

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

JUNE 30, 2012

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-17
BASIC FINANCIAL STATEMENTS:	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Assets	20-21
B Statement of Activities	22
Governmental Fund Financial Statements:	
C Balance Sheet	24-27
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	28
E Statement of Revenues, Expenditures and Changes in Fund Balances	30-33
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	34
Fiduciary Fund Financial Statements:	
G Statement of Fiduciary Net Assets – Fiduciary Funds	35
H Statement of Changes in Fiduciary Net Assets – Private-Purpose Trust Funds	36
Notes to Financial Statements	37-52
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	54
Budget to GAAP Reconciliation	55
Notes to Required Supplementary Information – Budgetary Reporting	56
Schedule of Funding Progress for the Retiree Health Plan	57
SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	60
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	62-63
Agency Funds:	
3 Combining Schedule of Fiduciary Assets and Liabilities	64-67
4 Combining Schedule of Changes in Fiduciary Assets and Liabilities	68-71
5 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	72-73
6 Schedule of Expenditures of Federal Awards	74-75
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	76-77

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	78-79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	80-84

DELAWARE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Madlom	Board of Supervisors	Jan. 2013
Jerry Ries	Board of Supervisors	Jan. 2013
Shirley E. Helmrichs	Board of Supervisors	Jan. 2015
Carla Becker	County Auditor	Jan. 2013
Carolyn Wilson	County Treasurer	Jan. 2015
Deborah Peyton	County Recorder	Jan. 2015
John LeClere	County Sheriff	Jan. 2013
John Bernau	County Attorney	Jan. 2015
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, 2012, 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 at June 30, 2012 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 21, 2013 on our consideration of Delaware County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 54 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
February 21, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Delaware County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- The County's Governmental Fund total revenues increased \$938,509 from Fiscal Year 2011 to Fiscal Year 2012. Property and other county tax revenues increased \$962,428.
- The County's Governmental Fund expenditures increased \$2,737,346, from Fiscal Year 2011 to Fiscal Year 2012. Roads and transportation expenditures increased by \$23,652 while capital projects expenditures increased \$2,045,623.
- The net assets of the County's governmental activities increased approximately 9.03%, or \$2,971,663, from June 30, 2011 to June 30, 2012.

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.

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 of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

Fund Financial Statements

The County has two kinds of funds:

- 1) Governmental Funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 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 2012 and 2011 fiscal years focusing on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities

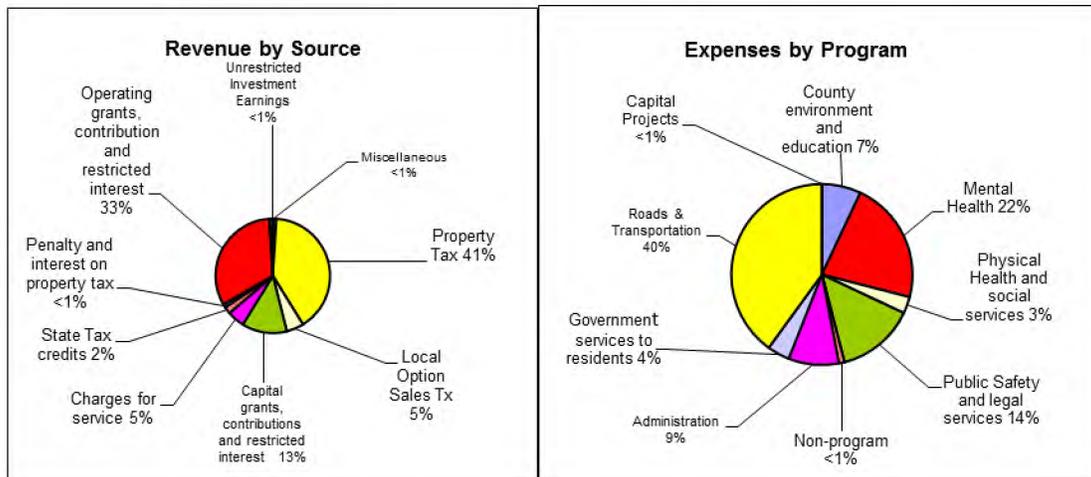
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>% Change</u>
Current and other assets	\$14,765,964	\$13,581,373	9%
Capital assets	<u>32,005,279</u>	<u>28,719,324</u>	<u>11%</u>
Total assets	<u>46,771,243</u>	<u>42,300,697</u>	<u>11%</u>
Long-term debt outstanding	1,176,668	1,003,793	17%
Other liabilities	<u>9,695,925</u>	<u>8,369,917</u>	<u>16%</u>
Total liabilities	<u>10,872,593</u>	<u>9,373,710</u>	<u>16%</u>
Net assets:			
Invested in capital assets, net of related debt	31,844,823	28,719,324	11%
Restricted	2,976,198	3,310,321	(10%)
Unrestricted	<u>1,077,629</u>	<u>897,342</u>	<u>20%</u>
Total net assets	<u>\$35,898,650</u>	<u>\$32,926,987</u>	<u>9%</u>

Net assets of Delaware County's governmental activities increased by \$2,971,663 from 2011 (\$35,898,650 compared to \$32,926,987). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. Any debt related to the investment in capital assets would be liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – are reported at \$1,077,629 at June 30, 2012.

Changes in Net Assets of Governmental Activities

	Year End June 30, 2012	Year End June 30, 2011	% of Change
Revenues:			
Program Revenues			
Charges for services	\$905,104	\$937,161	(3%)
Operating grants, contributions and restricted Interest	5,887,673	6,021,781	(2%)
Capital grants, contributions and restricted interest	2,294,410	1,645,700	40%
General Revenues:			
Property Tax	7,376,941	6,467,721	14%
Penalty and interest on property tax	49,872	48,068	4%
State tax credits	284,129	258,977	10%
Local option sales tax	944,823	892,380	6%
Unrestricted investment earnings	82,579	89,242	(7%)
Miscellaneous Revenues	<u>10,525</u>	<u>59,993</u>	<u>(82%)</u>
Total Revenues	\$17,836,056	\$16,421,023	9%
Program Expenses:			
Public safety and legal services	2,101,616	1,980,721	6%
Physical health and social services	434,050	460,822	(6%)
Mental Health	3,339,802	2,930,476	14%
County environment and education	1,088,242	1,096,963	(1%)
Roads and Transportation	5,909,534	6,010,578	(2%)
Governmental services to residents	626,582	583,039	7%
Administration	1,304,593	1,277,474	2%
Non-program	35,549	38,284	(7%)
Interest on Long-term Investments	<u>24,425</u>	<u>21,327</u>	<u>15%</u>
Total Expenses	14,864,393	14,399,684	3%
Increase in net assets	2,971,663	2,021,339	47%
Net assets beginning of year	<u>32,926,987</u>	<u>30,905,648</u>	<u>7%</u>
Net assets end of year	<u>\$35,898,650</u>	<u>\$32,926,987</u>	<u>9%</u>



(FOR ILLUSTRATIVE PURPOSES)

INDIVIDUAL MAJOR FUND ANALYSIS

As Delaware County completed the year, its governmental funds reported a combined fund balance of \$5,002,820, a decrease of \$205,531 from last year's total of \$5,208,351. The decrease in fund balance is attributable to many factors. The following are fund balances of the major governmental funds compared to the prior year:

Ending Fund Balances						
	General Fund	MH Fund	Rural Services Fund	Secondary Road Fund	Other	Total
2012	2,770,580	(174,248)	(17,011)	2,312,863	110,636	5,002,820
2011	2,187,533	99,172	39,518	2,770,537	111,591	5,208,351
Difference	583,047	(273,420)	(56,529)	(457,674)	(955)	(205,531)
%	27%	(276%)	(143%)	(17%)	(1%)	(4%)

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

1. There was an increase of \$583,047 in the General Fund ending balance compared to June 30, 2011. Even though revenues increased \$679,192 from FY 2011 to FY 2012, expenditures increased only \$355,364 compared to the prior year. Due to changes in governmental accounting standards, the activity of the Conservation Trust Fund, Conservation Land Acquisition and Capital Improvement Fund and the Sheriff's Reserve Fund are all now accounted for as General Fund transactions. This accounts for a portion of the increase in fund balance. The self-funded portion of the county's health insurance was also increased in FY 2012. Due to the increased exposure and risk to the

Supplemental Fund Balance, it was desirable to have the cash reserve to offset this risk. Approximately \$100,000 of expenditures were budgeted for Hazard Mitigation and Comprehensive Planning in 2012 which were not expended until 2013.

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. In 2012, legislation was passed to require counties to “regionalize” Mental Health Services and transferring the jurisdiction for Medicaid funded services to the state. Within this legislation, all state property tax relief, Medicaid funding, growth monies and risk pool dollars would be discontinued for FY 2013. Since no funding would be available to reimburse counties for FY 2012 Medicaid expenses scheduled for reimbursement in 2013, the Department of Human Services advised counties to hold their state Medicaid bills. This would at least provide counties a beginning fund balance for 2013 to cover expenditures and payroll until the 2013 tax dollars were collected. For 2012, expenditures totaled \$3,290,955, an increase of \$378,181 over the prior year. This figure includes over \$810,000 of state Medicaid billings from April, May and June being held on the advice of DHS. The Mental Health fund balance at year end was down \$273,420 from the prior year. This is the first time that Delaware County has reported a negative accrual fund balance. Keeping the fund balance low in 2010 and 2011 qualified Delaware County for state funding of growth and other state allocation dollars in 2011 and 2012. The ending fund balance in 2012 would have qualified Delaware County for these funds in 2013 and 2014 as well. However, these funds were discontinued beginning July 1, 2013.
3. The Secondary Roads Fund expenditures for 2012 were \$7,241,046, up significantly from \$5,226,408 expended in 2011. Revenues were also up in 2012, \$4,641,232 compared to \$4,529,092 in 2011. The Board of Supervisors also increased the amount transferred from the Rural Services Fund by \$121,721 as compared to the amount transferred in 2011. Local Option Sales Tax receipts were up \$53,861 and intergovernmental funding increased \$103,551 as well. The cumulative effect was a decrease of \$457,674 in the ending fund balance compared to the ending fund balance in 2011.
4. The Rural Services Fund expenditures for 2012 were \$430,759, down slightly from \$433,317 expended in 2011. Revenues were up \$87,549 from 2011 (\$2,309,204 compared to \$2,221,655 in 2011). In 2011 the county paid for all debris removal expenses from the 2010 flood out of this fund. In 2012 the Board of Supervisors demolished eleven (11) properties damaged in the 2010 flood. All demolition expenditures were paid out of the Rural Services Fund. FEMA reimbursement for these demolition expenditures has not yet been received. This fund also 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 decreased \$56,529 during FY 2012.

BUDGETARY HIGHLIGHTS

Over the course of the year, Delaware County amended its budget twice. The first amendment was made March 12, 2012 to accommodate for an extra \$432,458 in additional disbursements. A large portion of these were attributable to the 2010 Flood demolition project and the increased cost of mental health services. Disbursements budgeted for Mental Health Services increased by \$250,000 while disbursements budgeted for County Environment and Education increased \$149,800. The County did not exceed budgeted disbursements in any functional area. The second amendment was made on May 21, 2012 to accommodate \$200,000 increase in Mental Health disbursements.

Delaware County also amended its appropriations two (2) times outside of any budget amendment. To allow for the disbursement of the remaining funds in the Drug Fund, \$677 of disbursements were moved from the General Fund to the Drug Fund (ultimately reported as and included in the General Fund). Also, on June 18, 2012, \$5,000 was moved from the County Services Director's department to the Board of Supervisors department to accommodate additional costs for the demolition project.

The County did not exceed the amounts budgeted by function or by appropriation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2012, Delaware County had approximately \$32,005,279 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges, net of \$11,135,931 accumulated depreciation.

Capital Assets of Governmental Activities	
At Year End	
	June 30, 2012
<u>Acquisition cost:</u>	
Land	\$591,102
Construction in progress	1,592,490
Buildings and improvement	4,131,895
Equipment and vehicles	7,481,883
Infrastructure	<u>29,343,840</u>
Total	\$43,141,210
<u>Accumulated depreciation:</u>	
Buildings	\$(2,274,567)
Machinery & Equipment	(4,571,077)
Infrastructure	<u>(4,290,287)</u>
Total net government activities capital assets	\$32,005,279

The County had depreciation expense of \$1,732,648 in FY 2012 and total accumulated depreciation of \$11,135,931 at June 30, 2012.

Long-Term Liabilities

At June 30, 2011, Delaware County had approximately \$1,003,793 in long-term liabilities compared to approximately \$1,176,668 at June 30, 2012, as shown below:

Outstanding Debt of Governmental Activities	
At Year End	
	June 30, 2012
Capital Lease Purchase	\$160,456
General Obligation Note	\$433,818
Compensated Absences	\$448,394
Net Other Post-Employment Benefits	<u>\$134,000</u>
Total	\$1,176,668

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 2012 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 2013. Amounts available for appropriation in the operating budget are \$16,835,239, an increase of 3% over the final 2012 budget (after the final amendment). The effects of the Affordable Health Care Act on the county’s finances are still not known. The county anticipates that insurance costs will continue to rise as more regulations and fees are placed on employers and insurance companies. Mental Health Services revenues and expenditures were budgeted on the current system. It is anticipated that both revenues and expenditures will decrease significantly during the redesign/regionalization process. Unfortunately, Delaware County will be facing a budgetary shortfall in this area without significant assistance from the state regarding the approximately \$810,000 of state Medicaid billings being held. These factors were all part of the considerations for the FY 2013 budget which certified taxes as follows (amount certified includes utility replacement and property tax dollars):

	<u>Dollars Certified</u>	<u>Percentage Increase (Decrease)</u>
General Fund	\$3,197,895	2.3 %
General Supplemental	1,031,367	(23%)
Mental Health Fund	926,948	1%
Debt Service	60,032	(17%)
Rural Services	2,133,708	3.2 %

Due to the draining of the impoundment, Delaware County decided to take measures during the 2011-2012 budget process to preserve fund balances in order to offset the loss of assessed valuation as set January 1, 2011 for taxes payable in FY 2012-2013. With the increase of the state rollback for residential property, the increase of agricultural property due to equalization and the decrease of valuation dedicated to TIF repayment, the Board did not feel the need to preserve higher fund balances in its budgetary funds to offset the lower valuations within the Lake District. Thus, the General Supplemental levy rate for 2012-2013 decreased by about 37 cents per \$1,000, the Rural Basic levy rate decreased by a little over 10.2 cents per \$1,000 and the Debt Service levy in FY 2013 decreased by 1.35 cent per thousand. .

Delaware County has had the following initiatives to the 2013 budget:

1. The County had to continue to levy for the General Supplemental Fund due to increased expenditures and maximum levy rate in the General Fund. Insurance costs will continue to be paid from this fund until such time as the General Fund has a fund balance which can sustain the expenditures.
2. The General Supplemental Fund expenditures will increase due to the requirements of the Affordable Health Care Act, rising insurance costs, the placement of children at the Juvenile Home in Toledo and increasing costs of election administration. Monies are also being set aside to replace the existing voting equipment in the near future.
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 the 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 came from the Rural Services Fund. Since this fund does not normally carry a large fund balance, all reserves have been utilized to pay for the County's portion of these emergency expenditures. FEMA reimbursement for a portion of these expenditures is expected in FY 2013.

The Debt Service levy in 2014-15 may also need to accommodate the repayment of up to \$3,000,000 for the possible issuance of bonds to aid in the restoration of the Lake Delhi Dam and the building of a spillway adjacent to said dam. The County will also need to assess its options in replacing the bridge which spanned the former dam. Another issue being seriously discussed for Fiscal Year 2014-15 is the possible remodeling of the current jail and Sheriff's Department to upgrade it to current standards. This may also involve the relocation of the Communications Center to the proposed new facility. Due to the size of this project, a 60% super majority vote of the public would be required.

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.

This page intentionally left blank

Basic Financial Statements

DELAWARE COUNTY
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,625,548
Receivables:	
Property tax:	
Delinquent	1,232
Succeeding year	7,029,000
Interest and penalty on property tax	669
Accounts	30,416
Accrued interest	6,737
Due from other governments	700,974
Inventories	371,388
Capital assets, net of accumulated depreciation (note 4)	<u>32,005,279</u>
Total assets	<u>46,771,243</u>
Liabilities	
Accounts payable	1,731,895
Salaries and benefits payable	87,810
Due to other governments (note 5)	840,638
Accrued interest payable	6,582
Deferred revenue:	
Succeeding year property tax	7,029,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Capital lease purchase agreements	38,007
General obligation notes	54,925
Compensated absences	153,598
Portion due or payable after one year:	
Capital lease purchase agreements	122,449
General obligation notes	378,893
Compensated absences	294,796
Net OPEB liability	<u>134,000</u>
Total liabilities	<u>10,872,593</u>

DELAWARE COUNTY
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 31,844,823
Restricted for:	
Supplemental levy purposes	704,365
Rural services purposes	51,836
Secondary roads purposes	2,039,389
Debt service	19,137
Other purposes	161,471
Unrestricted	<u>1,077,629</u>
Total net assets	<u>\$ 35,898,650</u>

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

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	\$ 2,101,616	\$ 130,780	\$ 136,672	\$ -	\$ (1,834,164)
Physical health and social services	434,050	21,104	102,672	-	(310,274)
Mental health	3,339,802	57,381	2,040,509	-	(1,241,912)
County environment and education	1,088,242	192,513	227,477	-	(668,252)
Roads and transportation	5,909,534	84,743	3,318,731	2,294,410	(211,650)
Government services to residents	626,582	349,095	33,738	-	(243,749)
Administration	1,304,593	69,488	25,474	-	(1,209,631)
Non-program	35,549	-	2,400	-	(33,149)
Interest on long-term debt	24,425	-	-	-	(24,425)
Total	\$ 14,864,393	\$ 905,104	\$ 5,887,673	\$ 2,294,410	(5,777,206)
General Revenues:					
Property and other county tax levied for:					
General purposes					7,307,515
Debt service					69,426
Penalty and interest on property tax					49,872
State tax credits					284,129
Local option sales and services tax					944,823
Unrestricted investment earnings					82,579
Miscellaneous					10,525
Total general revenues					8,748,869
Change in fund balance					2,971,663
Net assets beginning of year					32,926,987
Net assets end of year					\$ 35,898,650

See notes to financial statements.

This page intentionally left blank

DELAWARE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,865,370	\$ 694,539	\$ 33,960	\$ 2,920,651
Receivables:				
Property tax:				
Delinquent	650	144	429	-
Succeeding year	4,042,000	886,000	2,044,000	-
Interest and penalty on property tax	669	-	-	-
Accounts	30,032	-	25	359
Accrued interest	6,730	-	-	-
Due from other governments	50,169	61,421	72,250	517,134
Inventories	-	-	-	371,388
Total assets	\$ 6,995,620	\$ 1,642,104	\$ 2,150,664	\$ 3,809,532

<u>Nonmajor</u>	<u>Total</u>
\$ 111,028	\$ 6,625,548
9	1,232
57,000	7,029,000
-	669
-	30,416
7	6,737
-	700,974
-	371,388
<u>\$ 168,044</u>	<u>\$ 14,765,964</u>

DELAWARE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue			
General	Mental Health	Rural Services	Secondary Roads	
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 136,952	\$ 79,845	\$ 50,142	\$ 1,464,556
Salaries and benefits payable	45,064	9,740	893	32,113
Due to other governments (note 5)	-	840,638	-	-
Deferred revenue:				
Succeeding year property tax	4,042,000	886,000	2,044,000	-
Other	1,024	129	72,640	-
Total liabilities	4,225,040	1,816,352	2,167,675	1,496,669
Fund balances:				
Nonspendable:				
Inventories	-	-	-	371,388
Restricted for:				
Supplemental levy purposes	788,366	-	-	-
Secondary roads purposes	-	-	-	1,941,475
Reserve officer purposes	5,625	-	-	-
Prisoner room and board purposes	43,073	-	-	-
Conservation purposes	22,712	-	-	-
Records management purposes	-	-	-	-
Public betterment purposes	-	-	-	-
Debt service	-	-	-	-
Assigned:				
Conservation trust	26,856	-	-	-
Courthouse updates	150,000	-	-	-
Early retirement payouts	15,000	-	-	-
Equipment updates	40,000	-	-	-
Unassigned	1,678,948	(174,248)	(17,011)	-
Total fund balances	2,770,580	(174,248)	(17,011)	2,312,863
Total liabilities and fund balances	\$ 6,995,620	\$ 1,642,104	\$ 2,150,664	\$ 3,809,532

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 400	\$ 1,731,895
-	87,810
-	840,638
57,000	7,029,000
8	73,801
57,408	9,763,144
-	371,388
-	788,366
-	1,941,475
-	5,625
-	43,073
19,901	42,613
19,280	19,280
50,880	50,880
20,575	20,575
-	26,856
-	150,000
-	15,000
-	40,000
-	1,487,689
110,636	5,002,820
\$ 168,044	\$ 14,765,964

DELAWARE COUNTY

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

June 30, 2012

Total fund balances of governmental funds	\$ 5,002,820
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 \$43,141,210 and the accumulated depreciation is \$11,135,931.	32,005,279
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	73,801
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.	(6,582)
Long-term liabilities, including capital leases payable, 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>(1,176,668)</u>
Net assets of governmental activities	<u>\$ 35,898,650</u>

See notes to financial statements.

This page intentionally left blank

DELAWARE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 4,393,724	\$ 885,167	\$ 2,123,999	\$ 850,341
Interest and penalty on property tax	52,200	-	-	-
Intergovernmental	502,971	2,074,987	174,080	3,702,358
Licenses and permits	50	-	11,100	15,490
Charges for service	549,596	-	-	-
Use of money and property	135,776	13,618	-	-
Miscellaneous	142,583	43,763	25	73,043
Total revenues	5,776,900	3,017,535	2,309,204	4,641,232
Expenditures:				
Operating:				
Public safety and legal services	2,131,537	-	-	-
Physical health and social services	416,806	-	-	-
Mental health	-	3,290,955	-	-
County environment and education	564,053	-	424,617	-
Roads and transportation	-	-	-	5,186,906
Government services to residents	594,125	-	6,142	-
Administration	1,329,628	-	-	-
Non-program	13,930	-	-	-
Debt service	-	-	-	-
Capital projects	143,774	-	-	2,054,140
Total expenditures	5,193,853	3,290,955	430,759	7,241,046
Excess (deficiency) of revenues over (under) expenditures	583,047	(273,420)	1,878,445	(2,599,814)
Other financing sources (uses):				
Sale of capital assets	-	-	-	2,710
Interfund transfers in (note 3)	-	-	-	1,934,974
Interfund transfers out (note 3)	-	-	(1,934,974)	-
Execution of capital lease	-	-	-	204,456
Total other financing sources (uses)	-	-	(1,934,974)	2,142,140

	<u>Nonmajor</u>		<u>Total</u>
\$	69,441	\$	8,322,672
	-		52,200
	14,639		6,469,035
	-		26,640
	4,310		553,906
	228		149,622
	20,000		279,414
	<u>108,618</u>		<u>15,853,489</u>

	676		2,132,213
	14,617		431,423
	-		3,290,955
	-		988,670
	-		5,186,906
	10,000		610,267
	-		1,329,628
	-		13,930
	72,278		72,278
	12,002		2,209,916
	<u>109,573</u>		<u>16,266,186</u>

	(955)		(412,697)
	-		2,710
	-		1,934,974
	-		(1,934,974)
	-		204,456
	<u>-</u>		<u>207,166</u>

DELAWARE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

		<u>Special Revenue</u>		
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Net change in fund balances	\$ 583,047	\$ (273,420)	\$ (56,529)	\$ (457,674)
Fund balances beginning of year	<u>2,187,533</u>	<u>99,172</u>	<u>39,518</u>	<u>2,770,537</u>
Fund balances end of year	<u>\$ 2,770,580</u>	<u>\$ (174,248)</u>	<u>\$ (17,011)</u>	<u>\$ 2,312,863</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ (955)	\$ (205,531)
<u>111,591</u>	<u>5,208,351</u>
<u>\$ 110,636</u>	<u>\$ 5,002,820</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, 2012

Net change in fund balances - total governmental funds \$ (205,531)

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	\$ 3,107,820	
Capital assets contributed by the Iowa Department of Transportation		1,910,783	
Depreciation expense		<u>(1,732,648)</u>	3,285,955

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	(908)	
Other		<u>69,982</u>	69,074

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds, but issuing debt increases long-term liabilities in the
Statement of Net Assets and does not affect the Statement of Activities. (204,456)

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. 96,813

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	(21,232)	
Net OPEB liability		(44,000)	
Interest on long-term debt		<u>(4,960)</u>	<u>(70,192)</u>

Change in net assets of governmental activities \$ 2,971,663

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ -	\$ 8,018,749
Other County officials	254,817	5,209
Receivables:		
Property tax:		
Delinquent	-	3,942
Succeeding year	-	21,328,000
Accounts	-	18,878
Accrued interest	-	866
Due from other governments	-	93,278
	<u>254,817</u>	<u>29,468,922</u>
Liabilities		
Accounts payable	-	227,847
Salaries and benefits payable	-	3,320
Due to other governments (note 5)	-	29,115,235
Trusts payable	-	78,489
Compensated absences	-	44,031
	<u>-</u>	<u>29,468,922</u>
Net Assets		
Restricted for:		
Trust principal - Spangler (note 13)	128,000	-
Trust principal - Corell (note 13)	12,162	-
Unrestricted	114,655	-
	<u>254,817</u>	<u>-</u>
Total net assets	\$ <u>254,817</u>	\$ <u>-</u>

See notes to financial statements.

DELAWARE COUNTY
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE-PURPOSE TRUST FUNDS
 Year Ended June 30, 2012

	<u>Private- Purpose Trust Funds</u>
Revenues:	
Interest on investments	\$ <u>4,306</u>
Expenditures:	
Vision care	189
Supplies	2,692
Equipment repairs	4,427
Total expenditures	<u>7,308</u>
 Net change in fund balance	 (3,002)
 Balance beginning of year	 <u>257,819</u>
 Balance end of year	 \$ <u><u>254,817</u></u>

See notes to financial statements.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations – The County 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
June 30, 2012

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 by creditors, grantors, contributors, or laws and regulations of other governments 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 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 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 the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following fiduciary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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
June 30, 2012

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
June 30, 2012

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, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of 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 and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in preceding classifications.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012, disbursements did not exceed the amounts budgeted in any County function and disbursements did not exceed departmental appropriations.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This 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, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u>1,934,974</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
June 30, 2012

Note 4. Capital Assets

A summary of capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 591,102	\$ -	\$ -	\$ 591,102
Construction in progress	-	1,592,490	-	1,592,490
Total capital assets not being depreciated	591,102	1,592,490	-	2,183,592
Capital assets being depreciated:				
Buildings	4,131,895	-	-	4,131,895
Machinery and equipment	7,016,359	1,002,246	536,722	7,481,883
Infrastructure	26,919,973	2,423,867	-	29,343,840
Total capital assets being depreciated	38,068,227	3,426,113	536,722	40,957,618
Less accumulated depreciation for:				
Buildings	2,193,257	81,310	-	2,274,567
Machinery and equipment	4,400,089	707,710	536,722	4,571,077
Infrastructure	3,346,659	943,628	-	4,290,287
Total accumulated depreciation	9,940,005	1,732,648	536,722	11,135,931
Total capital assets being depreciated, net	28,128,222	1,693,465	-	29,821,687
Governmental activities capital assets, net	\$ 28,719,324	\$ 3,285,955	\$ -	\$ 32,005,279

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	116,155
Physical health and social services		1,334
Mental health		45,501
County environment and education		59,723
Roads and transportation		1,441,172
Government services to residents		8,787
Administration		38,357
Non-program		<u>21,619</u>
 Total depreciation expense - governmental activities	 \$	 <u><u>1,732,648</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>840,638</u></u>
Total for governmental funds		
Agency:		
County Assessor	Collections	\$ 1,033,311
Townships		407,912
Corporations		4,920,757
Schools		13,108,280
Area Schools		891,361
County Hospital		1,117,516
Auto License and Use Tax		517,152
Lake Delhi Capital Projects		5,981,136
All Other		<u>1,137,810</u>
 Total for agency funds		 \$ <u><u>29,115,235</u></u>

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 loan:

General Basic to Mental Health, \$250,000 interest-free loan, approved January 9, 2012 and repaid April 23, 2012.

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Capital Lease Purchase Agreements	General Obligation Notes	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ -	\$ 486,631	\$ 427,162	\$ 90,000	\$ 1,003,793
Increases	204,456	-	183,877	44,000	432,333
Decreases	44,000	52,813	162,645	-	259,458
Balance end of year	<u>\$ 160,456</u>	<u>\$ 433,818</u>	<u>\$ 448,394</u>	<u>\$ 134,000</u>	<u>\$ 1,176,668</u>
Due within one year	<u>\$ 38,007</u>	<u>\$ 54,925</u>	<u>\$ 153,598</u>	<u>\$ -</u>	<u>\$ 246,530</u>

Capital Lease Purchase Agreements

During the year ended June 30, 2012, the County entered into a capital lease purchase agreement for the purchase of a motor grader. The lease had an initial value of \$204,456, required a \$44,000 initial payment, and calls for four annual lease payments of \$43,797, including interest. The lease has an annual percentage rate of 3.55% and is payable through the year ending June 30, 2016.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements (continued)

Details of the County's capital lease purchase indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Motor Grader</u>
2013	\$ 43,797
2014	43,797
2015	43,797
2016	<u>43,797</u>
Total minimum lease payments	175,188
Less amount representing interest	<u>(14,732)</u>
Present value of net minimum lease payments	<u>\$ 160,456</u>

Payments under capital lease purchase agreements for the year ended June 30, 2012 totaled \$44,000. The County had capitalized equipment purchased under capital leases valued at \$204,456 at June 30, 2012.

General Obligation Emergency Services Communication Notes

Details of the County's June 30, 2012 general obligation emergency services communication notes indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>69,498</u>	<u>2,780</u>	<u>72,278</u>
		<u>\$ 433,818</u>	<u>\$ 72,130</u>	<u>\$ 505,948</u>

Note 8. Other Postemployment Benefits (OPEB)

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 6 retired members in the plan. Participants must be age 55 or older at retirement.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

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.

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 77,531
Interest on net OPEB obligation	3,600
Adjustment to annual required contribution	<u>(3,577)</u>
Annual OPEB cost	77,554
Contributions made	<u>(33,554)</u>
Increase in net OPEB obligation	44,000
Net OPEB obligation beginning of year	<u>90,000</u>
 Net OPEB obligation end of year	 <u><u>\$ 134,000</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, 2012.

For the year ended June 30, 2012, the County contributed \$33,554 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, 2012 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, 2012	\$ 77,554	43.3%	\$ 134,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$701,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$701,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,099,000 and the ratio of the UAAL to covered payroll was 17.1%. As of June 30, 2012, there were no trust fund assets.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

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.

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 ages 55 and 59 and \$565 per month for retirees between ages 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 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$346,097, \$285,993 and \$253,195, respectively, equal to the required contributions for each year.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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.

Note 11. Construction Commitment

The County has entered into contracts totaling \$2,920,505 for various roadway and courthouse improvement projects. As of June 30, 2012, costs of \$1,572,600 have been incurred against the contracts. The balance of \$1,347,905 on the contracts at June 30, 2012 will be paid as work on the projects progresses.

Note 12. Contingent Liabilities

The County is involved in several ongoing legal cases involving allegations of personal injury/negligence and civil rights violations, as well as cases involving real estate valuations. The outcomes of these cases cannot be determined at this time and the County's insurance carrier is affording coverage for all cases except those involving real estate valuations.

Note 13. 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 160-acre farm was left to Delaware County, Iowa by Grace R. Spangler. The Board of Supervisors were appointed trustees and the net proceeds from the farm were to be used to assist in improving conditions for poor persons receiving aid from Delaware County, Iowa. Further, on March 18 of each year, a dinner, the Spangler Dinner, is to be held for such poor people and their guests and an annual financial statement is to be published. In 1973, the Board of Supervisors received permission from the Court to sell the Spangler Farm.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 14. Lake Delhi Combined Recreational Facility and Water Quality District General Obligation Lake Improvement Bonds

The Lake Delhi Combined Recreational Facility and Water Quality District (the District) was formed by special public election in July, 1990, under Section 357E of the Code of Iowa, for the purpose of monitoring and maintaining the Lake Delhi dam and associated recreational area. On December 12, 2011, the County entered into an agreement with the District whereby the County became the financial administrator for the District in relation to the transactions required for the issuance of bonds and construction activities associated with the betterment of the District's facilities. As a result, the County will record the District's financial activities in an Agency Fund and will report those activities as such.

Section 357E.11A of the Code of Iowa authorizes the District to issue general obligation debt in the district's name and to levy for debt service for repayment of that debt. On June 19, 2012 the District issued \$6,090,000 in General Obligation Lake Improvement Bonds for the purpose of reconstruction of the Lake Delhi dam and spillway, and restoration and betterment of the lake and recreational area. The bonds have an interest rate of 4.25% and are payable through the year ending June 30, 2031.

The bonds are a general obligation of the Lake Delhi Combined Recreational Facility and Water Quality District and will be paid with revenues raised through a debt service levy placed on all associated properties. The District made no principal or interest payments on the bonds for the year ended June 30, 2012. Delaware County has not included these bonds as a liability in the County's financial statements because the County has no direct or contingent liability relating to these bonds.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 14. Lake Delhi Combined Recreational Facility and Water Quality District General Obligation Lake Improvement Bonds (continued)

Details of the Lake Delhi Combined Recreational Facility and Water Quality District's general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	4.25 %	\$ 205,000	\$ 245,884	\$ 450,884
2014	4.25	224,000	250,113	474,113
2015	4.25	234,000	240,593	474,593
2016	4.25	244,000	230,647	474,647
2017	4.25	254,000	220,277	474,277
2018	4.25	265,000	209,483	474,483
2019	4.25	276,000	198,220	474,220
2020	4.25	288,000	186,490	474,490
2021	4.25	300,000	174,250	474,250
2022	4.25	313,000	161,500	474,500
2023	4.25	326,000	148,198	474,198
2024	4.25	340,000	134,342	474,342
2025	4.25	354,000	119,893	473,893
2026	4.25	370,000	104,847	474,847
2027	4.25	385,000	89,122	474,122
2028	4.25	402,000	72,760	474,760
2029	4.25	419,000	55,675	474,675
2030	4.25	436,000	37,868	473,868
2031	4.25	455,000	19,337	474,337
		<u>\$ 6,090,000</u>	<u>\$ 2,899,499</u>	<u>\$ 8,989,499</u>

Note 15. Subsequent Event

In February 2013, the County approved a contract totaling \$130,551 for the demolition and restoration of the courtroom ceiling.

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, 2012

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 8,322,147	\$ 8,158,552	\$ 8,169,312	\$ 152,835
Interest and penalty on property tax	52,140	30,700	30,700	21,440
Intergovernmental	6,330,956	6,331,738	6,429,267	(98,311)
Licenses and permits	26,760	11,250	11,250	15,510
Charges for service	555,482	396,520	414,770	140,712
Use of money and property	150,835	175,700	175,700	(24,865)
Miscellaneous	309,887	187,996	217,596	92,291
Total receipts	<u>15,748,207</u>	<u>15,292,456</u>	<u>15,448,595</u>	<u>299,612</u>
DISBURSEMENTS:				
Public safety and legal services	2,135,926	2,187,063	2,226,053	90,127
Physical health and social services	448,982	683,968	633,968	184,986
Mental health	2,858,271	2,727,493	3,177,493	319,222
County environment and education	953,923	854,194	1,003,994	50,071
Roads and transportation	4,814,192	4,855,556	4,855,556	41,364
Government services to residents	621,974	691,341	682,509	60,535
Administration	1,314,883	1,362,776	1,415,276	100,393
Non-program	6,377	32,400	32,400	26,023
Debt service	72,278	72,313	72,313	35
Capital projects	1,190,041	1,676,172	1,676,172	486,131
Total disbursements	<u>14,416,847</u>	<u>15,143,276</u>	<u>15,775,734</u>	<u>1,358,887</u>
Excess (deficiency) of receipts over (under) disbursements	1,331,360	149,180	(327,139)	1,658,499
Other financing sources, net	<u>2,710</u>	-	-	<u>2,710</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,334,070	149,180	(327,139)	1,661,209
Balance beginning of year	<u>5,291,478</u>	<u>3,980,377</u>	<u>5,291,478</u>	-
Balance end of year	<u>\$ 6,625,548</u>	<u>\$ 4,129,557</u>	<u>\$ 4,964,339</u>	<u>\$ 1,661,209</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 15,748,207	\$ 105,282	\$ 15,853,489
Expenditures	14,416,847	1,849,339	16,266,186
Net	1,331,360	(1,744,057)	(412,697)
Other financing sources, net	2,710	204,456	207,166
Beginning fund balances	5,291,478	(83,127)	5,208,351
Ending fund balances	<u>\$ 6,625,548</u>	<u>\$ (1,622,728)</u>	<u>\$ 5,002,820</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2012

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, two budget amendments increased budgeted disbursements by \$632,458. 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, 2012, disbursements did not exceed the amounts budgeted in any County function and disbursements did not exceed departmental appropriations.

DELAWARE COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2012

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%
2011	July 1, 2009	-	652	652	0.0%	3,871	16.8%
2012	July 1, 2009	-	701	701	0.0%	4,099	17.1%

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.

See accompanying independent auditor's report.

This page intentionally left blank

Supplementary Information

DELAWARE COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2012

	Special Revenue					
	County Recorder's Records Management	Resource Enhancement and Protection	McGee Discretionary Trust	Debt Service	Total	
Assets						
Cash and pooled investments	\$ 19,273	\$ 19,901	\$ 51,280	\$ 20,574	\$ 111,028	
Receivables:						
Property tax:						
Delinquent	-	-	-	9	9	
Succeeding year	-	-	-	57,000	57,000	
Accrued interest	7	-	-	-	7	
Total assets	\$ 19,280	\$ 19,901	\$ 51,280	\$ 77,583	\$ 168,044	
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 400	\$ -	\$ 400	
Deferred revenue:						
Succeeding year property tax	-	-	-	57,000	57,000	
Other	-	-	-	8	8	
Total liabilities	-	-	400	57,008	57,408	
Fund balances:						
Restricted for:						
Records management purposes	19,280	-	-	-	19,280	
Conservation purposes	-	19,901	-	-	19,901	
Public betterment purposes	-	-	50,880	-	50,880	
Debt service	-	-	-	20,575	20,575	
Total fund balances	19,280	19,901	50,880	20,575	110,636	
Total liabilities and fund balances	\$ 19,280	\$ 19,901	\$ 51,280	\$ 77,583	\$ 168,044	

See accompanying independent auditor's report.

This page intentionally left blank

DELAWARE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Drug Forfeiture	McGee Discretionary Trust
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	12,045	-	-
Charges for service	4,310	-	-	-
Use of money and property	95	131	2	-
Miscellaneous	-	-	-	20,000
Total revenues	<u>4,405</u>	<u>12,176</u>	<u>2</u>	<u>20,000</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	676	-
Physical health and social services	-	-	-	14,617
Government services to residents	10,000	-	-	-
Debt service	-	-	-	-
Capital projects	-	12,002	-	-
Total expenditures	<u>10,000</u>	<u>12,002</u>	<u>676</u>	<u>14,617</u>
Excess (deficiency) of revenues over (under) expenditures	(5,595)	174	(674)	5,383
Fund balances beginning of year	<u>24,875</u>	<u>19,727</u>	<u>674</u>	<u>45,497</u>
Fund balances end of year	<u>\$ 19,280</u>	<u>\$ 19,901</u>	<u>\$ -</u>	<u>\$ 50,880</u>

See accompanying independent auditor's report.

	<u>Debt Service</u>		<u>Total</u>
\$	69,441	\$	69,441
	2,594		14,639
	-		4,310
	-		228
	-		20,000
	<u>72,035</u>		<u>108,618</u>
	-		676
	-		14,617
	-		10,000
	72,278		72,278
	-		12,002
	<u>72,278</u>		<u>109,573</u>
	(243)		(955)
	<u>20,818</u>		<u>111,591</u>
\$	<u><u>20,575</u></u>	\$	<u><u>110,636</u></u>

DELAWARE COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2012

	<u>County Offices</u>				Brucellosis and Tuberculosis Eradication
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>County Assessor</u>	<u>Emergency Management</u>	
ASSETS					
Cash and pooled investments:					
County Treasurer	\$ -	\$ -	\$ 700,647	\$ 49,907	\$ 42
Other County officials	130	5,079	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	58	-	1
Succeeding year	-	-	363,000	-	3,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ <u>130</u>	\$ <u>5,079</u>	\$ <u>1,063,705</u>	\$ <u>49,907</u>	\$ <u>3,043</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 701	\$ 10,713	\$ -
Salaries and benefits payable	-	-	3,320	-	-
Due to other governments	130	-	1,033,311	21,536	3,043
Trusts payable	-	5,079	-	-	-
Compensated absences	-	-	26,373	17,658	-
Total liabilities	\$ <u>130</u>	\$ <u>5,079</u>	\$ <u>1,063,705</u>	\$ <u>49,907</u>	\$ <u>3,043</u>

<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>City Special Assessments</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>
\$ 5,826	\$ 63,598	\$ 201,137	\$ 14,223	\$ 8,633	\$ 2,976	\$ 15,339
-	-	-	-	-	-	-
86	159	2,143	138	-	32	177
402,000	4,857,000	12,905,000	877,000	-	198,000	1,102,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 407,912</u>	<u>\$ 4,920,757</u>	<u>\$ 13,108,280</u>	<u>\$ 891,361</u>	<u>\$ 8,633</u>	<u>\$ 201,008</u>	<u>\$ 1,117,516</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
407,912	4,920,757	13,108,280	891,361	8,633	201,008	1,117,516
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 407,912</u>	<u>\$ 4,920,757</u>	<u>\$ 13,108,280</u>	<u>\$ 891,361</u>	<u>\$ 8,633</u>	<u>\$ 201,008</u>	<u>\$ 1,117,516</u>

DELAWARE COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2012

	<u>Auto License and Use Tax</u>	<u>Tax Sale Redemption</u>	<u>Advance Tax Collection</u>	<u>E-911</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 517,152	\$ 16,547	\$ 56,863	\$ 145,015
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	18,878
Accrued interest	-	-	-	121
Due from other governments	-	-	-	8,326
	<u>\$ 517,152</u>	<u>\$ 16,547</u>	<u>\$ 56,863</u>	<u>\$ 172,340</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	212
Salaries and benefits payable	-	-	-	-
Due to other governments	517,152	-	-	172,128
Trusts payable	-	16,547	56,863	-
Compensated absences	-	-	-	-
	<u>\$ 517,152</u>	<u>\$ 16,547</u>	<u>\$ 56,863</u>	<u>\$ 172,340</u>

See accompanying independent auditor's report.

<u>Flex Plan</u>	<u>Fire District</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Lake Delhi Combined Recreational Facility and Water District</u>	<u>Lake Delhi Debt Service</u>	<u>Lake Delhi Capital Projects</u>	<u>Total</u>
\$ 9,085	\$ 233	\$ 702	\$ 120,824	\$ -	\$ 6,090,000	\$ 8,018,749
-	-	-	-	-	-	5,209
-	-	-	285	863	-	3,942
-	10,000	-	152,000	459,000	-	21,328,000
-	-	-	-	-	-	18,878
-	-	-	-	-	745	866
-	-	-	84,952	-	-	93,278
<u>\$ 9,085</u>	<u>\$ 10,233</u>	<u>\$ 702</u>	<u>\$ 358,061</u>	<u>\$ 459,863</u>	<u>\$ 6,090,745</u>	<u>\$ 29,468,922</u>
\$ -	\$ -	\$ -	\$ 106,612	\$ -	\$ 109,609	\$ 227,847
-	-	-	-	-	-	3,320
9,085	10,233	702	251,449	459,863	5,981,136	29,115,235
-	-	-	-	-	-	78,489
-	-	-	-	-	-	44,031
<u>\$ 9,085</u>	<u>\$ 10,233</u>	<u>\$ 702</u>	<u>\$ 358,061</u>	<u>\$ 459,863</u>	<u>\$ 6,090,745</u>	<u>\$ 29,468,922</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2012

	County Offices		County Assessor	Emergency Management	Brucellosis and Tuberculosis Eradication
	County Recorder	County Sheriff			
ASSETS AND LIABILITIES					
Balances beginning of year	\$ 149	\$ 12,256	\$ 1,055,591	\$ 18,913	\$ 3,041
Additions:					
Property and other County tax	-	-	362,437	-	2,747
State tax credits	-	-	12,532	-	107
Reimbursements from other governments	-	-	-	118,730	-
Office fees and collections	322,642	119,072	-	-	-
Auto license, use tax, drivers license and postage	-	-	-	-	-
E-911 surcharge	-	-	-	-	-
Trusts	-	921,884	-	-	-
Assessments	-	-	-	-	-
Interest on investments	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Miscellaneous	-	-	491	-	-
Total additions	322,642	1,040,956	375,460	118,730	2,854
Deductions:					
Agency remittances:					
To other funds	140,185	113,689	-	-	-
To other governments	182,476	5,383	367,346	87,736	2,852
Trusts paid out	-	929,061	-	-	-
Total deductions	322,661	1,048,133	367,346	87,736	2,852
Balances end of year	\$ 130	\$ 5,079	\$ 1,063,705	\$ 49,907	\$ 3,043

<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>
\$ 405,635	\$ 5,050,270	\$ 13,097,785	\$ 952,306	\$ 10,215	\$ 196,472	\$ 1,010,291
402,453	4,867,615	12,899,550	876,632	-	197,531	1,102,357
14,978	155,942	501,567	35,921	-	7,519	38,750
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	150,817	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
58	-	1,336	96	-	20	104
<u>417,489</u>	<u>5,023,557</u>	<u>13,402,453</u>	<u>912,649</u>	<u>150,817</u>	<u>205,070</u>	<u>1,141,211</u>
-	-	-	-	-	-	-
415,212	5,153,070	13,391,958	973,594	152,399	200,534	1,033,986
-	-	-	-	-	-	-
<u>415,212</u>	<u>5,153,070</u>	<u>13,391,958</u>	<u>973,594</u>	<u>152,399</u>	<u>200,534</u>	<u>1,033,986</u>
\$ <u>407,912</u>	\$ <u>4,920,757</u>	\$ <u>13,108,280</u>	\$ <u>891,361</u>	\$ <u>8,633</u>	\$ <u>201,008</u>	\$ <u>1,117,516</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2012

	Auto License and Use Tax	Tax Sale Redemption	Advance Tax Collection	E-911
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 507,014	\$ 9,425	\$ 30,290	\$ 152,243
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Reimbursements from other governments	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	5,683,185	-	-	-
E-911 surcharge	-	-	-	124,541
Trusts	-	292,624	60,338	-
Assessments	-	-	-	-
Interest on investments	-	-	-	1,363
Bond proceeds	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	5,683,185	292,624	60,338	125,904
Deductions:				
Agency remittances:				
To other funds	212,667	-	-	-
To other governments	5,460,380	-	-	105,807
Trusts paid out	-	285,502	33,765	-
Total deductions	5,673,047	285,502	33,765	105,807
Balances end of year	\$ <u>517,152</u>	\$ <u>16,547</u>	\$ <u>56,863</u>	\$ <u>172,340</u>

See accompanying independent auditor's report.

<u>Flex Plan</u>	<u>Fire District</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Lake Delhi Combined Recreational Facility and Water District</u>	<u>Lake Delhi Debt Service</u>	<u>Lake Delhi Capital Projects</u>	<u>Total</u>
\$ 8,753	\$ 10,165	\$ 2,036	\$ 237,389	\$ -	\$ -	\$ 22,770,239
-	9,703	-	152,706	459,863	-	21,333,594
-	520	-	2,741	-	-	770,577
-	-	-	361,362	-	-	480,092
-	-	4,310	-	-	-	446,024
-	-	-	-	-	-	5,683,185
-	-	-	-	-	-	124,541
31,348	-	-	-	-	-	1,306,194
-	-	-	-	-	-	150,817
-	-	-	501	-	745	2,609
-	-	-	-	-	6,090,000	6,090,000
-	-	-	55,523	-	-	57,628
<u>31,348</u>	<u>10,223</u>	<u>4,310</u>	<u>572,833</u>	<u>459,863</u>	<u>6,090,745</u>	<u>36,445,261</u>
-	-	-	-	-	-	466,541
31,016	10,155	5,644	452,161	-	-	28,031,709
-	-	-	-	-	-	1,248,328
<u>31,016</u>	<u>10,155</u>	<u>5,644</u>	<u>452,161</u>	<u>-</u>	<u>-</u>	<u>29,746,578</u>
<u>\$ 9,085</u>	<u>\$ 10,233</u>	<u>\$ 702</u>	<u>\$ 358,061</u>	<u>\$ 459,863</u>	<u>\$ 6,090,745</u>	<u>\$ 29,468,922</u>

DELAWARE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis			
	2012	2011	2010	2009
Revenues:				
Property and other County tax	\$ 8,322,672	\$ 7,360,244	\$ 7,185,299	\$ 6,655,873
Interest and penalty on property tax	52,200	47,162	62,985	50,380
Intergovernmental	6,469,035	6,394,803	5,625,939	6,306,788
Licenses and permits	26,640	18,590	18,942	15,860
Charges for service	553,906	534,877	523,036	505,696
Use of money and property	149,622	156,597	184,206	198,580
Miscellaneous	279,414	402,707	334,633	454,537
Total	\$ 15,853,489	\$ 14,914,980	\$ 13,935,040	\$ 14,187,714
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,132,213	\$ 1,974,680	\$ 1,799,661	\$ 1,832,913
Physical health and social services	431,423	457,161	490,341	584,058
Mental health	3,290,955	2,912,774	2,769,047	2,690,644
County environment and education	988,670	995,823	768,425	813,116
Roads and transportation	5,186,906	5,163,254	4,171,369	4,247,873
Government services to residents	610,267	551,992	575,096	523,637
Administration	1,329,628	1,210,382	1,134,450	1,316,496
Non-program	13,930	26,204	32,375	30,445
Debt service	72,278	72,277	72,276	-
Capital projects	2,209,916	164,293	2,077,786	2,358,669
Total	\$ 16,266,186	\$ 13,528,840	\$ 13,890,826	\$ 14,397,851

See accompanying independent auditor's report.

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	6,367,692	\$ 6,179,275	\$ 5,325,886	\$ 5,200,393
	44,443	36,929	40,788	43,597
	5,790,202	5,539,705	5,791,503	5,426,274
	13,910	13,235	17,588	12,621
	480,542	468,702	479,998	462,858
	220,273	211,076	105,223	132,772
	280,094	141,404	115,864	100,070
	<u>\$ 13,197,156</u>	<u>\$ 12,590,326</u>	<u>\$ 11,876,850</u>	<u>\$ 11,378,585</u>
\$	1,760,399	\$ 1,660,015	\$ 1,455,562	\$ 1,426,663
	452,747	431,955	382,510	357,859
	2,847,779	2,596,198	2,148,717	2,064,158
	683,691	702,506	638,930	559,200
	4,286,608	3,187,373	3,702,804	4,420,188
	488,992	444,250	619,518	530,774
	1,068,861	967,030	916,670	922,012
	6,812	32,991	12,055	12,072
	-	-	-	-
	<u>1,279,193</u>	<u>1,840,978</u>	<u>3,239,706</u>	<u>1,896,531</u>
	<u>\$ 12,875,082</u>	<u>\$ 11,863,296</u>	<u>\$ 13,116,472</u>	<u>\$ 12,189,457</u>

DELAWARE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 12	\$ <u>6,937</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program and Non-entitlement Grants in Hawaii	14.228	08-DRPG-216	<u>2,290</u>
U.S. Department of Justice:			
Iowa Department of Secretary of State:			
Protection of Voting Rights	16.104	002-PPAP-2011	<u>4,257</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS 28(72)	239,098
Highway Planning and Construction	20.205	BROS 28(76)	2,019
Highway Planning and Construction	20.205	BROS 28(77)	<u>142,510</u>
			<u>383,627</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5882BT28	13,965
Public Health Emergency Preparedness	93.069	5881BT28	<u>5,304</u>
			<u>19,269</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs			
	93.566	FY 12	<u>12</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund			
	93.596	FY 12	<u>1,540</u>
Foster Care - Title IV-E			
	93.658	FY 12	<u>2,532</u>
Adoption Assistance			
	93.659	FY 12	<u>738</u>
Children's Health Insurance Program			
	93.767	FY 12	<u>24</u>
Medical Assistance Program			
	93.778	FY 12	<u>6,516</u>
Social Services Block Grant			
	93.667	FY 12	<u>2,219</u>
Social Services Block Grant			
	93.667	FY 12	<u>59,195</u>
			<u>61,414</u>

DELAWARE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
U.S. Department of Homeland Securities:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1930DR IA	\$ <u>78,281</u>
Hazard Mitigation Grant	97.039	HMGP- DR1763-0101-01	<u>20,728</u>
Emergency Management Performance Grants	97.042	FY 12	<u>25,933</u>
Total			\$ <u><u>614,098</u></u>

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

See accompanying independent auditor's report.

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

To the Officials of Delaware County:

We have audited the 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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 21, 2013. 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

The management of Delaware County is responsible for establishing and maintaining effective 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 and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

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 consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Delaware County's operations for the year ended June 30, 2012 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 and Questioned Costs. 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 21, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Delaware County:

Compliance

We have audited Delaware County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Delaware County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Delaware County's management. Our responsibility is to express an opinion on Delaware County's compliance based on our audit.

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

In our opinion, Delaware County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Delaware County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants agreements applicable to federal programs. In planning and performing our audit, we considered Delaware County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Delaware County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the County's internal control over compliance 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.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Delaware County and other parties to whom Delaware County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
February 21, 2013

DELAWARE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

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

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

DELAWARE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Financial Reporting – During the audit, we identified material amounts of receivables not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

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

Conclusion – Response accepted.

DELAWARE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

DELAWARE COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted in any County function. Disbursements did not exceed departmental appropriations.
- IV-B-12 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.
- IV-C-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-12 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Carla Becker, County Auditor Mother is owner of Becker Electric	Electrical repairs and services	\$6,606

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transaction does not represent a conflict of interest since the employee was not directly involved in the procurement or preparation of any part of the contract.

- IV-E-12 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- IV-F-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-12 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).
- IV-I-12 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, 2012 for the County Extension Office did not exceed the amount budgeted.

DELAWARE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

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

IV-J-12 Financial Condition – The Special Revenue, Mental Health Fund and the Special Revenue, Rural Services Fund had deficit unassigned fund balances of \$174,248 and \$17,011, respectively, at June 30, 2012.

Recommendation – The County should investigate ways to return those funds to a sound financial condition.

Response – The Rural Services Fund deficit balance was due to a timing difference in the collection of a large receivable at year end. We will investigate options to return the Mental Health Fund to a sound financial condition. However, this may take some time due to funding changes in the future.

Conclusion – Response accepted.