

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

JUNE 30, 2013

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DELAWARE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2013)		
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
(After January 2013)		
Shirley E. Helmrichs	Board of Supervisors	Jan. 2015
Jeff Madlom	Board of Supervisors	Jan. 2017
Jerry Ries	Board of Supervisors	Jan. 2017
Carla Becker	County Auditor	Jan. 2017
Carolyn Wilson	County Treasurer	Jan. 2015
Deborah Peyton	County Recorder	Jan. 2015
John LeClere	County Sheriff	Jan. 2017
John Bernau	County Attorney	Jan. 2015
Claudia Jo Cahalan	County Assessor	(Resigned June 28, 2013)

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Delaware County:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Delaware County as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters*Required Supplementary Information*

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 18 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2014 on our consideration of Delaware County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Delaware County's internal control over financial reporting and compliance.

Oskaloosa, Iowa
February 28, 2014

Hunt & Associates, P.C.

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, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- The County's Governmental Fund total revenues decreased \$1,469,419 from Fiscal Year 2012 to Fiscal Year 2013. Property taxes and other county tax decreased \$370,034.
- The County's Governmental Fund expenditures decreased \$3,019,689, from Fiscal Year 2012 to Fiscal Year 2013. Mental health expenditures decreased \$1,914,422, roads and transportation expenditures decreased by \$512,148 and capital projects expenditures decreased \$682,498.
- The net position of the County's governmental activities increased approximately 14%, or \$4,960,035, from June 30, 2012 to June 30, 2013.

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 Position 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 Position 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 Position represents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position 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 position and a statement of revenues, expenses, and changes in fiduciary net position.

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 position may serve over time as a useful indicator of financial health. A two year comparison is shown below for the 2013 and 2012 fiscal years focusing on the changes in the net position for governmental activities.

Net position of Governmental Activities

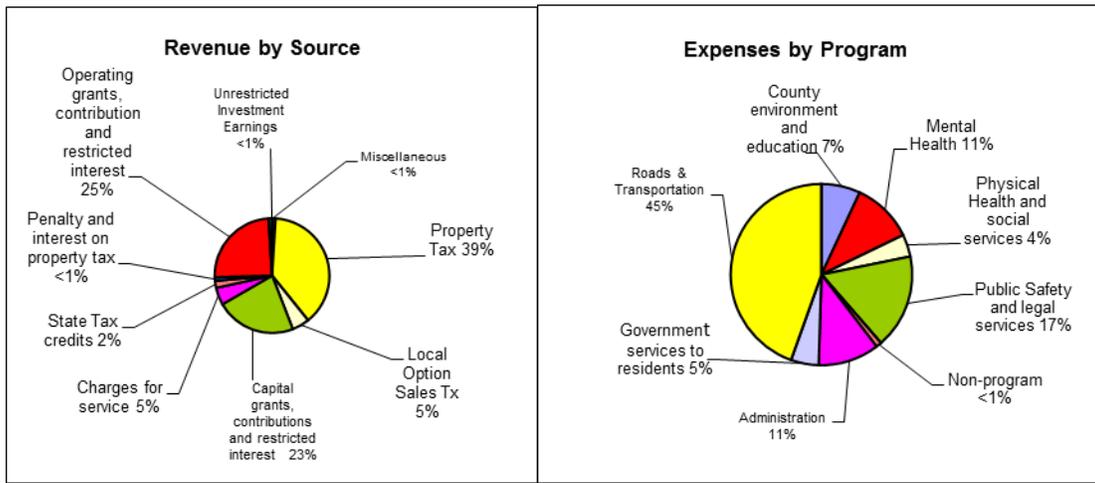
	June 30, 2013	June 30, 2012	% Change
Current and other assets	\$14,539,659	\$14,765,964	(2%)
Capital assets	<u>35,877,123</u>	<u>32,005,279</u>	<u>12%</u>
Total assets	<u>50,416,782</u>	<u>46,771,243</u>	<u>8%</u>
Long-term debt outstanding	1,170,958	1,176,668	(.5%)
Other liabilities	<u>8,387,139</u>	<u>9,695,925</u>	<u>(13%)</u>
Total liabilities	<u>9,558,097</u>	<u>10,872,593</u>	<u>(12%)</u>
Net position:			
Net investment in capital assets	35,754,674	31,844,823	12%
Restricted	3,772,080	2,976,198	27%
Unrestricted	<u>1,331,931</u>	<u>1,077,629</u>	<u>24%</u>
Total net position	<u>\$40,858,685</u>	<u>\$35,898,650</u>	<u>14%</u>

Net position of Delaware County's governmental activities increased by \$4,960,035 from 2012 (\$40,858,685 compared to \$35,898,650). The largest portion of the County's net position is the net investment 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 position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – is reported at \$1,331,931 at June 30, 2013.

Changes in Net Position of Governmental Activities

	Year End June 30, 2013	Year End June 30, 2012	% of Change
Revenues:			
Program Revenues:			
Charges for services	\$954,654	\$905,104	5%
Operating grants, contributions and restricted Interest	4,434,414	5,887,673	(25%)
Capital grants, contributions and restricted interest	4,142,249	2,294,410	81%
General Revenues:			
Property tax	7,020,111	7,376,941	(5%)
Penalty and interest on property tax	48,267	49,872	(3%)
State tax credits	320,557	284,129	13%
Local option sales tax	932,462	944,823	(1%)
Unrestricted investment earnings	63,800	82,579	(23%)
Miscellaneous revenues	<u>43,183</u>	<u>10,525</u>	<u>310%</u>
Total Revenues	\$17,959,697	\$17,836,056	1%
Program Expenses:			
Public safety and legal services	2,236,261	2,101,616	6%
Physical health and social services	474,827	434,050	9%
Mental health	1,410,134	3,339,802	(58%)
County environment and education	883,586	1,088,242	(19%)
Roads and transportation	5,843,606	5,909,534	(3%)
Governmental services to residents	660,895	626,582	5%
Administration	1,454,883	1,304,593	12%
Non-program	19,516	35,549	(45%)
Interest on long-term debt	<u>15,954</u>	<u>24,425</u>	<u>(35%)</u>
Total Expenses	12,999,662	14,864,393	(13%)
Increase in net position	4,960,035	2,971,663	67%
Net position beginning of year	<u>35,898,650</u>	<u>32,926,987</u>	<u>9%</u>
Net position end of year	<u>\$40,858,685</u>	<u>\$35,898,650</u>	<u>14%</u>



(FOR ILLUSTRATIVE PURPOSES)

INDIVIDUAL MAJOR FUND ANALYSIS

As Delaware County completed the year, its governmental funds reported a combined fund balance of \$6,140,393, an increase of \$1,137,573 from last year's total of \$5,002,820. The increase in fund balance is attributable to many factors. The following are fund balances of the major governmental funds compared to the prior year:

	<u>Ending Fund Balances</u>					
	<u>General Fund</u>	<u>MH Fund</u>	<u>Rural Services Fund</u>	<u>Secondary Road Fund</u>	<u>Other</u>	<u>Total</u>
2013	2,721,779	131,182	79,379	3,094,098	113,955	6,140,393
2012	2,770,580	(174,248)	(17,011)	2,312,863	110,636	5,002,820
Difference	(48,801)	305,430	96,390	781,235	3,319	1,137,573
%	(2%)	175%	567%	34%	3%	23%

As the County completed the year, its governmental funds reported a combined fund balance of \$6,140,393. This is an increase of \$1,137,573 over the previous year. The following are major reasons for the changes in fund balances from the prior year:

1. There was a decrease of \$48,801 in the General Fund ending balance compared to June 30, 2012. Revenues decreased \$192,448 from FY 2012 to FY 2013, while expenditures increased \$439,400 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. Capital expenditures increased \$159,649 in 2013 compared to expenditures in 2012. A large portion of this was due to maintenance of the courthouse exterior, resurfacing of the southeast parking lot and the ceiling collapse in the third floor courtroom.

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 2013, expenditures totaled \$1,376,533, a decrease of \$1,914,422 over the prior year. This figure includes approximately \$490,000 of state Medicaid billings from April, May and June 2013 being held on the advice of DHS. The Mental Health fund balance at year end was up \$305,430 from the prior year. Last year was the first time ever that Delaware County had reported a negative accrual fund balance for this fund. Keeping the fund balance low in 2012 would have qualified Delaware County for state funding of growth and other state allocation dollars in 2013 and 2014. However, these funds were discontinued beginning July 1, 2013.
3. The Secondary Roads Fund expenditures for 2013 were \$5,894,322, down significantly from \$7,241,046 expended in 2012. Local Option Sales Tax project expenditures were also down approximately \$500,000 between the two years. Revenues were up in 2013, \$4,744,190 compared to \$4,641,232 in 2012. However, the Board of Supervisors decreased the amount transferred from the Rural Services Fund to the Secondary Roads Fund by \$3,607 as compared to the amount transferred in 2012. Local Option Sales Tax receipts were down \$11,124 but intergovernmental funding increased \$120,703. The cumulative effect was an increase of \$731,285 in the ending fund balance compared to the ending fund balance in 2012.
4. The Rural Services Fund expenditures for 2013 were \$249,648, down from \$430,759 expended in 2012. Revenues were down \$31,799 from 2012 (\$2,277,405 compared to \$2,309,204 in 2012). 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. Only a small portion of the FEMA reimbursement for these demolition expenditures has been received. FEMA has denied reimbursement for a large portion of the properties demolished. The County has appealed this decision. 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 increased \$96,390 during FY 2013.

BUDGETARY HIGHLIGHTS

Over the course of the year, Delaware County amended its budget twice. The first amendment was made December 17, 2012 to accommodate for an extra \$136,100 in additional disbursements. A large portion of these were attributable to the 2010 Flood demolition project and the increased cost of building repair and maintenance. Disbursements budgeted for demolition of properties damaged during the 2010 flood event increased by \$53,000 while expenditures budgeted for Building Repair and Maintenance increased \$40,000. The second amendment was made on March 11, 2013. This amendment actually had a cumulative effect of decreasing the overall budgeted expenditures by \$619,228. The major reduction of expenditures was in the Mental Health Fund to reflect the expenditures which were now being paid directly by the State. Expenditures in this fund were decreased by \$860,150. Both administration and capital project expenditure levels were increased to accommodate anticipated and unanticipated repairs to the courthouse structure. Tuck pointing was performed on the structure, the southeast parking lot was resurfaced and the ceiling in the courtroom was restored after the false ceiling unexpectedly collapsed. The County did not exceed budgeted disbursements in any functional area.

Delaware County also amended its appropriations four (4) times outside of any budget amendment. To allow for additional expenditures for pioneer cemetery maintenance and Local Option Sales Tax projects, \$5,000.00 was moved from both the County Services and Conservation Departmental expenditures and into each of these accounts on November 19, 2012. Unfortunately, the appropriation change on the resolution was made within the Rural Services Fund instead of the General Basic Fund. This was corrected on November 26, 2012. On June 3, 2013, \$15,900 was moved from the General Fund appropriations for various departments to the General Supplemental appropriation for the same departments to cover a budgeting shortfall for employee health insurance premiums. At the time, the county's health insurance renewed on April 1st. The increase in premium on April 1st was more than anticipated. On June 24, 2013 the remaining departments transferred \$6,900 of appropriated expenditures from the General Fund to General Supplemental to cover the premium increases.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2013, Delaware County had approximately \$35,877,123 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges, net of \$12,640,134 accumulated depreciation.

Capital Assets of Governmental Activities At Year End	
	June 30, 2013
<u>Acquisition cost:</u>	
Land	\$591,102
Construction in progress	204,970
Buildings	4,404,666
Machinery & Equipment	7,680,747
Infrastructure	<u>35,635,772</u>
Total	\$48,517,257
<u>Accumulated depreciation:</u>	
Buildings	\$(2,351,039)
Machinery & Equipment	(4,822,203)
Infrastructure	<u>(5,466,892)</u>
Total net government activities capital assets	\$35,877,123

The County had depreciation expense of \$1,857,528 on governmental activities in FY 2013 and total accumulated depreciation of \$12,640,134 at June 30, 2013.

Long-Term Liabilities

At June 30, 2012, Delaware County had \$1,176,668 in long-term liabilities compared to \$1,170,958 at June 30, 2013, as shown below:

Outstanding Debt of Governmental Activities At Year End	
	June 30, 2013
Capital Lease Purchase	\$122,449
General Obligation Note	\$378,893
Compensated Absences	\$473,616
Net Other Post-Employment Benefits	<u>\$196,000</u>
Total	\$1,170,958

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 8 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 in setting the fiscal year 2014 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 2014. Amounts available for appropriation in the operating budget are \$15,248,901, a decrease of 7% over the final 2013 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 still anticipates facing a budgetary shortfall in this area without assistance from the state regarding the over \$490,000 of state Medicaid billings being held. These factors were all part of the considerations for the FY 2014 budget which certified taxes as follows (amount certified includes utility replacement and property tax dollars):

	<u>Dollars</u> <u>Certified</u>	<u>Percentage</u> <u>Increase (Decrease)</u>
General Fund	\$3,325,557	4 %
General Supplemental	1,200,003	16%
Mental Health Fund	834,870	(10%)
Debt Service	72,007	20%
Rural Services	2,152,659	1 %

With the full impact of the Affordable Care Act not yet known, the Board felt it necessary to preserve fund balance within the General Supplemental Fund where health insurance premiums are expended. Thus, the General Supplemental levy rate for 2013-2014 increased by about 13 cents per \$1,000, the Rural Basic levy rate decreased by approximately 11 cents per \$1,000 and the Debt Service levy in FY 2014 increased less than 1 cent per thousand.

Delaware County has had the following initiatives to the 2014 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 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. It is anticipated that the County will secure up to \$3,000,000 to assist in the rebuilding of the Lake Delhi Dam and Spillway which was breached during the 2010 Flood Event.
4. In preparation for the regionalization of mental health services, two new departments were created within the Mental Health Fund for FY 13-14; the Community Life Department and the Targeted Case Management Department.
5. 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 was expected in either FY 2012 or FY 2013. However, FEMA has denied a large portion of the expected reimbursement for the demolitions. The County has appealed this decision. Also within the Rural Services Basic Fund, the County was informed in August that the Solid Waste Commission was going to discontinue its annual appropriation of over \$50,000 to the County effective immediately. Between this loss of revenue and the reimbursement denial from FEMA, the County may need to secure a loan in order to keep a positive ending balance within this fund.

The Board of Supervisors has also committed to expending \$10,000 per year for five (5) years to help fund the new Whitewater Park to be located on the Maquoketa River in Manchester, Iowa.

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 remodel and expansion of the current jail and Sheriff's Department to upgrade it to state 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.

In conjunction with the reconstruction of the Lake Delhi Dam, the Board of Supervisors has entered into a 28E Agreement with the Lake Delhi Combined Recreational Facility and Water Quality District Trustees to enhance public access to the Lake within the Turtle Creek Cove. The County will be responsible for 50% of all costs associated with the project.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Delaware County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Delaware County Auditor's Office at 301 E. Main Street, Room 210 in Manchester, Iowa.

Basic Financial Statements

DELAWARE COUNTY
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,372,486
Receivables:	
Property tax:	
Delinquent	2,042
Succeeding year	7,218,000
Interest and penalty on property tax	1,119
Accounts	46,957
Accrued interest	5,175
Due from other governments	540,421
Inventories	353,459
Capital assets, net of accumulated depreciation (note 5)	<u>35,877,123</u>
 Total assets	 <u>50,416,782</u>
Liabilities	
Accounts payable	574,524
Salaries and benefits payable	99,107
Due to other governments (note 6)	490,325
Accrued interest payable	5,183
Deferred revenue:	
Succeeding year property tax	7,218,000
Long-term liabilities (note 8):	
Portion due or payable within one year:	
Capital lease purchase agreements	39,378
General obligation notes	57,123
Compensated absences	158,509
Portion due or payable after one year:	
Capital lease purchase agreements	83,071
General obligation notes	321,770
Compensated absences	315,107
Net OPEB liability	<u>196,000</u>
 Total liabilities	 <u>9,558,097</u>

DELAWARE COUNTY
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	\$ 35,754,674
Restricted for:	
Supplemental levy purposes	590,845
Mental health purposes	84,955
Rural services purposes	78,095
Secondary roads purposes	2,834,659
Debt service	6,962
Other purposes	176,564
Unrestricted	<u>1,331,931</u>
Total net position	<u><u>\$ 40,858,685</u></u>

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 2,236,261	\$ 130,940	\$ 129,418	\$ -	\$ (1,975,903)
Physical health and social services	474,827	15,000	100,340	-	(359,487)
Mental health	1,410,134	30,153	726,661	-	(653,320)
County environment and education	883,586	197,367	129,340	-	(556,879)
Roads and transportation	5,843,606	78,925	3,312,930	4,142,249	1,690,498
Government services to residents	660,895	395,116	1,510	-	(264,269)
Administration	1,454,883	106,452	34,215	-	(1,314,216)
Non-program	19,516	701	-	-	(18,815)
Interest on long-term debt	15,954	-	-	-	(15,954)
Total	\$ 12,999,662	\$ 954,654	\$ 4,434,414	\$ 4,142,249	(3,468,345)
General Revenues:					
Property and other county tax levied for:					
General purposes					6,962,731
Debt service					57,380
Penalty and interest on property tax					48,267
State tax credits					320,557
Local option sales and services tax					932,462
Unrestricted investment earnings					63,800
Miscellaneous					43,183
Total general revenues					8,428,380
Change in net position					4,960,035
Net position beginning of year					35,898,650
Net position end of year					\$ 40,858,685

See notes to financial statements.

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DELAWARE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,815,705	\$ 624,731	\$ 25,940	\$ 2,792,170
Receivables:				
Property tax:				
Delinquent	1,126	209	691	-
Succeeding year	4,304,000	794,000	2,051,000	-
Interest and penalty on property tax	1,119	-	-	-
Accounts	36,328	2,270	-	8,359
Accrued interest	5,168	-	-	-
Due from other governments	21,259	50,768	72,250	396,144
Inventories	-	-	-	353,459
Total assets	\$ <u>7,184,705</u>	\$ <u>1,471,978</u>	\$ <u>2,149,881</u>	\$ <u>3,550,132</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 113,940	\$ 6,372,486
16	2,042
69,000	7,218,000
-	1,119
-	46,957
7	5,175
-	540,421
-	353,459
<u>\$ 182,963</u>	<u>\$ 14,539,659</u>

DELAWARE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue			
General	Mental Health	Rural Services	Secondary Roads	
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 103,033	\$ 46,588	\$ 808	\$ 424,095
Salaries and benefits payable	54,681	9,777	2,710	31,939
Due to other governments (note 6)	-	490,325	-	-
Deferred revenue:				
Succeeding year property tax	4,304,000	794,000	2,051,000	-
Other	1,212	106	15,984	-
Total liabilities	4,462,926	1,340,796	2,070,502	456,034
 Fund balances:				
Nonspendable:				
Inventories	-	-	-	353,459
Restricted for:				
Supplemental levy purposes	696,099	-	-	-
Prisoner room and board purposes	43,005	-	-	-
Reserve officer purposes	6,985	-	-	-
Mental health purposes	-	131,182	-	-
Rural services purposes	-	-	79,379	-
Secondary roads purposes	-	-	-	2,740,639
Conservation purposes	20,836	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Assigned:				
Conservation trust	28,970	-	-	-
Courthouse updates	200,000	-	-	-
Equipment upgrades	80,000	-	-	-
Early retirement payouts	30,000	-	-	-
Unassigned	1,615,884	-	-	-
Total fund balances	2,721,779	131,182	79,379	3,094,098
 Total liabilities and fund balances	\$ 7,184,705	\$ 1,471,978	\$ 2,149,881	\$ 3,550,132

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 574,524
-	99,107
-	490,325
69,000	7,218,000
8	17,310
<u>69,008</u>	<u>8,399,266</u>
-	353,459
-	696,099
-	43,005
-	6,985
-	131,182
-	79,379
-	2,740,639
26,781	47,617
8,217	8,217
78,957	78,957
-	28,970
-	200,000
-	80,000
-	30,000
-	1,615,884
<u>113,955</u>	<u>6,140,393</u>
<u>\$ 182,963</u>	<u>\$ 14,539,659</u>

DELAWARE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013

Total fund balances of governmental funds	\$ 6,140,393
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$48,517,257 and the accumulated depreciation is \$12,640,134.</p>	35,877,123
<p>Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.</p>	17,310
<p>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.</p>	(5,183)
<p>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.</p>	<u>(1,170,958)</u>
Net position of governmental activities	<u>\$ 40,858,685</u>

See notes to financial statements.

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DELAWARE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2013

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 4,129,320	\$ 884,586	\$ 2,042,135	\$ 839,217
Interest and penalty on property tax	48,068	-	-	-
Intergovernmental	475,060	767,224	227,670	3,823,061
Licenses and permits	50	-	7,600	16,934
Charges for service	575,814	-	-	-
Use of money and property	130,520	16,308	-	-
Miscellaneous	225,620	13,845	-	64,978
Total revenues	5,584,452	1,681,963	2,277,405	4,744,190
Expenditures:				
Operating:				
Public safety and legal services	2,185,941	-	-	-
Physical health and social services	446,792	-	-	-
Mental health	-	1,376,533	-	-
County environment and education	588,926	-	239,890	-
Roads and transportation	-	-	-	4,674,758
Government services to residents	626,392	-	9,758	-
Administration	1,462,263	-	-	-
Non-program	19,516	-	-	-
Debt service	-	-	-	-
Capital projects	303,423	-	-	1,219,564
Total expenditures	5,633,253	1,376,533	249,648	5,894,322
Excess (deficiency) of revenues over (under) expenditures	(48,801)	305,430	2,027,757	(1,150,132)
Other financing sources (uses):				
Interfund transfers in (note 4)	-	-	-	1,931,367
Interfund transfers out (note 4)	-	-	(1,931,367)	-
Total other financing sources (uses)	-	-	(1,931,367)	1,931,367

	<u>Nonmajor</u>		<u>Total</u>
\$	57,380	\$	7,952,638
	-		48,068
	13,795		5,306,810
	-		24,584
	4,773		580,587
	112		146,940
	20,000		324,443
	<u>96,060</u>		<u>14,384,070</u>
	-		2,185,941
	11,032		457,824
	-		1,376,533
	-		828,816
	-		4,674,758
	5,000		641,150
	-		1,462,263
	-		19,516
	72,278		72,278
	4,431		1,527,418
	<u>92,741</u>		<u>13,246,497</u>
	3,319		1,137,573
	-		1,931,367
	-		(1,931,367)
	<u>-</u>		<u>-</u>

DELAWARE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2013

		<u>Special Revenue</u>		
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Net change in fund balances	\$ (48,801)	\$ 305,430	\$ 96,390	\$ 781,235
Fund balances beginning of year	<u>2,770,580</u>	<u>(174,248)</u>	<u>(17,011)</u>	<u>2,312,863</u>
Fund balances end of year	<u>\$ 2,721,779</u>	<u>\$ 131,182</u>	<u>\$ 79,379</u>	<u>\$ 3,094,098</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 3,319	\$ 1,137,573
<u>110,636</u>	<u>5,002,820</u>
<u><u>\$ 113,955</u></u>	<u><u>\$ 6,140,393</u></u>

DELAWARE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ 1,137,573

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlay
expenditures and depreciation expense in the current year are as follows:

	Expenditures for capital assets	\$ 2,097,254	
Capital assets contributed by the Iowa Department of Transportation		3,632,118	
Depreciation expense		<u>(1,857,528)</u>	3,871,844

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	(65)	
Other		<u>(56,426)</u>	(56,491)

Repayment of long-term liabilities is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the Statement of
Net Position. 92,932

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	(25,222)	
Net OPEB liability		(62,000)	
Interest on long-term debt		<u>1,399</u>	<u>(85,823)</u>

Change in net position of governmental activities \$ 4,960,035

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	<u>Private - Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ -	\$ 7,294,155
Other County officials	253,886	11,675
Receivables:		
Property tax:		
Delinquent	-	6,000
Succeeding year	-	21,352,000
Interfund (note 3)	-	79,166
Accounts	-	18,769
Accrued interest	-	4,773
Due from other governments	-	99,584
	<u>253,886</u>	<u>28,866,122</u>
Total assets		
	<u>253,886</u>	<u>28,866,122</u>
Liabilities		
Interfund payable (note 3)	-	79,166
Accounts payable	-	115,605
Salaries and benefits payable	-	3,585
Due to other governments (note 6)	-	28,547,707
Trusts payable	-	84,162
Compensated absences	-	35,897
	<u>-</u>	<u>28,866,122</u>
Total liabilities		
	<u>-</u>	<u>28,866,122</u>
Net Position		
Restricted for:		
Trust principal - Spangler (note 14)	128,000	-
Trust principal - Corell (note 14)	12,162	-
Unrestricted	<u>113,724</u>	<u>-</u>
Total net position	<u>\$ 253,886</u>	<u>\$ -</u>

See notes to financial statements.

DELAWARE COUNTY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 Year Ended June 30, 2013

	<u>Private - Purpose Trust Funds</u>
Revenues:	
Interest on investments	\$ <u>2,767</u>
Expenses:	
Vision care	763
Supplies	<u>2,935</u>
Total expenses	<u>3,698</u>
Change in net position	(931)
Net position beginning of year	<u>254,817</u>
Net position end of year	\$ <u><u>253,886</u></u>

See notes to financial statements.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 Position 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 Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Restricted net position results when constraints placed on net position 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 position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 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, 2013

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 position 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, 2013

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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, 2013

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 Position. 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, 2013

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 Position 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 Position. 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, 2013. 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, 2013

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, 2013, disbursements did not exceed the amount 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, 2013 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 Receivables/Payables

The detail of amounts due from and due to other funds at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Agency: Lake Delhi Combined Recreational Facility and Water Quality District	Agency: Lake Delhi Capital Projects	\$ <u>79,166</u>

This balance results from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u>1,931,367</u>

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Interfund Transfers (continued)

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

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 591,102	\$ -	\$ -	\$ 591,102
Construction in progress	1,592,490	1,519,432	2,906,952	204,970
Total capital assets not being depreciated	<u>2,183,592</u>	<u>1,519,432</u>	<u>2,906,952</u>	<u>796,072</u>
Capital assets being depreciated:				
Buildings	4,131,895	272,771	-	4,404,666
Machinery and equipment	7,481,883	552,189	353,325	7,680,747
Infrastructure	29,343,840	6,291,932	-	35,635,772
Total capital assets being depreciated	<u>40,957,618</u>	<u>7,116,892</u>	<u>353,325</u>	<u>47,721,185</u>
Less accumulated depreciation for:				
Buildings	2,274,567	76,472	-	2,351,039
Machinery and equipment	4,571,077	604,451	353,325	4,822,203
Infrastructure	4,290,287	1,176,605	-	5,466,892
Total accumulated depreciation	<u>11,135,931</u>	<u>1,857,528</u>	<u>353,325</u>	<u>12,640,134</u>
Total capital assets being depreciated, net	<u>29,821,687</u>	<u>5,259,364</u>	<u>-</u>	<u>35,081,051</u>
Governmental activities capital assets, net	<u>\$ 32,005,279</u>	<u>\$ 6,778,796</u>	<u>\$ 2,906,952</u>	<u>\$ 35,877,123</u>

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	117,768
Physical health and social services		22,998
Mental health		26,881
County environment and education		75,894
Roads and transportation		1,562,941
Government services to residents		7,851
Administration		<u>43,195</u>
Total depreciation expense - governmental activities	\$	<u><u>1,857,528</u></u>

Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Governmental:		
Special Revenue:		
Mental Health	Services	\$ <u><u>490,325</u></u>
Agency:		
County Assessor	Collections	\$ 1,063,469
Townships		422,671
Corporations		4,905,406
Schools		12,902,800
Area Schools		847,743
County Hospital		1,212,947
Auto License and Use Tax		411,402
Lake Delhi Combined Recreational Facility and Water Quality District		260,230
Lake Delhi Debt Service		480,794
Lake Delhi Capital Projects		5,626,042
All Other		<u>414,203</u>
Total for agency funds		\$ <u><u>28,547,707</u></u>

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 7. 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 Rural Services, \$150,000 interest-free loan, approved July 16, 2012 and repaid March 25, 2013.

Note 8. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Capital Lease Purchase Agreements	General Obligation Notes	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 160,456	\$ 433,818	\$ 448,394	\$ 134,000	\$ 1,176,668
Increases	-	-	178,820	62,000	240,820
Decreases	38,007	54,925	153,598	-	246,530
Balance end of year	<u>\$ 122,449</u>	<u>\$ 378,893</u>	<u>\$ 473,616</u>	<u>\$ 196,000</u>	<u>\$ 1,170,958</u>
Due within one year	<u>\$ 39,378</u>	<u>\$ 57,123</u>	<u>\$ 158,509</u>	<u>\$ -</u>	<u>\$ 255,010</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, 2013

Note 8. 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>
2014	\$ 43,797
2015	43,797
2016	<u>43,797</u>
Total minimum lease payments	131,391
Less amount representing interest	<u>(8,942)</u>
Present value of net minimum lease payments	<u>\$ 122,449</u>

Payments under capital lease purchase agreements for the year ended June 30, 2013 totaled \$43,797. The County had capitalized equipment purchased under capital leases valued at \$204,456 at June 30, 2013.

General Obligation Emergency Services Communication Notes

Details of the County's June 30, 2013 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>
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>\$ 378,893</u>	<u>\$ 54,777</u>	<u>\$ 433,670</u>

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 9. 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 91 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage plan 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, 2013, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 84,806
Interest on net OPEB obligation	5,360
Adjustment to annual required contribution	<u>5,325</u>
Annual OPEB cost	84,841
Contributions made	<u>22,841</u>
Increase in net OPEB obligation	62,000
Net OPEB obligation beginning of year	<u>134,000</u>
Net OPEB obligation end of year	<u><u>\$ 196,000</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, 2013.

For the year ended June 30, 2013, the County contributed \$22,841 to the medical plan.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 9. Other Postemployment Benefits (OPEB) (continued)

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 73,761	39.7%	\$ 90,000
2012	77,554	43.3%	134,000
2013	84,841	26.9%	196,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$734,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$734,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,033,000 and the ratio of the UAAL to covered payroll was 18.2%. As of June 30, 2013, there were no trust fund assets.

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

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, 2012 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 and are fully generational projected using scale AA.

Projected claim costs of the medical plan are \$675 per month for retirees between ages 55 and 59 and \$833 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.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 10. 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 5.78% of their annual covered salary and the County is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$360,706, \$346,097 and \$285,993, respectively, equal to the required contributions for each year.

Note 11. 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 12. Construction Commitment

The County has entered into contracts totaling \$1,665,401 for various roadway and courthouse improvement projects. As of June 30, 2013, costs of \$185,080 have been incurred against the contract. The balance of \$1,480,321 on the contracts at June 30, 2013 will be paid as work on the projects progresses.

Note 13. 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 14. 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.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 14. Private-Purpose Trust Funds (continued)

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 statements is to be published. In 1973, the Board of Supervisors received permission from the Court to sell the Spangler Farm.

Note 15. 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 paid \$205,000 of principal and \$245,884 of interest on the bonds for the year ended June 30, 2013. 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, 2013

Note 15. 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
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>\$ 5,885,000</u>	<u>\$ 2,653,615</u>	<u>\$ 8,538,615</u>

Note 16. Subsequent Event

On December 20, 2013, the County issued \$2,999,999 in general obligation capital loan notes for the purpose of funding the County's portion of the reconstruction of the dam and spillway at Lake Delhi. The notes have an interest rate of 1.52% and are payable through the year ending June 30, 2024.

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, 2013

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 7,952,566	\$ 7,870,865	\$ 7,814,110	\$ 138,456
Interest and penalty on property tax	47,818	30,700	30,700	17,118
Intergovernmental	5,409,908	6,799,021	5,566,812	(156,904)
Licenses and permits	23,284	14,250	14,250	9,034
Charges for service	581,940	378,550	448,750	133,190
Use of money and property	148,502	166,200	170,700	(22,198)
Miscellaneous	307,875	163,976	254,416	53,459
Total receipts	<u>14,471,893</u>	<u>15,423,562</u>	<u>14,299,738</u>	<u>172,155</u>
DISBURSEMENTS:				
Public safety and legal services	2,206,447	2,283,212	2,305,290	(98,843)
Physical health and social services	466,202	704,474	679,474	(213,272)
Mental health	1,760,066	3,205,866	2,345,716	(585,650)
County environment and education	880,294	875,029	933,229	(52,935)
Roads and transportation	4,679,379	4,707,225	4,707,225	(27,846)
Government services to residents	638,366	681,860	678,004	(39,638)
Administration	1,450,119	1,340,681	1,492,481	(42,362)
Non-program	27,301	32,400	32,400	(5,099)
Debt service	72,278	72,400	72,400	(122)
Capital projects	2,544,503	2,932,092	3,105,892	(561,389)
Total disbursements	<u>14,724,955</u>	<u>16,835,239</u>	<u>16,352,111</u>	<u>(1,627,156)</u>
Deficiency of receipts under disbursements	(253,062)	(1,411,677)	(2,052,373)	1,799,311
Balance beginning of year	<u>6,625,548</u>	<u>5,164,339</u>	<u>6,625,548</u>	-
Balance end of year	<u>\$ 6,372,486</u>	<u>\$ 3,752,662</u>	<u>\$ 4,573,175</u>	<u>\$ 1,799,311</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,471,893	\$ (87,823)	\$ 14,384,070
Expenditures	14,724,955	(1,478,458)	13,246,497
Net	(253,062)	1,390,635	1,137,573
Beginning fund balances	6,625,548	(1,622,728)	5,002,820
Ending fund balances	<u>\$ 6,372,486</u>	<u>\$ (232,093)</u>	<u>\$ 6,140,393</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2013

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 decreased budgeted disbursements by \$483,128. 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, 2013, disbursements did not exceed the amount 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, 2013

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%
2013	July 1, 2012	-	734	734	0.0%	4,033	18.2%

See note 9 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.

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Supplementary Information

DELAWARE COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2013

	Special Revenue					
	County Recorder's Records Management	Resource Enhancement and Protection	McGee Discretionary Trust	Debt Service	Total	
Assets						
Cash and pooled investments	\$ 19,104	\$ 26,779	\$ 59,848	\$ 8,209	\$ 113,940	
Receivables:						
Property tax:						
Delinquent	-	-	-	16	16	
Succeeding year	-	-	-	69,000	69,000	
Accrued interest	5	2	-	-	7	
Total assets	\$ <u>19,109</u>	\$ <u>26,781</u>	\$ <u>59,848</u>	\$ <u>77,225</u>	\$ <u>182,963</u>	
Liabilities and Fund Balances						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ -	\$ -	\$ -	69,000	69,000	
Other	-	-	-	8	8	
Total liabilities						
	-	-	-	69,008	69,008	
Fund balances:						
Restricted for:						
Records management purposes	19,109	-	-	-	19,109	
Conservation purposes	-	26,781	-	-	26,781	
Public betterment purposes	-	-	59,848	-	59,848	
Debt service	-	-	-	8,217	8,217	
Total fund balances						
Total liabilities and fund balances	\$ <u>19,109</u>	\$ <u>26,781</u>	\$ <u>59,848</u>	\$ <u>77,225</u>	\$ <u>182,963</u>	

See accompanying independent auditor's report.

DELAWARE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	Special Revenue				Total
	County Recorder's Records Management	Resource Enhancement and Protection	McGee Discretionary Trust	Debt Service	
Revenues:					
Property and other County tax	\$ -	\$ -	\$ -	\$ 57,380	\$ 57,380
Intergovernmental	-	11,255	-	2,540	13,795
Charges for service	4,773	-	-	-	4,773
Use of money and property	56	56	-	-	112
Miscellaneous	-	-	20,000	-	20,000
Total revenues	<u>4,829</u>	<u>11,311</u>	<u>20,000</u>	<u>59,920</u>	<u>96,060</u>
Expenditures:					
Operating:					
Physical health and social services	-	-	11,032	-	11,032
Government services to residents	5,000	-	-	-	5,000
Debt service	-	-	-	72,278	72,278
Capital projects	-	4,431	-	-	4,431
Total expenditures	<u>5,000</u>	<u>4,431</u>	<u>11,032</u>	<u>72,278</u>	<u>92,741</u>
Excess (deficiency) of revenues over (under) expenditures	(171)	6,880	8,968	(12,358)	3,319
Fund balances beginning of year	<u>19,280</u>	<u>19,901</u>	<u>50,880</u>	<u>20,575</u>	<u>110,636</u>
Fund balances end of year	<u>\$ 19,109</u>	<u>\$ 26,781</u>	<u>\$ 59,848</u>	<u>\$ 8,217</u>	<u>\$ 113,955</u>

See accompanying independent auditor's report.

DELAWARE COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2013

	<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	\$ -	\$ -	\$ 618,998	\$ 39,083	\$ 38
Other County officials	2,474	9,201	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	91	-	1
Succeeding year	-	-	476,000	-	3,000
Interfund	-	-	-	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
 Total assets	 <u>\$ 2,474</u>	 <u>\$ 9,201</u>	 <u>\$ 1,095,089</u>	 <u>\$ 39,083</u>	 <u>\$ 3,039</u>
LIABILITIES					
Interfund payable	\$ -	\$ -	\$ -	\$ -	-
Accounts payable	-	-	11,803	2,022	-
Salaries and benefits payable	-	-	3,585	-	-
Due to other governments	2,474	-	1,063,469	17,396	3,039
Trusts payable	-	9,201	-	-	-
Compensated absences	-	-	16,232	19,665	-
 Total liabilities	 <u>\$ 2,474</u>	 <u>\$ 9,201</u>	 <u>\$ 1,095,089</u>	 <u>\$ 39,083</u>	 <u>\$ 3,039</u>

<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>City Special Assessments</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>
\$ 5,537	\$ 45,158	\$ 172,273	\$ 11,528	\$ 15,955	\$ 2,633	\$ 14,671
-	-	-	-	-	-	-
134	248	3,527	215	-	49	276
417,000	4,860,000	12,727,000	836,000	-	203,000	1,198,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 422,671</u>	<u>\$ 4,905,406</u>	<u>\$ 12,902,800</u>	<u>\$ 847,743</u>	<u>\$ 15,955</u>	<u>\$ 205,682</u>	<u>\$ 1,212,947</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
422,671	4,905,406	12,902,800	847,743	15,955	205,682	1,212,947
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 422,671</u>	<u>\$ 4,905,406</u>	<u>\$ 12,902,800</u>	<u>\$ 847,743</u>	<u>\$ 15,955</u>	<u>\$ 205,682</u>	<u>\$ 1,212,947</u>

DELAWARE COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2013

	Auto License and Use Tax	Tax Sale Redemption	Advance Tax Collection	E-911
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 411,402	\$ 15,113	\$ 59,848	\$ 139,111
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Interfund	-	-	-	-
Accounts	-	-	-	18,769
Accrued interest	-	-	-	88
Due from other governments	-	-	-	-
Total assets	\$ 411,402	\$ 15,113	\$ 59,848	\$ 157,968
LIABILITIES				
Interfund payable	\$ -	\$ -	\$ -	-
Accounts payable	-	-	-	234
Salaries and benefits payable	-	-	-	-
Due to other governments	411,402	-	-	157,734
Trusts payable	-	15,113	59,848	-
Compensated absences	-	-	-	-
Total liabilities	\$ 411,402	\$ 15,113	\$ 59,848	\$ 157,968

See accompanying independent auditor's report.

<u>Fire District</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Lake Delhi Combined Recreational Facility and Water Quality District</u>	<u>Lake Delhi Debt Service</u>	<u>Lake Delhi Capital Projects</u>	<u>Total</u>
\$ 171	\$ 752	\$ 24,749	\$ 19,707	\$ 5,697,428	\$ 7,294,155
-	-	-	-	-	11,675
-	-	377	1,082	-	6,000
11,000	-	161,000	460,000	-	21,352,000
-	-	79,166	-	-	79,166
-	-	-	-	-	18,769
-	-	7	5	4,673	4,773
-	-	-	-	99,584	99,584
<u>\$ 11,171</u>	<u>\$ 752</u>	<u>\$ 265,299</u>	<u>\$ 480,794</u>	<u>\$ 5,801,685</u>	<u>\$ 28,866,122</u>
\$ -	\$ -	\$ -	\$ -	\$ 79,166	\$ 79,166
-	-	5,069	-	96,477	115,605
-	-	-	-	-	3,585
11,171	752	260,230	480,794	5,626,042	28,547,707
-	-	-	-	-	84,162
-	-	-	-	-	35,897
<u>\$ 11,171</u>	<u>\$ 752</u>	<u>\$ 265,299</u>	<u>\$ 480,794</u>	<u>\$ 5,801,685</u>	<u>\$ 28,866,122</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2013

	County Offices		County Assessor	Emergency Management	Brucellosis and Tuberculosis Eradication
	County Recorder	County Sheriff			
ASSETS AND LIABILITIES					
Balances beginning of year	\$ 130	\$ 5,079	\$ 1,063,705	\$ 49,907	\$ 3,043
Additions:					
Property and other County tax	-	-	475,629	-	2,873
State tax credits	-	-	16,629	-	132
Reimbursements from other governments	-	-	-	112,928	-
Office fees and collections	413,034	129,115	-	-	-
Auto license, use tax, drivers license and postage	-	-	-	-	-
E-911 surcharge	-	-	-	-	-
Trusts	-	337,996	-	-	-
Assessments	-	-	-	-	-
Interest on investments	-	-	-	-	-
Miscellaneous	-	-	393	-	-
Total additions	413,034	467,111	492,651	112,928	3,005
Deductions:					
Agency remittances:					
To other funds	162,280	121,783	-	-	-
To other governments	248,410	7,331	461,267	123,752	3,009
Trusts paid out	-	333,875	-	-	-
Total deductions	410,690	462,989	461,267	123,752	3,009
Balances end of year	\$ 2,474	\$ 9,201	\$ 1,095,089	\$ 39,083	\$ 3,039

<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>
\$ 407,912	\$ 4,920,757	\$ 13,108,280	\$ 891,361	\$ 8,633	\$ 201,008	\$ 1,117,516
416,701	4,861,962	12,705,304	834,811	-	202,543	1,196,859
18,238	178,775	591,116	39,644	-	9,059	50,480
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	190,732	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
434,939	5,040,737	13,296,420	874,455	190,732	211,602	1,247,339
-	-	-	-	-	-	-
420,180	5,056,088	13,501,900	918,073	183,410	206,928	1,151,908
-	-	-	-	-	-	-
420,180	5,056,088	13,501,900	918,073	183,410	206,928	1,151,908
\$ 422,671	\$ 4,905,406	\$ 12,902,800	\$ 847,743	\$ 15,955	\$ 205,682	\$ 1,212,947

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2013

	Auto License and Use Tax	Tax Sale Redemption	Advance Tax Collection	E-911
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 517,152	\$ 16,547	\$ 56,863	\$ 172,340
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	5,998,338	-	-	-
E-911 surcharge	-	-	-	129,209
Trusts	-	182,822	60,896	-
Assessments	-	-	-	-
Interest on investments	-	-	-	1,099
Miscellaneous	-	-	-	-
Total additions	<u>5,998,338</u>	<u>182,822</u>	<u>60,896</u>	<u>130,308</u>
Deductions:				
Agency remittances:				
To other funds	239,125	-	-	-
To other governments	5,864,963	-	-	144,680
Trusts paid out	-	184,256	57,911	-
Total deductions	<u>6,104,088</u>	<u>184,256</u>	<u>57,911</u>	<u>144,680</u>
Balances end of year	<u>\$ 411,402</u>	<u>\$ 15,113</u>	<u>\$ 59,848</u>	<u>\$ 157,968</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 Quality District</u>	<u>Lake Delhi Debt Service</u>	<u>Lake Delhi Capital Projects</u>	<u>Total</u>
\$ 9,085	\$ 10,233	\$ 702	\$ 358,061	\$ 459,863	\$ 6,090,745	\$ 29,468,922
-	11,111	-	161,253	461,713	-	21,330,759
-	591	-	3,148	9,525	-	917,337
-	-	-	83,069	-	285,220	481,217
-	-	4,773	-	-	-	546,922
-	-	-	-	-	-	5,998,338
-	-	-	-	-	-	129,209
-	-	-	-	-	-	581,714
-	-	-	-	-	-	190,732
-	-	-	335	577	68,940	70,951
-	-	-	197	-	-	590
-	11,702	4,773	248,002	471,815	354,160	30,247,769
9,085	-	-	-	-	-	532,273
-	10,764	4,723	340,764	450,884	643,220	29,742,254
-	-	-	-	-	-	576,042
9,085	10,764	4,723	340,764	450,884	643,220	30,850,569
\$ -	\$ 11,171	\$ 752	\$ 265,299	\$ 480,794	\$ 5,801,685	\$ 28,866,122

DELAWARE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2013	2012	2011	2010
Revenues:				
Property and other County tax	\$ 7,952,638	\$ 8,322,672	\$ 7,360,244	\$ 7,185,299
Interest and penalty on property tax	48,068	52,200	47,162	62,985
Intergovernmental	5,306,810	6,469,035	6,394,803	5,625,939
Licenses and permits	24,584	26,640	18,590	18,942
Charges for service	580,587	553,906	534,877	523,036
Use of money and property	146,940	149,622	156,597	184,206
Miscellaneous	324,443	279,414	402,707	334,633
Total	\$ 14,384,070	\$ 15,853,489	\$ 14,914,980	\$ 13,935,040
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,185,941	\$ 2,132,213	\$ 1,974,680	\$ 1,799,661
Physical health and social services	457,824	431,423	457,161	490,341
Mental health	1,376,533	3,290,955	2,912,774	2,769,047
County environment and education	828,816	988,670	995,823	768,425
Roads and transportation	4,674,758	5,186,906	5,163,254	4,171,369
Government services to residents	641,150	610,267	551,992	575,096
Administration	1,462,263	1,329,628	1,210,382	1,134,450
Non-program	19,516	13,930	26,204	32,375
Debt service	72,278	72,278	72,277	72,276
Capital projects	1,527,418	2,209,916	164,293	2,077,786
Total	\$ 13,246,497	\$ 16,266,186	\$ 13,528,840	\$ 13,890,826

See accompanying independent auditor's report.

	2009	2008	2007	2006	2005
\$	6,655,873	\$ 6,367,692	\$ 6,179,275	\$ 5,325,886	\$ 5,200,393
	50,380	44,443	36,929	40,788	43,597
	6,306,788	5,790,202	5,539,705	5,791,503	5,426,274
	15,860	13,910	13,235	17,588	12,621
	505,696	480,542	468,702	479,998	462,858
	198,580	220,273	211,076	105,223	132,772
	454,537	280,094	141,404	115,864	100,070
	<u>\$ 14,187,714</u>	<u>\$ 13,197,156</u>	<u>\$ 12,590,326</u>	<u>\$ 11,876,850</u>	<u>\$ 11,378,585</u>
\$	1,832,913	\$ 1,760,399	\$ 1,660,015	\$ 1,455,562	\$ 1,426,663
	584,058	452,747	431,955	382,510	357,859
	2,690,644	2,847,779	2,596,198	2,148,717	2,064,158
	813,116	683,691	702,506	638,930	559,200
	4,247,873	4,286,608	3,187,373	3,702,804	4,420,188
	523,637	488,992	444,250	619,518	530,774
	1,316,496	1,068,861	967,030	916,670	922,012
	30,445	6,812	32,991	12,055	12,072
	-	-	-	-	-
	2,358,669	1,279,193	1,840,978	3,239,706	1,896,531
	<u>\$ 14,397,851</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, 2013

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 13	\$ <u>5,681</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>20,669</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS 28(72)	7,395
Highway Planning and Construction	20.205	BROS 28(76)	288,082
Highway Planning and Construction	20.205	BROS 28(77)	<u>214,654</u>
			<u>510,131</u>
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	12-03 (Task 143)	<u>4,500</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5882BT28	2,465
Public Health Emergency Preparedness	93.069	5883BT28	<u>21,943</u>
			<u>24,408</u>
Iowa Department of Human Services:			
Refugee and Entrant Assistance - State Administered Programs			
	93.566	FY 13	<u>26</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund			
	93.596	FY 13	<u>1,310</u>
Foster Care - Title IV-E	93.658	FY 13	<u>1,980</u>
Adoption Assistance	93.659	FY 13	<u>552</u>
Social Services Block Grant	93.667	FY 13	<u>1,723</u>
Children's Health Insurance Program	93.767	FY 13	<u>89,640</u>
Medical Assistance Program	93.778	FY 13	<u>5,656</u>

DELAWARE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1763DR IA	\$ <u>58,221</u>
Hazard Mitigation Grant	97.039	HMGP- DR1763-0101-01	<u>5,406</u>
Emergency Management Performance Grants	97.042	FY 13	<u>25,879</u>
Total			\$ <u><u>755,782</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.

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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 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delaware County, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Delaware County's internal control over financial reporting to determine the auditing procedures appropriate in the circumstances 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item II-A-13, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 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 Findings

Delaware County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Delaware County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 28, 2014

Hunt & Associates, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON
INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Officials of Delaware County:

Report on Compliance for Each Major Federal Program

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, 2013. Delaware County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Delaware County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not prove a legal determination of Delaware County's compliance.

Opinion on Each Major Federal Program

In our opinion, Delaware County complied, in all material respects, with the types of compliance 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, 2013.

Report on Internal Control Over Compliance

In planning and performing our audit of compliance, we considered Delaware County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

A deficiency in internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Delaware County as of and for the year ended June 30, 2013, and have issued our report dated February 28, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Oskaloosa, Iowa
February 28, 2014

Hunt + Associates, P.C.

DELAWARE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency 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 unmodified 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, 2013

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Warrant Written and Held – We noted in our testing of warrants outstanding at year end that one General Fund warrant written on June 24, 2013 for \$10,000 was not redeemed for over four months. Upon inquiry regarding the delay in redemption of the warrant, we noted that the equipment being purchased was delayed in delivery and had quality problems so the warrant wasn't released to the vendor until October 2013.

Recommendation – Writing and holding warrants bypasses the budgeting process, removes controls over the underlying assets and misstates the financial position of the County at any given time any warrants are written and held. The County should avoid the practice by developing guidelines for disbursements that prevent writing and holding warrants. The warrant should be immediately voided in any similar situation in the future.

Response – We will avoid this practice in the future. We will develop practices and procedures which ban the writing and holding of warrants.

Conclusion – Response accepted.

DELAWARE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

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, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted in any County function. Disbursements did not exceed departmental appropriations.
- IV-B-13 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-13 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-13 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 owns Becker Electric	Electrical repairs and services	\$2,665

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-13 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-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-13 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-13 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-13 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, 2013 for the County Extension Office did not exceed the amount budgeted.

DELAWARE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

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

IV-J-13 Debt Service Payments – We noted in our testing of long-term debt payments that some of those payments were made from the roads and transportation function rather than the debt service function. This understates the actual debt service function amounts paid to retire County obligations as these obligations mature and overstates the functional expenses in areas not directly related to debt service.

Recommendation – The County should properly account for all debt service payments in the proper function to insure more accurate financial reporting.

Response – We will look at this and make any necessary changes in the future.

Conclusion – Response accepted.