281,169	\$ 12,636,183	\$ 881,783	\$ 5,924	\$ 175,803

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2010

	<u>County Hospital</u>	<u>Auto License and Use Tax</u>	<u>Tax Sale Redemption</u>	<u>Advance Tax Collection</u>
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 863,255	\$ 406,127	\$ 51,609	\$ 33,049
<b>Additions:</b>				
Property and other County tax	931,370	-	-	-
State tax credits	37,341	-	-	-
E-911 surcharge	-	-	-	-
Reimbursements from other governments	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax, driver licenses, and postage	-	4,997,790	-	-
Assessments	-	-	-	-
Trusts	-	-	151,508	48,116
Interest on investments	-	-	-	-
Total additions	<u>968,711</u>	<u>4,997,790</u>	<u>151,508</u>	<u>48,116</u>
<b>Deductions:</b>				
Agency remittances:				
To other funds	-	204,880	-	-
To other governments	887,183	4,719,702	-	-
Trusts paid out	-	-	181,759	37,431
Total deductions	<u>887,183</u>	<u>4,924,582</u>	<u>181,759</u>	<u>37,431</u>
Balances end of year	<u>\$ 944,783</u>	<u>\$ 479,335</u>	<u>\$ 21,358</u>	<u>\$ 43,734</u>

See accompanying independent auditor's report.

<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>
\$ 190,346	\$ 86,731	\$ 8,603	\$ 8,187	\$ 837	\$ 19,842,837
197,040	-	-	8,970	-	19,847,511
2,916	-	-	496	-	789,570
-	101,333	-	-	-	101,333
-	-	-	-	-	116,722
-	-	-	-	12,814	536,723
-	-	-	-	-	4,997,790
-	-	-	-	-	113,499
-	-	48,910	-	-	415,956
-	1,341	-	-	-	1,341
<u>199,956</u>	<u>102,674</u>	<u>48,910</u>	<u>9,466</u>	<u>12,814</u>	<u>26,920,445</u>
-	-	-	-	-	485,740
192,265	105,662	-	8,515	11,448	24,485,501
-	-	50,094	-	-	436,706
<u>192,265</u>	<u>105,662</u>	<u>50,094</u>	<u>8,515</u>	<u>11,448</u>	<u>25,407,947</u>
\$ <u><u>198,037</u></u>	\$ <u><u>83,743</u></u>	\$ <u><u>7,419</u></u>	\$ <u><u>9,138</u></u>	\$ <u><u>2,203</u></u>	\$ <u><u>21,355,335</u></u>

DELAWARE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST SIX YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2010	2009	2008	2007
<b>Revenues:</b>				
Property and other County tax	\$ 7,185,299	\$ 6,655,873	\$ 6,367,692	\$ 6,179,275
Interest and penalty on property tax	62,985	50,380	44,443	36,929
Intergovernmental	5,625,939	6,306,788	5,790,202	5,539,705
Licenses and permits	18,942	15,860	13,910	13,235
Charges for service	523,036	505,696	480,542	468,702
Use of money and property	184,206	198,580	220,273	211,076
Miscellaneous	334,633	454,537	280,094	141,404
<b>Total</b>	<b>\$ 13,935,040</b>	<b>\$ 14,187,714</b>	<b>\$ 13,197,156</b>	<b>\$ 12,590,326</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,799,661	\$ 1,832,913	\$ 1,760,399	\$ 1,660,015
Physical health and social services	490,341	584,058	452,747	431,955
Mental health	2,769,047	2,690,644	2,847,779	2,596,198
County environment and education	768,425	813,116	683,691	702,506
Roads and transportation	4,171,369	4,247,873	4,286,608	3,187,373
Government services to residents	575,096	523,637	488,992	444,250
Administration	1,134,450	1,316,496	1,068,861	967,030
Non-program	32,375	30,445	6,812	32,991
Debt service	72,276	-	-	-
Capital projects	2,077,786	2,358,669	1,279,193	1,840,978
<b>Total</b>	<b>\$ 13,890,826</b>	<b>\$ 14,397,851</b>	<b>\$ 12,875,082</b>	<b>\$ 11,863,296</b>

See accompanying independent auditor's report.

	<u>2006</u>		<u>2005</u>
\$	5,325,886	\$	5,200,393
	40,788		43,597
	5,791,503		5,426,274
	17,588		12,621
	479,998		462,858
	105,223		132,772
	115,864		100,070
	<u>11,876,850</u>		<u>11,378,585</u>
\$	1,455,562	\$	1,426,663
	382,510		357,859
	2,148,717		2,064,158
	638,930		559,200
	3,702,804		4,420,188
	619,518		530,774
	916,670		922,012
	12,055		12,072
	-		-
	<u>3,239,706</u>		<u>1,896,531</u>
	<u>\$ 13,116,472</u>		<u>\$ 12,189,457</u>

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, 2010, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 9, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delaware County's internal control over financial reporting 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We noted no matters involving internal controls over financial reporting that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-10 and I-B-10 to be significant deficiencies.

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. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Delaware County's operations for the year ended June 30, 2010 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  
February 9, 2011

DELAWARE COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2010

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 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) After signing, 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, 2010

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

INTERNAL CONTROL DEFICIENCIES (continued):

I-A-10 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.

I-B-10 Payroll Records – We noted in our testing of payroll transactions that the reason for overtime and compensation time relating to the County Sheriff's office is not always documented on the time cards. In addition, the County Auditor's office prepares paychecks from a summary sheet prepared by the Sheriff's office instead of actual time cards.

Recommendation – To improve control over payroll, the reason for all overtime and compensation time should be documented on actual approved time cards and then submitted by the Sheriff's office to the Auditor's office for payroll preparation. The Auditor's office should independently review the submitted time cards and the payroll summary for accuracy and reasonableness.

Response – We will implement the recommended procedures to improve payroll controls for the Sheriff's office.

Conclusion – Response accepted.

DELAWARE COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted in any County function. However, disbursements in the County farm department exceeded the amount appropriated prior to the amendment of the appropriations.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – Appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

- II-B-10 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-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-10 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-E-10 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-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-10 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-10 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-10 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, 2010 for the County Extension Office did not exceed the amount budgeted.

DELAWARE COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2010

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

II-J-10 Interfund Transfers – The Special Revenue Fund, Rural Services is statutorily required to collect property and other taxes which are statutorily required to be partially transferred to the Special Revenue Fund, Secondary Roads. Chapter 331.429 of the Code of Iowa defines the maximum allowable transfer of these tax collections from Rural Services to Secondary Roads. This maximum was exceeded during the year ended June 30, 2010 by \$4,939.

Recommendation – The County should be aware of the maximum allowable transfer calculation to ensure that the total transfers do not exceed the maximum. The Secondary Roads Fund should reimburse the Rural Services Fund the amount of the excess transfer.

Response – This was an error in calculation on our part. We will be more careful in the future and the excess funds will be reimbursed to the Rural Services Fund.

Conclusion – Response accepted.