

DELAWARE COUNTY

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

JUNE 30, 2015

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DELAWARE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2015)		
Jeff Madlom	Board of Supervisors	Jan. 2017
Shirley Helmrichs	Board of Supervisors	Jan. 2015
Douglas Dabroski	Board of Supervisors	Nov. 2014
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
Andrea Schmidt	County Assessor	Jan. 2016
(After January 2015)		
Jeff Madlom	Board of Supervisors	Jan. 2017
Douglas Dabroski	Board of Supervisors	Jan. 2019
Shirley Helmrichs	Board of Supervisors	Jan. 2019
Carla Becker	County Auditor	Jan. 2017
Carolyn Wilson	County Treasurer	Jan. 2019
Deborah Peyton	County Recorder	Jan. 2019
John LeClere	County Sheriff	Jan. 2017
John Bernau	County Attorney	Jan. 2019
Andrea Schmidt	County Assessor	Jan. 2016

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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, 2015, and the related notes to 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa. 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 17 to the financial statements, Delaware County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 16 and 64 through 71 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 nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2016 on our consideration of Delaware County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. 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.

Hunt & Associates, P.C.

Oskaloosa, Iowa
February 19, 2016

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, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- The County's Governmental Fund total revenues increased \$1,389,656 from Fiscal Year 2014 to Fiscal Year 2015. Property taxes and other county tax increased \$1,040,045.
- The County's Governmental Fund expenditures increased \$1,481,195, from Fiscal Year 2014 to Fiscal Year 2015. Public safety expenditures increased \$158,448; roads and transportation expenditures increased by \$434,840; and capital projects expenditures increased \$518,005.
- The net position of the County's governmental activities decreased approximately 4.6%, or \$1,912,016, from June 30, 2014 to June 30, 2015.

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, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them 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 taxes 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 positions may serve over time as a useful indicator of financial position. A two year comparison is shown below for the 2015 and 2014 fiscal years focusing on the changes in the net positions for governmental activities.

Net position of Governmental Activities

	June 30, 2015	June 30, 2014 (Not Restated)	% Change
Current and other assets	18,088,416	\$17,719,005	2%
Capital assets	<u>37,456,817</u>	<u>37,011,915</u>	<u>1%</u>
Total assets	55,545,233	<u>54,730,920</u>	<u>1%</u>
Deferred outflows of resources	<u>635,444</u>	-	<u>N/A</u>
Long-term debt outstanding	6,039,538	4,174,142	45%
Other liabilities	<u>806,030</u>	<u>597,710</u>	35%
Total liabilities	6,845,568	<u>4,771,852</u>	<u>43%</u>
Deferred inflows of resources	<u>9,469,057</u>	<u>8,181,000</u>	<u>16%</u>
Net position:			
Net investment in capital assets	37,188,164	36,928,844	1%
Restricted	2,940,894	3,456,370	(15%)
Unrestricted	<u>(263,006)</u>	<u>1,392,854</u>	<u>(119%)</u>
Total net position	<u>39,866,052</u>	<u>\$41,778,068</u>	<u>(5%)</u>

Net position of Delaware County's governmental activities decreased by \$1,912,016 from 2014 (\$39,866,052 compared to \$41,778,068). 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.

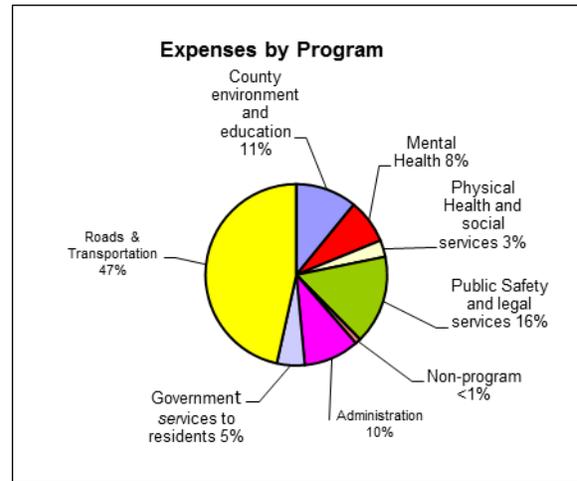
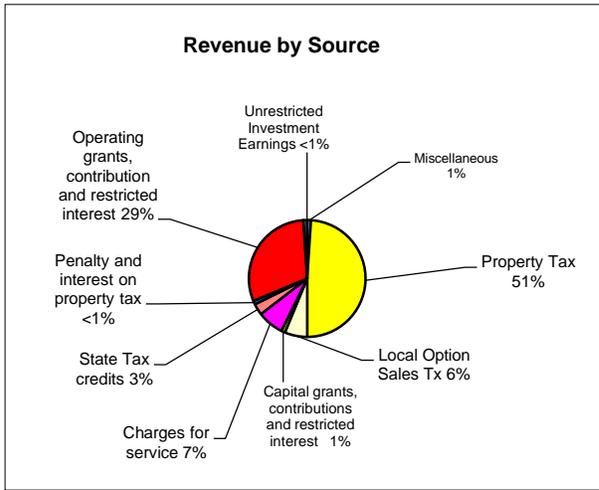
Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – is reported at a deficit of (\$263,006) at June 30, 2015.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$2,774,806 to retroactively

report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Changes in Net Position of Governmental Activities

	Year End June 30, 2015	Year End June 30, 2014 (Not Restated)	% of Change
Revenues:			
Program Revenues:			
Charges for services	\$1,193,644	\$895,047	33%
Operating grants, contributions and restricted Interest	4,581,151	4,462,317	3%
Capital grants, contributions and restricted interest	187,276	1,256,445	(85%)
General Revenues:			
Property tax	8,224,237	7,219,009	14%
Penalty and interest on property tax	57,095	45,305	26%
State tax credits	528,747	371,298	42%
Local option sales tax	1,008,966	971,532	4%
Unrestricted investment earnings	67,704	68,018	(<1%)
Other revenues and gains	<u>168,490</u>	<u>80,246</u>	<u>110%</u>
Total Revenues	16,017,310	\$15,369,217	4%
Program Expenses:			
Public safety and legal services	2,380,297	2,375,590	<1%
Physical health and social services	455,934	541,481	(16%)
Mental health	1,193,638	1,289,779	(7%)
County environment and education	1,672,886	1,292,331	29%
Roads and transportation	7,173,947	6,818,251	5%
Governmental services to residents	716,901	725,449	(1%)
Administration	1,463,228	1,334,863	10%
Non-program	33,218	29,998	11%
Interest on long-term debt	<u>64,471</u>	<u>42,092</u>	<u>53%</u>
Total Expenses	<u>15,154,520</u>	<u>14,449,834</u>	5%
Increase in net position	862,790	919,383	(6%)
Net position beginning of year, as restated	<u>39,003,262</u>	<u>40,858,685</u>	<u>(5%)</u>
Net position end of year	<u>39,866,052</u>	<u>\$41,778,068</u>	<u>(5%)</u>



(FOR ILLUSTRATIVE PURPOSES)

INDIVIDUAL MAJOR FUND ANALYSIS

As Delaware County completed the year, its governmental funds reported a combined fund balance of \$8,966,088, a decrease of \$1,004 from last year's total of \$8,967,092. The decrease in fund balance is attributable to many factors. The following are fund balances of the major governmental funds compared to the prior year:

	<u>Ending Fund Balances</u>					
	<u>General Fund</u>	<u>Rural Services Fund</u>	<u>Secondary Road Fund</u>	<u>Capital Projects</u>	<u>Other</u>	<u>Total</u>
2015	3,303,776	1,629	2,816,657	2,007,593	836,433	8,966,088
2014	2,995,483	5,922	2,847,221	2,723,396	395,070	8,967,092
Difference	308,293	(4,293)	(30,564)	(715,803)	441,363	(1,004)
%	10%	(72%)	(1%)	(26%)	112%	(<1%)

As the County completed the year, its governmental funds reported a combined fund balance of \$8,966,088. This is a decrease of \$1,004 over the previous year. The following are major reasons for the changes in fund balances from the prior year:

1. There was an increase of \$308,293 in the General Fund ending balance compared to June 30, 2014. Revenues increased \$893,271 from FY 2014 to FY 2015, while expenditures increased \$859,742 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 projects expenditures increased \$129,324 in 2015 compared to expenditures in 2014. A large portion of this was due to construction of a new lake access at Turtle Creek Park per the 28E Agreement between Delaware County and the Lake Delhi Trustees.

2. The Secondary Roads Fund expenditures for 2015 were \$7,623,404, up from \$7,207,844 expended in 2014. A portion of this increase is due to the construction of a new elevated bridge for the Turtle Creek Park access project. Revenues were up in 2015, \$5,188,129 compared to \$4,946,822 in 2014. However, the Board of Supervisors increased the amount transferred from the Rural Services Fund to the Secondary Roads Fund by \$127,791 as compared to the amount transferred in 2014. Local Option Sales Tax receipts were up \$33,693 and intergovernmental funding decreased \$102,804. The cumulative effect was a decrease of \$30,564 in the ending fund balance compared to the ending fund balance in 2014.
3. The Rural Services Fund expenditures for 2015 were \$261,020, up slightly from \$259,731 expended in 2014. Revenues were up \$198,244 from 2014 (\$2,398,663 compared to \$2,200,419 in 2014). In 2012 the Board of Supervisors demolished eleven (11) properties damaged in the 2010 flood. All demolition expenditures were paid out of the Rural Services Fund. FEMA has denied reimbursement for a large portion of the properties demolished. The County appealed this decision. Due to the FEMA denial, the ending fund balance for this fund threatened to be in the red. Thus, the Board approved a \$100,000 advance from the County's General Fund for one year to help maintain a positive cash flow. This advance was extended for an additional year with repayment of \$50,000 in 2015 and \$50,000 in 2016. 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 Rural Services Fund balance decreased \$4,293 between FY 2014 and FY 2015
4. The Capital Project Fund was created in FY 2014 when the Board approved the issuance of \$2,999,999 in General Obligation Notes to assist in the construction of a spillway in conjunction with the Lake Delhi Dam Reconstruction Project. Pursuant to the 28E Agreement between the Delaware County Board of Supervisors and the Lake Delhi Combined Recreational Facility and Water Quality District Trustees, Delaware County will reimburse the District 50% of each expenditure for the spillway portion of the restoration project. Expenditures for 2015 totaled \$725,672 compared to \$282,433 in 2014. The fund also received interest in the amount of \$9,869 resulting in an ending fund balance of \$2,007,593 in 2015.

BUDGETARY HIGHLIGHTS

Over the course of the year, Delaware County amended its budget two times. The first amendment was made March 16, 2015 to move the budgeted expenditures more in line with the anticipated needs for the remainder of 2015. Public Safety and Legal Services was increased by \$10,000 to accommodate additional medical examiner fees. Within the debt service area, \$84,550 was moved from Roads and Transportation into Debt Service for machinery being purchased over time within the Secondary Roads Department. Capital Projects was reduced by \$1,000,000 for the Lake Delhi spillway project. The remainder of this project will be budgeted in 2016. The overall net effect of the amendment was a decrease of \$1,823,589 in expenditures. The second amendment was approved on June 22, 2015. The expenditures in Public Safety, Government Services to Residents and Administration increased a total of \$142,034 for sick leave conversion. The County did not exceed budgeted amounts in any function.

Delaware County also amended its appropriations once outside of any budget amendment to allow for additional expenditures at the Windhill Apartments within the County Farm Department. Thus, \$1,400 was moved from the Community Life Department expenditures in the mental health service area and into the County Farm Windhill account on November 3, 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2015, Delaware County had approximately \$37,456,817 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges, net of \$16,213,282 accumulated depreciation.

Capital Assets of Governmental Activities At Year End	
	June 30, 2015
<u>Acquisition cost:</u>	
Land	\$659,002
Construction in progress	161,518
Buildings	4,668,306
Machinery & Equipment	8,792,127
Infrastructure	<u>39,389,146</u>
Total	\$52,849,579
<u>Accumulated depreciation:</u>	
Buildings	\$(2,537,457)
Machinery & Equipment	(5,622,392)
Infrastructure	<u>(8,053,433)</u>
Total net government activities capital assets	\$37,456,817

The County had depreciation expense of \$2,057,902 on governmental activities in FY 2015 and total accumulated depreciation of \$16,213,282 at June 30, 2015.

Long-Term Liabilities

At June 30, 2014, Delaware County had a restated total of \$7,345,553 in long-term liabilities compared to \$6,039,538 at June 30, 2015. A summary of long-term liabilities at June 30, 2015 is shown below:

Outstanding Debt of Governmental Activities	
At Year End	
	June 30, 2015
Early Retirement	\$9,000
Capital Lease Purchase	\$268,653
General Obligation Notes	\$3,002,361
Compensated Absences	\$440,412
Net Pension Liability	2,031,112
Net Other Post-Employment Benefits	<u>\$288,000</u>
Total	<u>\$6,039,538</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the actual assessed value of all taxable property within the County. Delaware County’s outstanding general obligation debt is well within this limitation.

Other obligations include accrued vacation pay, early retirement, sick leave, net pension liability and 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 2016 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 2016. Amounts available for appropriation in the operating budget are \$18,534,699, an increase of 5% over the final 2015 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. The county has seen a decrease in both revenues and expenditures, as anticipated, through regionalization. The Delaware County Board of Supervisors increased their debt service levy in order to repay the \$2,999,999 of General Obligation Loans to benefit the spillway at Lake Delhi. These factors were all part of the considerations for the FY 2016 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	\$3,607,010	3%
General Supplemental	1,646,074	7%
Mental Health Fund	792,563	(5%)
Debt Service	399,003	(8%)
Rural Services	2,482,495	5%

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. General Supplemental Fund anticipated the need to purchase new voting equipment for FY 2016 as well as increases in the cost of other insurance including workers' compensation. Thus, the General Supplemental levy rate for 2015-2016 increased by 6 cents per \$1,000. The Rural Basic levy rate increased by 5 cents per \$1,000.

Delaware County has had the following initiatives to the 2016 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 previously set aside for the purchase of new voting equipment are anticipated to be spent in 2016. Due to increasing technology the County's equipment will be functionally obsolete in the near future.
3. Delaware County will continue to levy for Debt Service until the Communications and the Lake Delhi Spillway General Obligation Notes are paid off. The Board called for a bond referendum in November 2014 to renovate the jail and Sheriff's office. Although the issue failed to achieve the needed 60% to pass, the Board is determined to try again in the near future. No election date has been set at this time.

4. The County will look into new cost saving ideas for the Secondary Roads Department to help offset increased costs of construction and fuel. The county will also need to consider the construction of a bridge over the Maquoketa River near the dam site. The access road over the dam was lost during the flood in 2010 and cannot be reconstructed. A bridge over the river in the area could cost upwards of \$4,000,000.
5. 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 has denied a large portion of the expected reimbursement for the demolitions. The County has appealed this decision. The County needed to secure an advance from its General Fund in the amount of \$100,000 to be repaid without interest. To date, FEMA has not yet ruled on the county's appeal. The repayment of the General Fund advance was extended to FY 2015-16.
6. The Board of Supervisors has also committed to expending \$10,000 per year for five (5) years to help fund the new Whitewater Park located on the Maquoketa River in Manchester, Iowa.
7. 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 near Turtle Creek Park. 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, 2015

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 8,766,630
Receivables:	
Property tax:	
Delinquent	2,553
Succeeding year	8,315,000
Interest and penalty on property tax	4,827
Accounts	88,717
Accrued interest	6,348
Due from other governments	578,973
Inventories	325,368
Capital assets, net of accumulated depreciation (note 5)	<u>37,456,817</u>
 Total assets	 <u>55,545,233</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>635,444</u>
Liabilities	
Accounts payable	669,945
Salaries and benefits payable	130,086
Accrued interest payable	5,999
Long-term liabilities (note 8):	
Portion due or payable within one year:	
Early retirement	9,000
Capital lease purchase agreements	106,156
General obligation notes	346,784
Compensated absences	182,950
Portion due or payable after one year:	
Capital lease purchase agreements	162,497
General obligation notes	2,655,577
Compensated absences	257,462
Net pension liability	2,031,112
Net OPEB liability	<u>288,000</u>
 Total liabilities	 <u>6,845,568</u>

DELAWARE COUNTY
STATEMENT OF NET POSITION
June 30, 2015

	<u>Governmental Activities</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	\$ 8,315,000
Pension related deferred inflows	<u>1,154,057</u>
Total deferred inflows of resources	<u>9,469,057</u>
Net Position	
Net investment in capital assets	37,188,164
Restricted for:	
Supplemental levy purposes	432,735
Mental health purposes	663,622
Secondary roads purposes	1,636,522
Debt service	42,704
Other purposes	165,311
Unrestricted	<u>(263,006)</u>
Total net position	<u>\$ 39,866,052</u>

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

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	\$ 2,380,297	\$ 124,101	\$ 131,922	\$ -	\$ (2,124,274)
Physical health and social services	455,934	22,051	35,665	-	(398,218)
Mental health	1,193,638	18,913	627,696	-	(547,029)
County environment and education	1,672,886	198,199	77,729	-	(1,396,958)
Roads and transportation	7,173,947	384,447	3,704,848	187,276	(2,897,376)
Government services to residents	716,901	354,798	1,091	-	(361,012)
Administration	1,463,228	91,135	2,200	-	(1,369,893)
Non-program	33,218	-	-	-	(33,218)
Interest on long-term debt	64,471	-	-	-	(64,471)
Total	\$ 15,154,520	\$ 1,193,644	\$ 4,581,151	\$ 187,276	(9,192,449)
General Revenues:					
Property and other county tax levied for:					
General purposes					7,814,750
Debt service					409,487
Penalty and interest on property tax					57,095
State tax credits					528,747
Local option sales and services tax					1,008,966
Unrestricted investment earnings					67,704
Gain on disposal of equipment					71,850
Miscellaneous					96,640
Total general revenues					10,055,239
Change in net position					862,790
Net position beginning of year, as restated (note 17)					39,003,262
Net position end of year					\$ 39,866,052

See notes to financial statements.

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DELAWARE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue		
	General	Rural Services	Secondary Roads
Assets			
Cash and pooled investments	\$ 3,273,603	\$ 53,578	\$ 2,497,606
Receivables:			
Property tax:			
Delinquent	2,027	69	-
Succeeding year	4,895,000	2,310,000	-
Interest and penalty on property tax	4,827	-	-
Interfund (note 3)	50,000	-	-
Accounts	35,882	125	25
Accrued interest	4,766	-	-
Due from other governments	76,008	-	481,515
Inventories	-	-	325,368
	\$ 8,342,113	\$ 2,363,772	\$ 3,304,514
Total assets	\$ 8,342,113	\$ 2,363,772	\$ 3,304,514

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 2,160,155	\$ 781,688	\$ 8,766,630
-	457	2,553
-	1,110,000	8,315,000
-	-	4,827
-	-	50,000
-	52,685	88,717
1,576	6	6,348
-	21,450	578,973
-	-	325,368
<u>\$ 2,161,731</u>	<u>\$ 1,966,286</u>	<u>\$ 18,138,416</u>

DELAWARE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue		
	General	Rural Services	Secondary Roads
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Interfund payable (note 3)	\$ -	\$ 50,000	\$ -
Accounts payable	50,651	133	448,487
Salaries and benefits payable	85,901	1,948	39,370
Total liabilities	136,552	52,081	487,857
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	4,895,000	2,310,000	-
Other	6,785	62	-
Total deferred inflows of resources	4,901,785	2,310,062	-
Fund balances:			
Nonspendable:			
Inventories	-	-	325,368
Restricted for:			
Supplemental levy purposes	690,648	-	-
Prisoner room and board purposes	77,830	-	-
Reserve officer purposes	3,457	-	-
Mental health purposes	-	-	-
Rural services purposes	-	1,629	-
Secondary roads purposes	-	-	2,491,289
Conservation purposes	23,836	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other	-	-	-
Assigned:			
Conservation trust	32,515	-	-
Courthouse updates	700,000	-	-
Early retirement payouts	25,000	-	-
Unassigned	1,750,490	-	-
Total fund balances	3,303,776	1,629	2,816,657
Total liabilities, deferred inflows of resources and fund balances	\$ 8,342,113	\$ 2,363,772	\$ 3,304,514

See notes to financial statements.

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ -	\$ 50,000
154,138	16,536	669,945
-	2,867	130,086
<u>154,138</u>	<u>19,403</u>	<u>850,031</u>
-	1,110,000	8,315,000
-	450	7,297
-	<u>1,110,450</u>	<u>8,322,297</u>
-	-	325,368
-	-	690,648
-	-	77,830
-	-	3,457
-	729,345	729,345
-	-	1,629
-	-	2,491,289
-	22,994	46,830
-	46,900	46,900
2,007,593	-	2,007,593
-	37,194	37,194
-	-	32,515
-	-	700,000
-	-	25,000
-	-	1,750,490
<u>2,007,593</u>	<u>836,433</u>	<u>8,966,088</u>
<u>\$ 2,161,731</u>	<u>\$ 1,966,286</u>	<u>\$ 18,138,416</u>

DELAWARE COUNTY

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

June 30, 2015

Total fund balances of governmental funds		\$	8,966,088
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$53,670,099 and the accumulated depreciation is \$16,213,282.			37,456,817
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.			7,297
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.			(5,999)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
	Deferred outflows of resources	\$	635,444
	Deferred inflows of resources		<u>(1,154,057)</u>
			(518,613)
Long-term liabilities, including early retirement, capital leases payable, notes payable, compensated absences payable, net pension liability and net OPEB liability are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.			<u>(6,039,538)</u>
Net position of governmental activities		\$	<u><u>39,866,052</u></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, 2015

	General	Special Revenue	
		Rural Services	Secondary Roads
Revenues:			
Property and other County tax	\$ 4,883,781	\$ 2,244,448	\$ 908,070
Interest and penalty on property tax	52,742	-	-
Intergovernmental	952,439	142,990	3,892,124
Licenses and permits	50	11,225	13,475
Charges for service	536,660	-	-
Use of money and property	139,304	-	-
Miscellaneous	216,590	-	374,460
Total revenues	<u>6,781,566</u>	<u>2,398,663</u>	<u>5,188,129</u>
Expenditures:			
Operating:			
Public safety and legal services	2,482,012	-	-
Physical health and social services	434,244	-	-
Mental health	523,424	-	-
County environment and education	623,257	246,165	-
Roads and transportation	-	-	5,893,509
Government services to residents	750,519	9,855	-
Administration	1,425,020	5,000	-
Non-program	33,218	-	-
Debt service	-	-	84,503
Capital projects	202,639	-	1,645,392
Total expenditures	<u>6,474,333</u>	<u>261,020</u>	<u>7,623,404</u>
Excess (deficiency) of revenues over (under) expenditures	307,233	2,137,643	(2,435,275)
Other financing sources (uses):			
Sale of capital assets	1,060	-	-
Interfund transfers in (note 4)	-	-	2,141,936
Interfund transfers out (note 4)	-	(2,141,936)	-
Execution of capital lease	-	-	262,775
Total other financing sources (uses)	<u>1,060</u>	<u>(2,141,936)</u>	<u>2,404,711</u>

	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$	-	\$ 1,194,864	\$ 9,231,163
	-	-	52,742
	-	357,028	5,344,581
	-	-	24,750
	-	3,469	540,129
	9,869	74	149,247
	-	4,345	595,395
	<u>9,869</u>	<u>1,559,780</u>	<u>15,938,007</u>
	-	-	2,482,012
	-	17,182	451,426
	-	677,998	1,201,422
	-	-	869,422
	-	-	5,893,509
	-	5,000	765,374
	-	-	1,430,020
	-	-	33,218
	-	398,271	482,774
	<u>725,672</u>	<u>19,966</u>	<u>2,593,669</u>
	<u>725,672</u>	<u>1,118,417</u>	<u>16,202,846</u>
	(715,803)	441,363	(264,839)
	-	-	1,060
	-	-	2,141,936
	-	-	(2,141,936)
	-	-	262,775
	<u>-</u>	<u>-</u>	<u>263,835</u>

DELAWARE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2015

	<u>General</u>	<u>Special Revenue</u>	
		<u>Rural Services</u>	<u>Secondary Roads</u>
Net change in fund balances	\$ 308,293	\$ (4,293)	\$ (30,564)
Fund balances beginning of year	<u>2,995,483</u>	<u>5,922</u>	<u>2,847,221</u>
Fund balances end of year	<u>\$ 3,303,776</u>	<u>\$ 1,629</u>	<u>\$ 2,816,657</u>

See notes to financial statements.

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ (715,803)	\$ 441,363	\$ (1,004)
<u>2,723,396</u>	<u>395,070</u>	<u>8,967,092</u>
<u>\$ 2,007,593</u>	<u>\$ 836,433</u>	<u>\$ 8,966,088</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, 2015

Net change in fund balances - total governmental funds \$ (1,004)

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

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

Capital outlay expenditures	\$ 2,430,954	
Depreciation expense	<u>(2,057,902)</u>	373,052

In the Statement of Activities, the gain on the disposition of capital assets
is reported, whereas the non-cash transaction does not affect
governmental funds. 71,850

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
recognized as deferred inflows of resources in the governmental funds,
as follows:

Property tax	2,040	
Other	<u>4,353</u>	6,393

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds, but issuing debt increases long-term liabilities in the
Statement of Net Position and does not affect the Statement of Activities. (262,775)

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. 396,601

The current year County employer share of IPERS contributions are
reported as expenditures in the governmental funds, but are reported
as a deferred outflow of resources in the Statement of Net Position. 5,255

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, 2015

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:

Early retirement	\$	10,800	
Compensated absences		61,090	
Pension expense		219,826	
Net OPEB liability		(40,000)	
Interest on long-term debt		21,702	\$ 273,418
			<u> </u>
Change in net position of governmental activities			\$ <u>862,790</u>

See notes to financial statements.

DELAWARE COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	<u>Private - Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ -	\$ 5,993,155
Other County officials	243,663	35,988
Receivables:		
Property tax:		
Delinquent	-	12,304
Succeeding year	-	21,973,000
Accounts	-	25,830
Accrued interest	-	3,180
Due from other governments	-	510,335
Prepaid expenses	-	7,154
Total assets	<u>243,663</u>	<u>28,560,946</u>
Liabilities		
Accounts payable	-	295,384
Salaries and benefits payable	-	5,086
Due to other governments (note 6)	-	28,136,024
Trusts payable	-	119,917
Compensated absences	-	4,535
Total liabilities	<u>-</u>	<u>28,560,946</u>
Fund Net Position		
Restricted for:		
Trust principal - Spangler (note 13)	128,000	-
Trust principal - Corell (note 13)	12,162	-
Unrestricted	<u>103,501</u>	<u>-</u>
Total fund net position	<u>\$ 243,663</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, 2015

	<u>Private - Purpose Trust Funds</u>
Revenues:	
Interest on investments	\$ <u>1,708</u>
Expenses:	
Vision care	562
Supplies	2,488
Equipment	<u>4,039</u>
Total expenses	<u>7,089</u>
Change in net position	(5,381)
Net position beginning of year	<u>249,044</u>
Net position end of year	<u>\$ <u>243,663</u></u>

See notes to financial statements.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following 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, 2015

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 or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

The General Fund is the main 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 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.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 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 year. 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.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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, in that order.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 non-negotiable certificates of deposit, which are stated at cost.

Property Tax Receivable - Property tax receivable is recognized in the governmental 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

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, 2015

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 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 one year.

<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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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, 2015

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity
(continued)

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.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity
(continued)

Fund Equity (continued)

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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted in any function. Disbursements did not exceed departmental appropriations.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2015 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.

DELAWARE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 3. Interfund Receivables/Payables

The detail of amounts due from and due to other funds at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Rural Services	\$ <u>50,000</u>

This balance is due to a short-term financing arrangement between these funds. These balances are not included on the government-wide Statement of Net Position.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u>2,141,936</u>

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

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 659,002	\$ -	\$ -	\$ 659,002
Construction in progress	19,890	141,628	-	161,518
Total capital assets not being depreciated	<u>678,892</u>	<u>141,628</u>	<u>-</u>	<u>820,520</u>
Capital assets being depreciated:				
Buildings	4,668,306	-	-	4,668,306
Machinery and equipment	8,369,433	846,336	423,642	8,792,127
Infrastructure	37,874,306	1,514,840	-	39,389,146
Total capital assets being depreciated	<u>50,912,045</u>	<u>2,361,176</u>	<u>423,642</u>	<u>52,849,579</u>
Less accumulated depreciation for:				
Buildings	2,444,248	93,209	-	2,537,457
Machinery and equipment	5,393,927	652,107	423,642	5,622,392
Infrastructure	6,740,847	1,312,586	-	8,053,433
Total accumulated depreciation	<u>14,579,022</u>	<u>2,057,902</u>	<u>423,642</u>	<u>16,213,282</u>
Total capital assets being depreciated, net	<u>36,333,023</u>	<u>303,274</u>	<u>-</u>	<u>36,636,297</u>
Governmental activities capital assets, net	<u>\$ 37,011,915</u>	<u>\$ 444,902</u>	<u>\$ -</u>	<u>\$ 37,456,817</u>

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 143,625
Physical health and social services	22,997
Mental health	11,606
County environment and education	71,813
Roads and transportation	1,746,456
Government services to residents	7,850
Administration	<u>53,555</u>
Total depreciation expense - governmental activities	<u>\$ 2,057,902</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 at June 30, 2015 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Agency:		
County Assessor	Collections	\$ 1,270,900
Townships		454,280
Corporations		4,773,180
Schools		13,334,186
Area Schools		904,665
County Hospital		1,364,192
Auto License and Use Tax		553,492
Lake Delhi Combined Recreational Facility and Water Quality District		386,273
Lake Delhi Debt Service		475,718
Lake Delhi Capital Projects		4,176,037
All Other		<u>443,101</u>
Total for agency funds		<u>\$ 28,136,024</u>

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, \$100,000 interest-free loan, approved June 23, 2014; \$50,000 repaid in fiscal year 2015, with the final payment of \$50,000 in fiscal year 2016.

Note 8. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ 19,800	\$ -	\$ 10,800	\$ 9,000	\$ 9,000
Capital lease purchase agreements	83,071	262,775	77,193	268,653	106,156
General obligation notes	3,321,769	-	319,408	3,002,361	346,784
Compensated absences	501,502	182,950	244,040	440,412	182,950
Net pension liability	3,171,411	-	1,140,299	2,031,112	-
Net OPEB liability	248,000	40,000	-	288,000	-
Total	\$ 7,345,553	\$ 485,725	\$ 1,791,740	\$ 6,039,538	\$ 644,890

Early Retirement

The County previously offered a voluntary early retirement plan to all employees. Eligible employees had to be at least age fifty-five and employees must have completed ten years of service to the County. Employees who wished to avail themselves of this plan but had fewer than ten years of service to the County may participate at a reduced benefit rate based on the number of actual years served divided by ten. Employees must complete an application which is required to be approved by the Board of Supervisors.

The early retirement incentive consists of two options for each employee. Employees between the ages of 55 and 61 may elect to continue participation in the County's group health insurance program with the County contributing \$275 per month towards that cost, with the employee covering any remaining difference in cost, until the employee becomes Medicare eligible. The alternative benefit for those employees aged 55 to 61 who opt out of continuation in the County's group health insurance plan is a monthly contribution of \$275 to a health savings plan which will be administered by Delaware County. Employees over age 61 have the same options as noted above, but the monthly benefit is increased to \$450.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Long-Term Liabilities (continued)

Early Retirement (continued)

At June 30, 2015, the County had obligations to two participants with a total liability of \$9,000. The County had early retirement expenditures totaling \$10,800 for the year ended June 30, 2015. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

Capital Lease Purchase Agreements

During the year ended June 30, 2015, the County entered into a capital lease purchase agreement for the purchase of a motor grader. The lease had an initial value of \$262,775, net of a \$71,850 trade in allowance, calls for 48 monthly payments of \$5,815, including interest, at an annual percentage rate of 2.99% and is payable through the year ending June 30, 2019.

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.

Details of the County's June 30, 2015 capital lease purchase indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Motor Grader</u>	<u>Motor Grader</u>	<u>Total</u>
2016	\$ 43,797	\$ 69,782	\$ 113,579
2017	-	69,782	69,782
2018	-	69,782	69,782
2019	-	29,076	29,076
Total minimum lease payments	43,797	238,422	282,219
Less amount representing interest	<u>(1,525)</u>	<u>(12,041)</u>	<u>(13,566)</u>
Present value of net minimum lease payments	<u>\$ 42,272</u>	<u>\$ 226,381</u>	<u>\$ 268,653</u>

Payments under capital lease purchase agreements for the year ended June 30, 2015 totaled \$43,797. The County had capitalized equipment purchased under capital leases valued at \$539,081 at June 30, 2015.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Long-Term Liabilities (continued)

General Obligation Notes

Details of the County's June 30, 2015 general obligation note indebtedness are as follows:

Year Ending June 30,	General Obligation Emergency Services Communication Notes dated October 8, 2008			General Obligation Capital Loan Notes dated December 20, 2013			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2016	4.00 %	\$ 61,784	\$ 10,494	1.52 %	\$ 285,000	\$ 41,648	\$ 346,784	\$ 52,142
2017	4.00	64,255	8,023	1.52	290,000	37,316	354,255	45,339
2018	4.00	66,825	5,453	1.52	295,000	32,908	361,825	38,361
2019	4.00	69,498	2,780	1.52	300,000	28,424	369,498	31,204
2020	-	-	-	1.52	305,000	23,864	305,000	23,864
2021-2024	-	-	-	1.52	1,264,999	48,336	1,264,999	48,336
		<u>\$ 262,362</u>	<u>\$ 26,750</u>		<u>\$ 2,739,999</u>	<u>\$ 212,496</u>	<u>\$ 3,002,361</u>	<u>\$ 239,246</u>

Note 9. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employee's Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Pension Plan (continued)

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff and deputy and protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Pension Plan (continued)

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the County contributed 8.93 percent for a total rate of 14.88 percent. Sheriff and deputy members and the County both contributed 9.88 percent of pay for a total rate of 19.76 percent. Protection occupation members contributed 6.76 percent of pay and the County contributed 10.14 percent for a total rate of 16.90 percent.

The County's contributions to IPERS for the year ended June 30, 2015 were \$401,860.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the County reported a liability of \$2,031,112 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.051214 which was a decrease of 0.004021 from its collective proportion measured as of June 30, 2013.

DELAWARE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Pension Plan (continued)

For the year ended June 30, 2015, the County recognized pension expense of \$176,779. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 22,698	\$ 32,165
Changes of assumptions	92,171	35,866
Net difference between projected and actual earnings on pension plan investments	-	1,085,984
Changes in proportion and differences between County contributions and proportionate share of contributions	118,715	42
County contributions subsequent to the measurement date	401,860	-
Total	\$ 635,444	\$ 1,154,057

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Pension Plan (continued)

\$401,860 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2016	\$ (232,825)
2017	(232,825)
2018	(232,825)
2019	(232,825)
2020	<u>10,827</u>
	<u>\$ (920,473)</u>

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Pension Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US equity	23%	6.31
Non US equity	15%	6.76
Private equity	13%	11.34
Real estate	8%	3.52
Core plus fixed income	28%	2.06
Credit opportunities	5%	3.67
TIPS	5%	1.92
Other real assets	2%	6.27
Cash	1%	(0.69)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –

The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability (asset)	\$ 4,513,798	\$ 2,031,112	\$ (62,027)

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Pension Plan (continued)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Note 10. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 86 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage, which is a partial self-funded medical 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, 2015, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 86,003
Interest on net OPEB obligation	9,920
Adjustment to annual required contribution	<u>(9,856)</u>
Annual OPEB cost	86,067
Contributions made	<u>(46,067)</u>
Increase in net OPEB obligation	40,000
Net OPEB obligation beginning of year	<u>248,000</u>
Net OPEB obligation end of year	<u><u>\$ 288,000</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, 2015.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Other Postemployment Benefits (OPEB) (continued)

For the year ended June 30, 2015, the County contributed \$46,067 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 84,841	26.9%	\$ 196,000
2014	89,377	41.8%	248,000
2015	86,067	53.5%	288,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$808,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$808,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,397,000 and the ratio of the UAAL to covered payroll was 18.4%. As of June 30, 2015, 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 4.0% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced .5% each year until reaching the 5.0% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table and are fully generational projected using Scale AA.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 10. Other Postemployment Benefits (OPEB) (continued)

Projected claim costs of the medical plan are \$675 per month for retirees age 55 to 59 and \$850 per month for retirees age 60 to 64. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 11. Risk Management

Partial Self-Funded Health Insurance

The County partially self-funds health insurance benefits for County employees. The County purchases a health plan with deductibles of \$2,000 for individuals and \$4,000 for families while employees see actual deductibles of \$100 and \$500 for single and family policies, respectively, and out-of-pocket maximums of \$500 for all policies. The County purchases a reinsurance policy for part of the difference between the employees' out of pocket maximum and the policy out-of-pocket maximums of \$4,000 and \$8,000 for single and family policies, respectively, which establishes the County maximum liability per policy at \$3,500. The maximum liability to the County under this arrangement is \$329,000 per year and actual claims paid totaled \$96,426 for the year ended June 30, 2015. The County has not reported any liabilities for incurred but not reported claims required by Governmental Accounting Standards Board Statement No. 10 due to the small size of the plan. Chapter 509A.15 of the Code of Iowa exempts such small plans from actuarial studies and such claims would be difficult to estimate.

Property/Casualty Insurance

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$200,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 12. Construction Commitment

The County has entered into contracts totaling \$1,566,159 for bridge construction and roadway paving. As of June 30, 2015, work on the projects had not yet begun.

Note 13. Private-Purpose Trust Funds

James E. Corell Trust

A portion of the estate of James E. Corell was left to Delaware County, Iowa. The Board of Supervisors is to invest the principal portion and use the interest earned to assist the needy residents of the county to obtain eye care.

H.C. Spangler Trust

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

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 14. Delaware County Financial Information Included in the Mental Health/Disability Services of the East Central Region

Mental Health/Disability Services of the East Central Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, included the following member counties: Benton County, Bremer County, Buchanan County, Dubuque County, Iowa County, Johnson County, Jones County, Linn County and Delaware County. The financial activity of Delaware County's Special Revenue, Mental Health Fund is included in the Mental Health/Disability Services of the East Central Region for the year ended June 30, 2015 as follows:

Revenue:		
Property and other county tax		\$ 785,506
Intergovernmental revenues:		
State tax credits	\$ 53,465	
Social services block grant	67,577	
MH-DD reimbursement from other governments	192,987	314,029
Miscellaneous		4,345
Total revenues		<u>1,103,880</u>
Expenditures:		
Services to persons with:		
Mental illness	57,689	
Other developmental disabilities	21,860	79,549
General administration:		
Direct administration	111,035	
Purchased administration	6,441	
Distribution to regional fiscal agent	480,973	598,449
Total expenditures		<u>677,998</u>
Excess of revenues over expenditures		425,882
Fund balance beginning of year		<u>303,463</u>
Fund balance end of year		<u>\$ 729,345</u>

DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 \$234,000 of principal and \$240,593 of interest on the bonds for the year ended June 30, 2015. 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, 2015

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
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>\$ 5,427,000</u>	<u>\$ 2,162,909</u>	<u>\$ 7,589,909</u>

Note 16. E-911 Promissory Note

On November 4, 2014, the Delaware County Joint E-911 Service Board, whose transactions are included with the Delaware County financial statements as an Agency Fund, entered into a promissory note totaling \$100,995 for the purchase of emergency communications equipment. The note has an annual interest rate of 4.5% and is payable through the year ending June 30, 2018.

Details of the Delaware County Joint E-911 Service Bond promissory note indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	4.5 %	\$ 41,008	\$ 3,383	\$ 44,391
2017	4.5	30,000	2,752	32,752
2018	4.5	29,987	1,368	31,355
		<u>\$ 100,995</u>	<u>\$ 7,503</u>	<u>\$ 108,498</u>

DELAWARE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 17. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Activities
Net position June 30, 2014, as previously reported	\$ 41,778,068
Net pension liability at June 30, 2014	(3,171,411)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	396,605
Net position July 1, 2014, as restated	\$ 39,003,262

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Required Supplementary Information

DELAWARE COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds
 Required Supplementary Information
 Year Ended June 30, 2015

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 9,221,138	\$ 9,083,796	\$ 9,110,983	\$ 110,155
Interest and penalty on property tax	52,814	30,700	30,700	22,114
Intergovernmental	5,165,131	5,643,516	5,271,454	(106,323)
Licenses and permits	24,600	22,050	22,050	2,550
Charges for service	525,603	420,360	432,860	92,743
Use of money and property	149,006	155,605	150,605	(1,599)
Miscellaneous	603,835	465,981	500,981	102,854
Total receipts	<u>15,742,127</u>	<u>15,822,008</u>	<u>15,519,633</u>	<u>222,494</u>
DISBURSEMENTS:				
Public safety and legal services	2,478,169	2,531,695	2,642,094	163,925
Physical health and social services	451,642	643,899	644,899	193,257
Mental health	1,227,672	1,788,107	1,788,107	560,435
County environment and education	872,464	966,995	969,545	97,081
Roads and transportation	5,294,514	5,620,319	5,535,769	241,255
Government services to residents	763,332	829,298	859,560	96,228
Administration	1,426,709	1,528,363	1,652,596	225,887
Non-program	33,218	48,900	48,900	15,682
Debt service	482,774	404,330	488,880	6,106
Capital projects	2,708,442	4,979,499	3,029,500	321,058
Total disbursements	<u>15,738,936</u>	<u>19,341,405</u>	<u>17,659,850</u>	<u>1,920,914</u>
Excess (deficiency) of receipts over (under) disbursements	3,191	(3,519,397)	(2,140,217)	2,143,408
Other financing sources, net	<u>1,060</u>	-	-	<u>1,060</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	4,251	(3,519,397)	(2,140,217)	2,144,468
Balance beginning of year	<u>8,762,379</u>	<u>7,132,500</u>	<u>8,762,379</u>	-
Balance end of year	<u>\$ 8,766,630</u>	<u>\$ 3,613,103</u>	<u>\$ 6,622,162</u>	<u>\$ 2,144,468</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 15,742,127	\$ 195,880	\$ 15,938,007
Expenditures	15,738,936	463,910	16,202,846
Net	3,191	(268,030)	(264,839)
Other financing sources, net	1,060	262,775	263,835
Beginning fund balances	8,762,379	204,713	8,967,092
Ending fund balances	<u>\$ 8,766,630</u>	<u>\$ 199,458</u>	<u>\$ 8,966,088</u>

See accompanying independent auditor's report.

DELAWARE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2015

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 \$1,681,555. 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, 2015, disbursements did not exceed the amount budgeted in any function and disbursements did not exceed departmental appropriations.

DELAWARE COUNTY

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employee's Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
County's proportion of the net pension liability	0.051214%
County's proportionate share of the net pension liability	\$ 2,031
County's covered-employee payroll	\$ 4,397
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	46.19%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

DELAWARE COUNTY

Schedule of the County's Contributions

Iowa Public Employee's Retirement System
Last Ten Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 402	\$ 397	\$ 361	\$ 346
Contributions in relation to the statutorily required contribution	<u>(402)</u>	<u>(397)</u>	<u>(361)</u>	<u>(346)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 4,397	\$ 4,350	\$ 4,033	\$ 4,099
Contributions as a percentage of covered-employee payroll	9.14%	9.13%	8.95%	8.44%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 286	\$ 253	\$ 235	\$ 220	\$ 200	\$ 188
<u>(286)</u>	<u>(253)</u>	<u>(235)</u>	<u>(220)</u>	<u>(200)</u>	<u>(188)</u>
<u>\$ -</u>					
\$ 3,871	\$ 3,666	\$ 3,556	\$ 3,495	\$ 3,250	\$ 3,073
7.39%	6.90%	6.61%	6.29%	6.15%	6.12%

DELAWARE COUNTY

Notes to Required Supplementary Information – Pension Liability

Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

DELAWARE COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2015

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%
2014	July 1, 2012	-	826	826	0.0%	4,350	19.0%
2015	July 1, 2012	-	808	808	0.0%	4,397	18.4%

See note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, 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, 2015

	Special Revenue			
	Mental Health	County Recorder's Records Management	Resource Enhancement and Protection	McGee Discretionary Trust
Assets				
Cash and pooled investments	\$ 674,990	\$ 15,694	\$ 22,992	\$ 21,114
Receivables:				
Property tax:				
Delinquent	306	-	-	-
Succeeding year	738,000	-	-	-
Accounts	52,303	382	-	-
Accrued interest	-	4	2	-
Due from other governments	21,450	-	-	-
	\$ 1,487,049	\$ 16,080	\$ 22,994	\$ 21,114
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 16,536	\$ -	\$ -	\$ -
Salaries and benefits payable	2,867	-	-	-
Total liabilities	19,403	-	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	738,000	-	-	-
Other	301	-	-	-
Total deferred inflows of resources	738,301	-	-	-

<u>Debt Service</u>	<u>Total</u>
\$ 46,898	\$ 781,688
151	457
372,000	1,110,000
-	52,685
-	6
-	21,450
<u>\$ 419,049</u>	<u>\$ 1,966,286</u>

\$ -	\$ 16,536
-	2,867
-	19,403

372,000	1,110,000
149	450
<u>372,149</u>	<u>1,110,450</u>

DELAWARE COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	Special Revenue			
	Mental Health	County Recorder's Records Management	Resource Enhancement and Protection	McGee Discretionary Trust
Fund balances:				
Restricted for:				
Mental health purposes	729,345	-	-	-
Records management purposes	-	16,080	-	-
Conservation purposes	-	-	22,994	-
Public betterment purposes	-	-	-	21,114
Debt service	-	-	-	-
Total fund balances	<u>729,345</u>	<u>16,080</u>	<u>22,994</u>	<u>21,114</u>
 Total liabilities, deferred inflows of resources and fund balances	 \$ <u>1,487,049</u>	 \$ <u>16,080</u>	 \$ <u>22,994</u>	 \$ <u>21,114</u>

See accompanying independent auditor's report.

<u>Debt Service</u>	<u>Total</u>
-	729,345
-	16,080
-	22,994
-	21,114
<u>46,900</u>	<u>46,900</u>
<u>46,900</u>	<u>836,433</u>
<u>\$ 419,049</u>	<u>\$ 1,966,286</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Special Revenue			
	Mental Health	County Recorder's Records Management	Resource Enhancement and Protection	McGee Discretionary Trust
Revenues:				
Property and other County tax	\$ 785,506	\$ -	\$ -	\$ -
Intergovernmental	314,029	-	15,178	-
Charges for service	-	3,469	-	-
Use of money and property	-	46	28	-
Miscellaneous	4,345	-	-	-
Total revenues	<u>1,103,880</u>	<u>3,515</u>	<u>15,206</u>	<u>-</u>
Expenditures:				
Operating:				
Physical health and social services	-	-	-	17,182
Mental health	677,998	-	-	-
Government services to residents	-	5,000	-	-
Debt service	-	-	-	-
Capital projects	-	-	19,966	-
Total expenditures	<u>677,998</u>	<u>5,000</u>	<u>19,966</u>	<u>17,182</u>
Excess (deficiency) of revenues over (under) expenditures	425,882	(1,485)	(4,760)	(17,182)
Fund balances beginning of year	<u>303,463</u>	<u>17,565</u>	<u>27,754</u>	<u>38,296</u>
Fund balances end of year	<u>\$ 729,345</u>	<u>\$ 16,080</u>	<u>\$ 22,994</u>	<u>\$ 21,114</u>

See accompanying independent auditor's report.

	<u>Debt Service</u>		<u>Total</u>
\$	409,358	\$	1,194,864
	27,821		357,028
	-		3,469
	-		74
	-		4,345
	<u>437,179</u>		<u>1,559,780</u>
	-		17,182
	-		677,998
	-		5,000
	398,271		398,271
	-		19,966
	<u>398,271</u>		<u>1,118,417</u>
	38,908		441,363
	<u>7,992</u>		<u>395,070</u>
\$	<u><u>46,900</u></u>	\$	<u><u>836,433</u></u>

DELAWARE COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2015

	<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	\$ -	\$ -	\$ 665,910	\$ 50,325	\$ 51
Other County officials	28,559	7,429	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	257	-	1
Succeeding year	-	-	620,000	-	3,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
	<hr/>				
Total assets	<u>\$ 28,559</u>	<u>\$ 7,429</u>	<u>\$ 1,286,167</u>	<u>\$ 50,325</u>	<u>\$ 3,052</u>
LIABILITIES					
Accounts payable	\$ 12,095	\$ -	\$ 5,646	\$ 2,996	\$ -
Salaries and benefits payable	-	-	5,086	-	-
Due to other governments	16,464	-	1,270,900	47,329	3,052
Trusts payable	-	7,429	-	-	-
Compensated absences	-	-	4,535	-	-
	<hr/>				
Total liabilities	<u>\$ 28,559</u>	<u>\$ 7,429</u>	<u>\$ 1,286,167</u>	<u>\$ 50,325</u>	<u>\$ 3,052</u>

<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>City Special Assessments</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>
\$ 6,241	\$ 85,191	\$ 216,175	\$ 14,301	\$ 11,887	\$ 3,384	\$ 20,636
-	-	-	-	-	-	-
39	5,989	5,011	364	-	87	556
448,000	4,682,000	13,113,000	890,000	-	210,000	1,343,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 454,280</u>	<u>\$ 4,773,180</u>	<u>\$ 13,334,186</u>	<u>\$ 904,665</u>	<u>\$ 11,887</u>	<u>\$ 213,471</u>	<u>\$ 1,364,192</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
454,280	4,773,180	13,334,186	904,665	11,887	213,471	1,364,192
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 454,280</u>	<u>\$ 4,773,180</u>	<u>\$ 13,334,186</u>	<u>\$ 904,665</u>	<u>\$ 11,887</u>	<u>\$ 213,471</u>	<u>\$ 1,364,192</u>

DELAWARE COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2015

	Auto License and Use Tax	Tax Sale Redemption	Advance Tax Collection	E-911
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 553,492	\$ 41,127	\$ 71,361	\$ 112,705
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	25,448
Accrued interest	-	-	-	45
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	\$ 553,492	\$ 41,127	\$ 71,361	\$ 138,198
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	95
Salaries and benefits payable	-	-	-	-
Due to other governments	553,492	-	-	138,103
Trusts payable	-	41,127	71,361	-
Compensated absences	-	-	-	-
Total liabilities	\$ 553,492	\$ 41,127	\$ 71,361	\$ 138,198

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>
\$ 135	\$ 278	\$ 187,717	\$ 22,712	\$ 3,929,527	\$ 5,993,155
-	-	-	-	-	35,988
-	-	-	-	-	12,304
12,000	-	199,000	453,000	-	21,973,000
-	382	-	-	-	25,830
-	-	15	6	3,114	3,180
-	-	-	-	510,335	510,335
-	-	-	-	7,154	7,154
<u>\$ 12,135</u>	<u>\$ 660</u>	<u>\$ 386,732</u>	<u>\$ 475,718</u>	<u>\$ 4,450,130</u>	<u>\$ 28,560,946</u>
\$ -	\$ -	\$ 459	\$ -	\$ 274,093	\$ 295,384
-	-	-	-	-	5,086
12,135	660	386,273	475,718	4,176,037	28,136,024
-	-	-	-	-	119,917
-	-	-	-	-	4,535
<u>\$ 12,135</u>	<u>\$ 660</u>	<u>\$ 386,732</u>	<u>\$ 475,718</u>	<u>\$ 4,450,130</u>	<u>\$ 28,560,946</u>

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2015

	County Offices		County Assessor	Emergency Management	Brucellosis and Tuberculosis Eradication
	County Recorder	County Sheriff			
ASSETS AND LIABILITIES					
Balances beginning of year	\$ 563	\$ 1,999	\$ 1,111,051	\$ 40,224	\$ 3,042
Additions:					
Property and other County tax	-	-	622,352	-	3,130
State tax credits	-	-	39,827	-	212
Payments in lieu of taxes	-	-	69	-	-
Reimbursements from other governments	-	-	-	114,427	-
Office fees and collections	309,959	108,929	-	-	-
Auto license, use tax, drivers license and postage	-	-	-	-	-
E-911 surcharge	-	-	-	-	-
Trusts	-	189,199	-	-	-
Assessments	-	-	-	-	-
Interest on investments	-	-	-	-	-
Miscellaneous	-	-	385	-	-
Total additions	309,959	298,128	662,633	114,427	3,342
Deductions:					
Agency remittances:					
To other funds	107,412	105,121	-	-	-
To other governments	174,551	3,808	487,517	104,326	3,332
Trusts paid out	-	183,769	-	-	-
Total deductions	281,963	292,698	487,517	104,326	3,332
Balances end of year	\$ 28,559	\$ 7,429	\$ 1,286,167	\$ 50,325	\$ 3,052

<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>
\$ 443,840	\$ 4,662,410	\$ 13,294,033	\$ 885,487	\$ 17,077	\$ 208,787	\$ 1,275,487
452,174	4,611,946	13,156,750	892,394	-	211,115	1,347,038
24,701	431,326	889,047	59,448	-	14,068	85,788
75	-	1,539	102	-	25	150
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	164,001	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
476,950	5,043,272	14,047,336	951,944	164,001	225,208	1,432,976
-	-	-	-	-	-	-
466,510	4,932,502	14,007,183	932,766	169,191	220,524	1,344,271
-	-	-	-	-	-	-
466,510	4,932,502	14,007,183	932,766	169,191	220,524	1,344,271
\$ 454,280	\$ 4,773,180	\$ 13,334,186	\$ 904,665	\$ 11,887	\$ 213,471	\$ 1,364,192

DELAWARE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2015

	Auto License and Use Tax	Tax Sale Redemption	Advance Tax Collection	E-911
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 521,673	\$ 57,845	\$ 63,841	\$ 153,187
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Reimbursements from other governments	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	6,406,350	-	-	-
E-911 surcharge	-	-	-	335,956
Trusts	-	225,328	77,009	-
Assessments	-	-	-	-
Interest on investments	-	-	-	816
Miscellaneous	-	-	-	-
Total additions	<u>6,406,350</u>	<u>225,328</u>	<u>77,009</u>	<u>336,772</u>
Deductions:				
Agency remittances:				
To other funds	248,629	-	-	-
To other governments	6,125,902	-	-	351,761
Trusts paid out	-	242,046	69,489	-
Total deductions	<u>6,374,531</u>	<u>242,046</u>	<u>69,489</u>	<u>351,761</u>
Balances end of year	<u>\$ 553,492</u>	<u>\$ 41,127</u>	<u>\$ 71,361</u>	<u>\$ 138,198</u>

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>
\$ 11,279	\$ 569	\$ 312,372	\$ 478,511	\$ 5,647,349	\$ 29,190,626
12,391	-	202,457	460,662	-	21,972,409
599	-	4,484	10,499	-	1,559,999
-	-	-	-	-	1,960
-	-	-	-	4,495,032	4,609,459
-	3,469	-	-	-	422,357
-	-	-	-	-	6,406,350
-	-	-	-	-	335,956
-	-	-	-	-	491,536
-	-	-	-	-	164,001
-	-	151	639	50,671	52,277
-	-	3	-	-	388
<u>12,990</u>	<u>3,469</u>	<u>207,095</u>	<u>471,800</u>	<u>4,545,703</u>	<u>36,016,692</u>
-	-	-	-	-	461,162
12,134	3,378	132,735	474,593	5,742,922	35,689,906
-	-	-	-	-	495,304
<u>12,134</u>	<u>3,378</u>	<u>132,735</u>	<u>474,593</u>	<u>5,742,922</u>	<u>36,646,372</u>
\$ <u>12,135</u>	\$ <u>660</u>	\$ <u>386,732</u>	\$ <u>475,718</u>	\$ <u>4,450,130</u>	\$ <u>28,560,946</u>

DELAWARE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2015	2014	2013	2012
Revenues:				
Property and other County tax	\$ 9,231,163	\$ 8,191,118	\$ 7,952,638	\$ 8,322,672
Interest and penalty on property tax	52,742	45,509	48,068	52,200
Intergovernmental	5,344,581	5,320,670	5,306,810	6,469,035
Licenses and permits	24,750	24,245	24,584	26,640
Charges for service	540,129	539,516	580,587	553,906
Use of money and property	149,247	168,275	146,940	149,622
Miscellaneous	595,395	259,018	324,443	279,414
Total	\$ 15,938,007	\$ 14,548,351	\$ 14,384,070	\$ 15,853,489
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,482,012	\$ 2,323,564	\$ 2,185,941	\$ 2,132,213
Physical health and social services	451,426	516,759	457,824	431,423
Mental health	1,201,422	1,253,702	1,376,533	3,290,955
County environment and education	869,422	886,286	828,816	988,670
Roads and transportation	5,893,509	5,458,669	4,674,758	5,186,906
Government services to residents	765,374	699,187	641,150	610,267
Administration	1,430,020	1,361,747	1,462,263	1,329,628
Non-program	33,218	29,998	19,516	13,930
Debt service	482,774	116,075	72,278	72,278
Capital projects	2,593,669	2,075,664	1,527,418	2,209,916
Total	\$ 16,202,846	\$ 14,721,651	\$ 13,246,497	\$ 16,266,186

See accompanying independent auditor's report.

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$	7,360,244	\$ 7,185,299	\$ 6,655,873	\$ 6,367,692	\$ 6,179,275	\$ 5,325,886
	47,162	62,985	50,380	44,443	36,929	40,788
	6,394,803	5,625,939	6,306,788	5,790,202	5,539,705	5,791,503
	18,590	18,942	15,860	13,910	13,235	17,588
	534,877	523,036	505,696	480,542	468,702	479,998
	156,597	184,206	198,580	220,273	211,076	105,223
	402,707	334,633	454,537	280,094	141,404	115,864
	<u>\$ 14,914,980</u>	<u>\$ 13,935,040</u>	<u>\$ 14,187,714</u>	<u>\$ 13,197,156</u>	<u>\$ 12,590,326</u>	<u>\$ 11,876,850</u>
\$	1,974,680	\$ 1,799,661	\$ 1,832,913	\$ 1,760,399	\$ 1,660,015	\$ 1,455,562
	457,161	490,341	584,058	452,747	431,955	382,510
	2,912,774	2,769,047	2,690,644	2,847,779	2,596,198	2,148,717
	995,823	768,425	813,116	683,691	702,506	638,930
	5,163,254	4,171,369	4,247,873	4,286,608	3,187,373	3,702,804
	551,992	575,096	523,637	488,992	444,250	619,518
	1,210,382	1,134,450	1,316,496	1,068,861	967,030	916,670
	26,204	32,375	30,445	6,812	32,991	12,055
	72,277	72,276	-	-	-	-
	164,293	2,077,786	2,358,669	1,279,193	1,840,978	3,239,706
	<u>\$ 13,528,840</u>	<u>\$ 13,890,826</u>	<u>\$ 14,397,851</u>	<u>\$ 12,875,082</u>	<u>\$ 11,863,296</u>	<u>\$ 13,116,472</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, 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, 2015, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 19, 2016.

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 audit 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 a 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Delaware County's Responses to the Findings

Delaware County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. 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 results 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 report 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.

Hunt & Associates, P.C.

Oskaloosa, Iowa
February 19, 2016

DELAWARE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2015

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

DELAWARE COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted in any function. Disbursements did not exceed departmental appropriations.
- II-B-15 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-15 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-15 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	\$8,874
Marsha Mescher, Deputy Recorder Spouse owns Schroeder’s Cash Supply	Supplies	\$12,990

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transactions do not represent conflicts of interest since the employees were not directly involved in the procurement or preparation of any part of the contract.

- II-E-15 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that the coverage remains adequate for current operations.
- II-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-H-15 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-15 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, 2015 for the County Extension Office did not exceed the amount budgeted.

DELAWARE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2015

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

II-J-15 Capital Lease Purchase Agreement – During the year ended June 30, 2015, the County entered into a capital lease purchase agreement for the purchase of a motor grader for the Secondary Roads department. However, a public hearing was not held prior to the authorization of this lease purchase agreement as required by Chapters 331.478 and 331.479 of the Code of Iowa.

Recommendation – The County should consult legal counsel for the disposition of this matter. In the future, the County should hold a public hearing prior to the authorization of a lease purchase agreement in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

Response – We will consult legal counsel and this will be complied with in the future.

Conclusion – Response accepted.

II-K-15 Financial Condition – At June 30, 2015, the governmental activities had a deficit unrestricted net position of \$263,006. This deficit balance was caused by the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, which requires the inclusion of the County’s proportionate share of the IPERS pension liability and the related deferred outflows of resources and deferred inflows of resources in the County’s financial statements.

Recommendation – Even though the deficit arose due to the net pension liability and related deferred outflows and inflows of resources, the County should investigate ways to return the governmental activities to a sound financial condition.

Response – We are unsure of what steps can be taken at this time to alleviate the strain of the County’s proportionate share of the IPERS pension liability and the related deferred outflows and inflows of resources since actions related to this area are controlled by the Iowa Legislature. However, we will look into this situation and investigate ways to return the governmental activities to a sound financial condition.

Conclusion – Response accepted.