

**SHELBY COUNTY, IOWA  
Independent Auditors' Report  
Basic Financial Statements  
and  
Supplementary Information  
Schedule of Findings  
June 30, 2007**

**SHELBY COUNTY, IOWA  
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SHELBY COUNTY, IOWA

COUNTY OFFICIALS

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Name	Title	Term Expires
<b>(Before January 2007)</b>		
Roger Schmitz	Board of Supervisors	January 2007
LaVon Christensen	Board of Supervisors	January 2009
Richard Ferry	Board of Supervisors	January 2009
Marsha Carter	County Auditor	January 2009
Kathy Stinn	County Treasurer	January 2007
Linda Fahn	County Recorder	January 2007
Gene Cavenaugh	County Sheriff	January 2009
Marcus Gross	County Attorney	January 2009
Tony Buman	County Assessor	January 2010
<b>(After January 2007)</b>		
Roger Schmitz	Board of Supervisors	January 2010
Richard Ferry	Board of Supervisors	January 2009
LaVon Christensen	Board of Supervisors	January 2009
Marsha Carter	County Auditor	January 2010
Carolyn Blum	County Treasurer	January 2010
Linda Fahn	County Recorder	January 2010
Gene Cavenaugh	County Sheriff	January 2009
Marcus Gross	County Attorney	January 2009
Tony Buman	County Assessor	January 2010



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## INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors  
Shelby County, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of SHELBY COUNTY, IOWA, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Shelby County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County at June 30, 2007, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2008 on our consideration of Shelby County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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. Those reports are an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, pages 4 through 11, and budgetary comparison information on pages 34 through 36 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Shelby County's basic financial statements. The financial statements for the four years ended June 30, 2006 (which are not presented herein) were audited by us and by other auditors in accordance with the standards referred to in the second paragraph of this report, and unqualified opinions were expressed on those financial statements. The supplementary information including the combining nonmajor financial statements and supplemental data as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial

statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Williams & Company, P.C.*  
Certified Public Accountants

Onawa, Iowa  
April 28, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shelby 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, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 21%, or approximately \$2,890,000, from Fiscal 2006 to Fiscal 2007. Property Tax decreased approximately \$32,000 and Capital Grants and Contributions decreased approximately \$3,039,000.
- Program expenses were 7% more, or approximately \$731,000, in Fiscal 2007 than in Fiscal 2006. Roads and Transportation expenses increased approximately \$583,000, Public Safety and Legal Services increased \$112,000, Mental Health increased \$102,000, Government Services to Residents increased \$118,000, and Non-program expenses decreased approximately \$169,000.
- The County's net assets increased 1%, or approximately \$229,000, from June 30, 2006 to June 30, 2007.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Shelby 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 Shelby 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 Shelby County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures 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 a 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 E911 surcharge, emergency management services, empowerment and the County Assessor, to name a few.

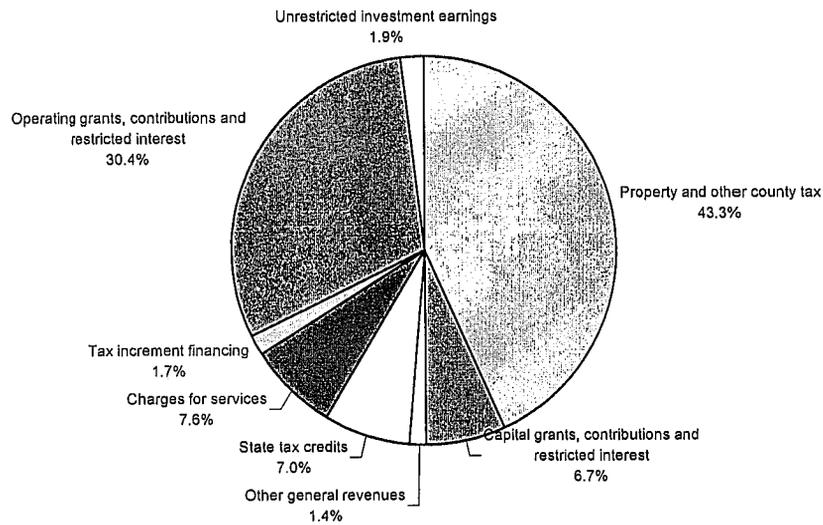
The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

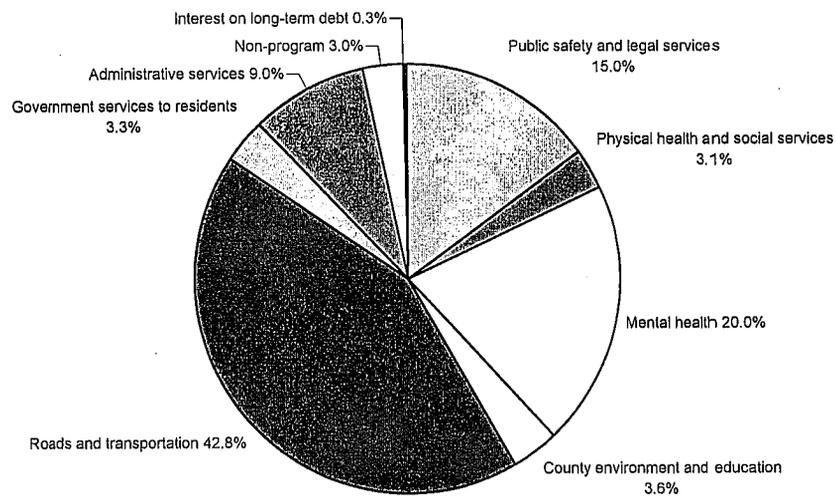
## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the County's total net assets at June 30, 2007.

### Revenues by Source



### Expenses by Program



Net Assets of Governmental Activities  
(Expressed in Thousands)

	June 30	
	2007	2006
Current and Other Assets	\$ 10,305	\$ 9,979
Capital Assets	12,575	12,222
Total Assets	<u>22,880</u>	<u>22,201</u>
Long-Term Liabilities	928	1,106
Other Liabilities	5,932	5,304
Total Liabilities	<u>6,860</u>	<u>6,410</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	12,465	12,062
Restricted	1,183	2,158
Unrestricted	<u>2,372</u>	<u>1,571</u>
Total Net Assets	<u>\$ 16,020</u>	<u>\$ 15,791</u>

Changes in Net Assets of Governmental Activities  
(Expressed in Thousands)

	Year Ended June 30,	
	2007	2006
Revenues		
Program Revenues:		
Charges for Services	\$ 814	\$ 707
Operating Grants, Contributions, and Restricted Interest	3,368	3,302
Capital Grants, Contributions, and Restricted Interest	747	3,786
General Revenues:		
Property and Other County Tax	4,770	4,802
Tax Increment Financing	183	104
Penalty and Interest on Property Tax	28	28
State Tax Credits	777	802
Unrestricted Investment Earnings	206	191
Gain on Sale of Capital Assets	25	37
Other General Revenues	<u>156</u>	<u>205</u>
Total Revenues	<u>11,074</u>	<u>13,964</u>
Program Expenses		
Public Safety and Legal Services	1,630	1,518
Physical Health and Social Services	338	359
Mental Health	2,167	2,065
County Environment and Education	387	332
Roads and Transportation	4,640	4,057
Governmental Services to Residents	356	238
Administration	974	1,046
Non-Program	322	490
Interest on Long-Term Debt	<u>31</u>	<u>9</u>
Total Expenses	<u>10,845</u>	<u>10,114</u>
Change in Net Assets	229	3,850
Net Assets, Beginning of Year as Previously Stated	15,791	11,867
Prior Period Adjustment		<u>74</u>
Net Assets, End of Year	<u>\$ 16,020</u>	<u>\$ 15,791</u>

Net assets of Shelby County's governmental activities increased by \$229,000 or 1%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from approximately \$1,571,000 at June 30, 2006 to approximately \$2,372,000 at the end of this year. This increase of approximately \$801,000 in unrestricted net assets was mostly a result of the increase in inventory value and the general fund balance, and the decrease in the general obligation debt. The County increased its investment in capital assets, net of related debt by approximately \$409,000 over the prior year, primarily due to the completion of several Roads and Transportation construction projects and the payment of \$120,000 of related debt.

Revenues of the County's governmental activities decreased 21%, or approximately \$2,890,000, from Fiscal 2006 to Fiscal 2007. Property Tax decreased approximately \$32,000 and Capital Grants and Contributions decreased approximately \$3,039,000.

Shelby County is still trying to recover from the Fiscal 2005 25% decrease in agricultural property value. Our total taxable valuation dropped approximately \$88,000,000. This forced the County to increase property tax rates for Fiscal 2005. For Fiscal 2006 we lost another \$2 million valuation county-wide, but the County was able to decrease the total tax asking by approximately \$44,000. Fiscal 2007 saw an increase in our total taxable valuation of \$40,000,000, but our total tax asking only increased \$123,000, or 2.5%.

The cost of all governmental activities this year was \$10.8 million compared to \$10.1 million last year. However, as shown in the Statement of Activities on page 13, the amount taxpayers ultimately financed for these activities was \$5.9 million because some of the cost was paid by those directly benefited from the programs (\$814,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,115,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased from approximately \$7,723,000 in 2006 to \$4,929,000, principally due to decreased grant proceeds from the Iowa Department of Transportation for the completion of road projects. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$4,770,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Shelby County completed the year, its governmental funds reported a combined fund balance of \$4.3 million, a decrease of approximately \$272,000 under last year's total. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Shelby County, ended Fiscal Year 2007 with a fund balance totaling \$1,744,547. This was an increase from Fiscal Year 2006 of \$403,589.
- The Mental Health Fund balance at year end decreased by \$185,537 from the prior year. This was due to the increased cost for programs like the MR Waiver Program.
- The Rural Services Fund ended Fiscal Year 2007 with a fund balance of \$212,830. This was a decrease from Fiscal Year 2006 of \$30,806.

- The Secondary Roads Fund ended Fiscal Year 2007 with a fund balance of \$2,238,755, down \$421,705 when compared to the ending balance for Fiscal Year 2006. During Fiscal Year 2007, Federal Disasters were declared twice for Shelby County. In March of 2007, the County was hit with a blizzard that increased our snow and ice budget from Fiscal 2006 by \$100,000. The Flood in May of 2007 caused an estimated \$750,000 in damage across the County, and, like the blizzard, not all expenses were covered by FEMA.
- The Debt Service Fund ended Fiscal Year 2007 with a fund balance of \$3,529, holding level when compared to the ending balance for Fiscal Year 2006.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Shelby County amended its budget May 15, 2007. This was due to a \$300,000 increase in mental health expenditures and unanticipated expenditures in various other county departments totaling \$52,932, for a total Fiscal Year 2007 budget amendment of \$352,932. These expenditures were offset by \$67,000 from other revenue sources, \$12,600 from designated reserves, leaving only \$273,332 to be paid from unbudgeted reserves.

The County's receipts were \$17,000 less than budgeted. This means that budgeted versus actual revenues were off less than 0.2%.

Total disbursements were \$832,000 less than the amended budget. Actual disbursements for the Mental Health and Capital Projects functions were approximately \$214,000 and \$432,000, respectively, less than budgeted. This was primarily due to cash flow issues in Mental Health, and a decision by the Board of Supervisors to delay some Secondary Road construction projects until FY2008.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, Shelby County had approximately \$13 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is an approximate \$359,000 increase (including additions and deletions) over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)			
	June 30		
	2007	2006	
Land	\$ 331	\$ 331	
Construction in Progress	265	3,556	
Buildings and Improvements	2,309	2,303	
Equipment and Vehicles	2,670	2,653	
Infrastructure	7,000	3,379	
<b>Total</b>	<b>\$ 12,575</b>	<b>\$ 12,222</b>	

The County had depreciation expense of \$757,718 in Fiscal Year 2007 and total accumulated depreciation of \$5,637,109 at June 30, 2007. The County's Fiscal Year 2007 capital budget included \$673,868 for capital projects, principally for road construction. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Secondary Roads construction for FY2007 included \$1.1 million bridge replacement project on F58 by Corley. The actual completion date of the project was in September 2007.

**Long-Term Debt**

At June 30, 2007, Shelby County had \$660,000 in general obligation capital loan notes outstanding, compared to approximately \$850,000 of long-term debt at June 30, 2006, as shown below.

Outstanding Debt of Governmental Activities at Year End (Expressed in Thousands)			
	June 30		
	2007	2006	
General Obligation Capital Loan Notes	\$ 550	\$ 690	
Capital Loan Notes	110	160	
<b>Total</b>	<b>\$ 660</b>	<b>\$ 850</b>	

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property in the County. Shelby County's outstanding general obligation debt is significantly below its constitutional debt limit of \$41.4 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Shelby County's officials considered many factors when setting the Fiscal Year 2008 Budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County in June 2007 was 3.5%. This compares with the State's unemployment rate of 3.7% and the national rate of 4.6% for the same period.

Since the union contracts were to expire June 30, 2007, negotiations were held prior to preparing the FY2008 Budget, and the County was able to budget accurately for payroll, with some estimates for overtime. During this process we also investigated other health insurance plans. As of January 1, 2007, we have changed from Principal to the Iowa State Association of Counties Wellmark Plan. There was not a lot of cost savings, but the County feels it is offering a better plan with lower out-of-pocket costs to the employees.

All the different variables were taken into account when adopting the Fiscal Year 2008 Budget. Budgeted revenues for the General and Rural Services Funds stayed fairly level from Fiscal Year 2008, not including property tax revenue. Budgeted expenditures in the General and Rural Services Funds increased by approximately \$354,000. This increase was due in part to funding \$100,000 of Secondary Road FICA and IPERS out of Rural Supplemental and reinstating the maximum transfer of \$80,000 from General Basic to Secondary Roads. Public Safety expenses increased by \$85,000, along with Governmental Services to Residents, which increased by \$51,000. The County is working to maintain the existing fund balances to cover any unforeseen expenditures throughout Fiscal Year 2008. The final Fiscal Year 2008 Budget was adopted with a total tax rate increase of \$0.70142 per \$1,000 of taxable valuation and a total tax asking increase of \$344,663.

During Fiscal 2007, a 6,000-head hog confinement, a 6,000-head dairy, and a 6,000-head sheep unit were constructed, with plans to build another 4,000-head dairy. A possible community digester and ethanol plant may also be a future project for the company. Funding options are being investigated because of the increased need for services for these new facilities.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Shelby 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 Marsha J. Carter, Shelby County Auditor, 612 Court St., Harlan, Iowa 51537-0650.

**SHELBY COUNTY**  
**Statement of Net Assets**  
**June 30, 2007**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Pooled Investments	\$ 3,307,891
Receivables	
Property Tax	
Delinquent	37,808
Succeeding Year	4,992,508
Accounts	6,130
Accrued Interest	49,870
Due from Other Governments	545,617
Prepaid Insurance	47,504
Inventories	1,317,358
Land (Note 5)	330,775
Construction in Progress (Note 5)	265,231
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 5)	11,979,010
<b>Total Assets</b>	<b>22,879,702</b>
<b>LIABILITIES</b>	
Accounts Payable	541,017
Accrued Interest Payable	2,122
Salaries and Benefits Payable	124,676
Due to Other Governments (Note 6)	271,742
Deferred Revenue:	
Succeeding Year Property Tax	4,992,508
Long-Term Liabilities (Note 7)	
Portion Due or Payable Within One Year	
General Obligation Bonds	205,000
Compensated Absences	97,466
Portion Due or Payable After One Year	
General Obligation Bonds	455,000
Compensated Absences	170,658
<b>Total Liabilities</b>	<b>6,860,189</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	12,465,016
Restricted for	
Supplemental Levy Purposes	374,251
Mental Health Purposes	69,242
Secondary Roads Purposes	736,993
Debt Service	1,881
Unrestricted	2,372,130
<b>Total Net Assets</b>	<b>\$ 16,019,513</b>

See Accompanying Notes to Financial Statements

**SHELBY COUNTY**  
**Statement of Activities**  
**For the Year Ended June 30, 2007**

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs</b>					
<b>Governmental Activities</b>					
Public Safety and Legal Services	\$ 1,630,346	\$ 195,266	\$ 97,820	\$ -	\$ (1,337,260)
Physical Health and Social Services	337,981	10,224	29,092	-	(298,665)
Mental Health	2,167,181	69,618	511,337	-	(1,586,226)
County Environment and Education	386,612	58,252	84,829	-	(243,531)
Roads and Transportation	4,639,666	117,283	2,629,824	747,386	(1,145,173)
Government Services to Residents	356,376	307,300	14,641	-	(34,435)
Administrative Services	974,270	55,653	-	-	(918,617)
Non-Program	321,572	-	-	-	(321,572)
Interest on Long-Term Debt	30,689	-	-	-	(30,689)
<b>Total</b>	<b>\$ 10,844,693</b>	<b>\$ 813,596</b>	<b>\$ 3,367,543</b>	<b>\$ 747,386</b>	<b>(5,916,168)</b>
<b>General Revenues</b>					
Property and Other County Tax Levied for					
General Purpose					4,715,604
Debt Service					54,378
Penalty and Interest on Property Tax					28,459
Tax Increment Financing					183,245
State Tax Credits					776,505
Unrestricted Investment Earnings					206,019
Gain on Sale of Capital Assets					24,950
Miscellaneous					155,705
<b>Total General Revenues</b>					<b>6,144,865</b>
Change in Net Assets					228,697
Net Assets - Beginning of Year					15,790,816
<b>Net Assets - End of Year</b>					<b>\$ 16,019,513</b>

See Accompanying Notes to Financial Statements

**SHELBY COUNTY**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

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	<b>Assets</b>	<u>General</u>
Cash and Pooled Investments		\$ 1,635,553
Receivables		
Property Tax		
Delinquent		21,136
Succeeding Year		2,674,616
Accounts		
Accrued Interest		49,870
Interfund Receivables		477
Due from Other Governments		89,293
Inventories		
Prepaid Insurance		47,504
<b>Total Assets</b>		<u><u>4,518,449</u></u>
 <b>Liabilities and Fund Balances</b>  		
<b>Liabilities</b>		
Accounts Payable		23,552
Salaries and Benefits Payable		52,207
Interfund Payables		2,391
Due to Other Governments		
Deferred Revenue:		
Succeeding Year Property Tax		2,674,616
Deferred Revenue		21,136
<b>Total Liabilities</b>		<u><u>2,773,902</u></u>
 <b>Fund Balances</b>		
Reserved for		
Inventories		
Prepaid Insurance		47,504
Debt Service		
Supplemental Levy Purposes		293,209
Unreserved, Reported In		
General Fund		1,403,834
Special Revenue Funds		
Capital Project Fund		
<b>Total Fund Balances</b>		<u>1,744,547</u>
<b>Total Liabilities and Fund Balances</b>		<u><u>\$ 4,518,449</u></u>

See Accompanying Notes to Financial Statements

Special Revenue			Other Governmental Funds	Total
Rural Services	Secondary Roads	Mental Health		
\$ 187,412	\$ 930,835	\$ 357,120	\$ 196,971	\$ 3,307,891
8,960		7,238	474	37,808
1,221,531		857,730	238,631	4,992,508
			6,130	6,130
				49,870
	2,620			3,097
25,418	368,390	62,516		545,617
	1,317,358			1,317,358
				47,504
<u>1,443,321</u>	<u>2,619,203</u>	<u>1,284,604</u>	<u>442,206</u>	<u>10,307,783</u>
	322,612	72,099	122,754	541,017
	57,836	10,182	4,451	124,676
		706		3,097
		271,742		271,742
1,221,531		857,730	238,631	4,992,508
8,960		7,238	474	37,808
<u>1,230,491</u>	<u>380,448</u>	<u>1,219,697</u>	<u>366,310</u>	<u>5,970,848</u>
	1,317,358			1,317,358
				47,504
			3,529	3,529
81,042				374,251
				1,403,834
131,788	921,397	64,907	125,217	1,243,309
			(52,850)	(52,850)
<u>212,830</u>	<u>2,238,755</u>	<u>64,907</u>	<u>75,896</u>	<u>4,336,935</u>
<u>\$ 1,443,321</u>	<u>\$ 2,619,203</u>	<u>\$ 1,284,604</u>	<u>\$ 442,206</u>	<u>\$ 10,307,783</u>

See Accompanying Notes to Financial Statements

**SHELBY COUNTY**  
**Reconciliation of The Balance Sheet of Governmental Funds**  
**To The Statement of Net Assets**  
**June 30, 2007**

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Total Governmental Fund Balances (page 15) \$ 4,336,935

Amounts reported for governmental activities in the statement of net assets are different because:

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets are \$18,212,125 and the accumulated depreciation is \$5,637,109. 12,575,016

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 37,808

Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (930,246)

Total Net Assets - Governmental Activities (page 12) \$ 16,019,513

**SHELBY COUNTY**  
**Statement of Revenues, Expenditures, And Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

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	<b>General</b>
Revenue	
Property and Other County Tax	\$ 2,573,938
Penalty and Interest on Property Tax	28,459
Intergovernmental Revenue	353,321
Licenses and Permits	166,771
Charges for Services	327,470
Use of Money and Property	268,999
Miscellaneous	155,238
Total Revenue	3,874,196
Expenditures	
Operating	
Public Safety and Legal Services	1,607,070
Physical Health and Social Services	357,941
Mental Health	
County Environment and Education Services	31,544
Roads and Transportation	
Governmental Services to Residents	349,972
Administrative Services	915,856
Non-program	27,667
Debt Service	
Principal	
Interest	
Capital Projects	
Total Expenditures	3,290,050
Excess (Deficiency) of Revenues Over Expenditures	584,146
Other Financing Sources (Uses)	
Transfers In	403,693
Transfers Out	(584,250)
Total Other Financing Sources (Uses)	(180,557)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	403,589
Fund Balances - Beginning of Year	1,340,958
Fund Balances - End of Year	\$ 1,744,547

See Accompanying Notes to Financial Statements

Special Revenue			Other Governmental Funds	Total
Rural Services	Secondary Roads	Mental Health		
\$ 1,169,593	\$ 136,768	\$ 831,970	\$ 237,585	\$ 4,949,854
				28,459
66,441	2,827,618	1,127,127	35,612	4,410,119
	220		10,395	177,386
7,298			3,031	337,799
	1,429		2,978	273,406
	81,094	6,604	32,558	275,494
<u>1,243,332</u>	<u>3,047,129</u>	<u>1,965,701</u>	<u>322,159</u>	<u>10,452,517</u>
			23,824	1,630,894
				357,941
		2,160,238		2,160,238
146,825			179,209	357,578
219	4,354,993			4,355,212
381			452	350,805
			3,488	919,344
				27,667
			190,000	190,000
			31,123	31,123
	75,416		267,869	343,285
<u>147,425</u>	<u>4,430,409</u>	<u>2,160,238</u>	<u>695,965</u>	<u>10,724,087</u>
<u>1,095,907</u>	<u>(1,383,280)</u>	<u>(194,537)</u>	<u>(373,806)</u>	<u>(271,570)</u>
27,942	964,655	9,000	362,179	1,767,469
(1,154,655)	(3,080)		(25,484)	(1,767,469)
<u>(1,126,713)</u>	<u>961,575</u>	<u>9,000</u>	<u>336,695</u>	<u>-</u>
(30,806)	(421,705)	(185,537)	(37,111)	(271,570)
243,636	2,660,460	250,444	113,007	4,608,505
<u>\$ 212,830</u>	<u>\$ 2,238,755</u>	<u>\$ 64,907</u>	<u>\$ 75,896</u>	<u>\$ 4,336,935</u>

See Accompanying Notes to Financial Statements

**SHELBY COUNTY**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds (page 18) \$ (271,570)

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

Governmental funds report capital outlays, including infrastructure, as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful life of the asset. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	1,145,411	
Depreciation expense	<u>(757,718)</u>	387,693

Governmental funds do not report disposals of governmental assets. The assets disposed during the year, and the accumulated depreciation on the disposed assets, are as follows:

Cost of disposed assets	(267,535)	
Accumulated depreciation on the disposed assets	<u>232,578</u>	(34,957)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property Tax		3,373
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Current year debt repayments:

Principal Payments		190,000
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Payment of certain expenditures are recorded in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Compensated Absences		(46,276)
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Some expenses are an expenditure in the governmental funds, but the payment reduces liabilities in the Statement of Net Assets.

Interest on long-term debt		<u>434</u>
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Change in Net Assets of Governmental Activities (page 13)		<u><u>\$ 228,697</u></u>
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**SHELBY COUNTY**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2007**

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**Assets**

Cash and Pooled Investments:		
County Treasurer	\$	1,947,830
Other County Officials		21,920
Shelby County Solid Waste Agency		333,000
Receivables:		
Property Tax:		
Delinquent		87,695
Succeeding Year		10,271,764
Accounts		16,769
Due from Other Governments		93,240
		<hr/>
<b>Total Assets</b>		<b>12,772,218</b>
		<hr/> <hr/>

**Liabilities**

Accounts Payable		157,323
Salaries and Benefits Payable		20,055
Due to Other Governments		12,587,584
Trusts Payable		7,256
		<hr/>
<b>Total Liabilities</b>	<b>\$</b>	<b>12,772,218</b>
		<hr/> <hr/>

See Accompanying Notes to Financial Statements

**SHELBY COUNTY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 1 - Summary of Significant Accounting Policies**

Shelby County, Iowa 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, Shelby County has included all funds, organizations, account groups, 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: County Assessor's Conference Board, County Emergency Management Commission, County Joint E-911 Service Board, Monona/Harrison/Shelby County Empowerment Area and Shelby County Area Solid Waste Agency. 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 organizations and, as such, are reported in Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: West Central Iowa Sheltered Workshop (WESCO), Southwest Iowa Planning Council (SWIPCO), Southwest Iowa Juvenile Detention Center and Shelby County Ambulance Commission.

SHELBY COUNTY, IOWA  
Notes to Financial Statements  
June 30, 2007

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation**

Government-Wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are 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 funds 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 other nonmajor governmental funds.

The County reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

SHELBY COUNTY, IOWA  
Notes to Financial Statements  
June 30, 2007

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

Special Revenue

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets received and held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

**C. Measurement Focus and Basis of Accounting**

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

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

SHELBY COUNTY, IOWA  
Notes to Financial Statements  
June 30, 2007

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursements grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

**D. Assets, Liabilities, and Fund Equity**

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

Property Tax Receivable - Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes 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.

Property tax revenue recognized in these funds become 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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.

Interfund Receivables/Payables - During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received by June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

SHELBY COUNTY, IOWA  
Notes to Financial Statements  
June 30, 2007

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

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 in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Infrastructure	\$ 50,000
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 and Improvements	20 – 50
Land Improvements	10 – 50
Infrastructure	10 – 50
Equipment and Vehicles	3 – 20

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.

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

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

**SHELBY COUNTY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or 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 reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Conservation, and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed amounts budgeted.

**Note 2 - Cash and Pooled Investments**

The County's deposits at June 30, 2007 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 has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**SHELBY COUNTY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 3 - Interfund Receivable/Payable**

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Mental Health	\$ 477
Secondary Roads	General Fund	2,391
Secondary Roads	Mental Health	229
Total		\$ 3,097

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

**Note 4 - Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfers To	Transfer From	Amount
General Fund	Rural Services	\$ 400,000
	Capital Projects	3,693
Rural Services	General Fund	24,862
	Secondary Roads	3,080
Secondary Roads	Rural Services	954,655
	Conservation	10,000
Mental Health	General Fund	9,000
Conservation	General Fund	150,000
Debt Service	Tax Increment Financing	11,791
Capital Projects	General Fund	200,388
Total Transfers		\$ 1,767,469

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

**SHELBY COUNTY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 5 - Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 330,775			\$ 330,775
Construction in Progress	3,556,188	\$ 265,231	\$ (3,556,188)	265,231
Total capital assets not being depreciated	3,886,963	265,231	(3,556,188)	596,006
Capital assets being depreciated:				
Buildings	3,595,885	81,194		3,677,079
Equipment and Vehicles	6,389,349	458,717	(267,535)	6,580,531
Infrastructure, Road Network	3,462,052	3,896,457		7,358,509
Total capital assets being depreciated	13,447,286	4,436,368	(267,535)	17,616,119
Less accumulated depreciation for:				
Buildings	1,292,249	75,446		1,367,695
Equipment and Vehicles	3,736,596	406,464	(232,578)	3,910,482
Infrastructure, Road Network	83,124	275,808		358,932
Total accumulated depreciation	5,111,969	757,718	(232,578)	5,637,109
Total capital assets being depreciated, net	8,335,317	3,678,650	(34,957)	11,979,010
Governmental activities capital assets, net	\$12,222,280	\$ 3,943,881	\$ (3,591,145)	\$ 12,575,016

Depreciation expense was charged to the following functions:

<b>Governmental Activities:</b>	
Public Safety and Legal Services	\$ 81,510
Physical Health and Social Services	7,753
Mental Health	4,040
County Environment and Education Services	27,221
Roads and Transportation	572,037
Governmental Services to Residents	12,976
Administrative Services	52,181
Total Depreciation Expense – Governmental Activities	<u>\$ 757,718</u>

Reconciliation of Invested in Capital Assets is as follows:

Net capital assets	\$ 12,575,016
Less outstanding principal of Series 1999 Bonds	<u>(110,000)</u>
Invested in Capital Assets, Net of Related Debt	<u>\$ 12,465,016</u>

**SHELBY COUNTY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 6 - Due to Other Governments**

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

Fund	Description	Amount
Mental Health	Services	\$ 271,742
Agency Funds:		
Agricultural Extension	Collections	\$ 119,313
County Assessor		281,466
Schools		6,818,196
Community Colleges		402,365
Corporations		2,052,569
Townships		194,273
Auto License and Use Tax		270,650
Bangs Eradication		363,399
Emergency Management		689,474
County Hospital		462,363
Solid Waste Agency		376,598
E911 Commission		266,821
M/H/S Empowerment		220,564
All Others		69,533
Total for Agency Funds		\$ 12,587,584

**Note 7 - Changes in Long-Term Debt**

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	General Obligation Capital Loan Notes			Compensated Absences	Total
	Series 1999	Series 2004A	Series 2004B		
Balance beginning of year	\$ 160,000	\$ 620,000	\$ 70,000	\$ 256,065	\$ 1,106,065
Increases	-	-	-	145,430	145,430
Decreases	50,000	70,000	70,000	133,371	323,371
Balance end of year	\$ 110,000	\$ 550,000	\$ -	\$ 268,124	\$ 928,124
Due within one year	\$ 55,000	\$ 150,000	\$ -	\$ 97,466	\$ 302,466

**SHELBY COUNTY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 7 - Changes in Long-Term Debt (Continued)**

Capital Loan Notes

In June 1999, the County issued \$465,000 in general obligation essential corporate purpose capital loan notes to fund improvements to the courthouse and annex buildings. The notes are payable from a continuing annual levy of taxes against all taxable property of the county.

A summary of the County's June 30, 2007 general obligation essential corporate purpose capital loan notes is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	4.55%	\$ 55,000	\$ 5,032	\$ 60,032
2009	4.60%	55,000	2,530	57,530
Total		\$ 110,000	\$ 7,562	\$ 117,562

In November 2004, the County issued \$620,000 in general obligation capital loan notes, Series 2004A and \$70,000 in general obligation capital loan notes, Series 2004 B to fund the costs of aiding in planning, undertaking and carrying out an urban renewal project, including improvements to sewer services to the Business Park and a forgivable loan to Shelby County Cookers, LLC. A Special Revenue, TIF Fund has been established for collection of tax increment financing revenues which will be used to pay off the capital loan notes. A summary of the County's June 30, 2007 general obligation capital loan notes, 2004A is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	3.00%	\$ 150,000	\$ 18,175	\$ 168,175
2009	3.20%	150,000	13,675	163,675
2010	3.40%	125,000	8,875	133,875
2011	3.70%	125,000	4,625	129,625
Total		\$ 550,000	\$ 45,350	\$ 595,350

During the year ended June 30, 2007 interest payments under the Series 1999, Series 2004A and 2004B general obligation capital loan notes totaled \$7,283, \$20,185 and \$3,255, respectively.

**Note 8 - Hospital Revenue Capital Loan Notes**

The County has issued \$2,200,000 of hospital revenue capital loan notes pursuant to chapters 331.402(3) and 331.461(1) (d) of the Code of Iowa. The notes and related interest are payable solely from the net earnings of the hospital and do not constitute liabilities of the County. Accordingly, the County does not record any transactions related to the notes. As of June 30, 2007 there was \$575,000 in unpaid principal on the hospital revenue capital loan notes.

**SHELBY COUNTY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 9 - Pension and Retirement**

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered payroll. Law enforcement employees are required to contribute 8.37% of their covered salary and the County is required to match that in full. Conservation employees are required to contribute 6.08% of their covered salary and the County is required to contribute 9.12% of the same. Contribution requirements are established by State statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$198,168, \$189,513, and \$195,383, respectively, equal to each year's required contributions.

**Note 10 - Risk Management**

Shelby County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contribution to the Pool for the year ended June 30, 2007 was \$115,164.

**SHELBY COUNTY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 10 - Risk Management (Continued)**

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public official's liability risk up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event of casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with the employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County also participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for Workman's Compensation insurance.

**Note 11 - Construction Commitment**

During the year ended June 30, 2007, the County entered into an agreement for a bridge replacement totaling \$1,156,242. As of June 30, 2007 \$265,231 in costs had been incurred against the project. The remainder will be paid as work on the project progresses.

**SHELBY COUNTY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 12 – Deficit Fund Balances**

As of June 30, 2007, the following funds had deficit fund balances in the amount shown:

K-9	\$	<u>197</u>
Capital Projects	\$	<u>52,850</u>

The K-9 fund deficit will be funded through future services provided to other counties and interfund transfers. The Capital Projects fund deficit will be funded through future interfund transfers.

**Note 13 - Litigation**

The County is a defendant in a lawsuit, filed by a law firm that defended a county deputy in criminal proceedings. The law firm billed the County for its costs, totaling \$63,000. In July 2006, a district court ruled for the plaintiff, and consequently \$63,000 was charged to operations in the prior year financial statements. The County appealed the ruling. As of the date of this report the state court of appeals found in favor of the County and the \$63,000 liability was removed.

**Note 14 - Subsequent Events**

In October 2007, the County approved a new general obligation bond issue of \$1,065,000 to finance a county road upgrade project. The road upgrades are located within a new urban renewal area that is the proposed site of a new dairy. The new bond issue will commence June 2008, will require a 10-year payment schedule, and will carry an annual interest rate between 3.50% and 3.90%. As of the date of this report, no construction contracts have been awarded for the road upgrade project.

**REQUIRED SUPPLEMENTAL INFORMATION**

**SHELBY COUNTY**  
**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in**  
**Balances - Budget and Actual (Cash Basis) - All Governmental Funds**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2007**

	Governmental Funds Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
		Original	Final	
<b>Receipts</b>				
Property and Other County Tax	\$ 4,928,214	\$ 4,885,591	\$ 4,885,591	\$ 42,623
Interest and Penalty on Property Tax	28,459	22,250	22,250	6,209
Intergovernmental	4,260,334	4,528,827	4,528,827	(268,493)
Licenses and Permits	179,500	163,800	163,800	15,700
Charges for Service	318,865	260,598	260,598	58,267
Use of Money and Property	243,105	209,475	209,475	33,630
Miscellaneous	281,335	119,656	186,656	94,679
Total Receipts	<u>10,239,812</u>	<u>10,190,197</u>	<u>10,257,197</u>	<u>(17,385)</u>
<b>Disbursements</b>				
Public Safety and Legal Services	1,632,292	1,560,263	1,667,006	34,714
Physical Health and Social Services	369,572	433,785	432,011	62,439
Mental Health	2,049,068	1,963,496	2,263,496	214,428
County Environment and Education	353,481	334,152	379,850	26,369
Roads and Transportation	4,419,165	4,596,232	4,430,950	11,785
Government Services to Residents	359,924	363,788	382,292	22,368
Administrative Services	1,003,263	994,550	1,014,500	11,237
Non-program	38,498	55,820	55,313	16,815
Debt Service	221,123	221,138	221,138	15
Capital Projects	241,654	644,268	673,868	432,214
Total Disbursements	<u>10,688,040</u>	<u>11,167,492</u>	<u>11,520,424</u>	<u>832,384</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(448,228)</u>	<u>(977,295)</u>	<u>(1,263,227)</u>	<u>814,999</u>
Balance Beginning of Year	<u>3,756,119</u>	<u>3,729,792</u>	<u>3,729,792</u>	<u>26,327</u>
Balance End of Year	<u>\$ 3,307,891</u>	<u>\$ 2,752,497</u>	<u>\$ 2,466,565</u>	<u>\$ 841,326</u>

**SHELBY COUNTY**  
**Budgetary Comparison Schedule - Budget to GAAP Reconciliation**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2007**

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 10,239,812	\$ 212,705	\$ 10,452,517
Expenditures	10,688,040	36,047	10,724,087
Net	(448,228)	176,658	(271,570)
Beginning Fund Balances	3,756,119	692,226	4,608,505
Ending Fund Balances	\$ 3,307,891	\$ 868,884	\$ 4,336,935

**SHELBY COUNTY, IOWA**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2007**

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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 comparison 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 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 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, 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 the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$352,932. This budget amendment is 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 E911 system by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

**SUPPLEMENTAL INFORMATION**

**SHELBY COUNTY**  
**Combining Balance Sheet**  
**Governmental Nonmajor Funds**  
**June 30, 2007**

	Special Revenue			
	Resource Enhancement and Protection	County Recorder's Electronic Transaction Fee	Conservation Land Acquisition	K-9
<b>Assets</b>				
Cash and Pooled Investments	\$ 12,674	\$ 795	\$ 63	\$ 1,746
Receivables				
Property Tax				
Delinquent				
Succeeding Year				
Accounts				
Total Assets	<u>12,674</u>	<u>795</u>	<u>63</u>	<u>1,746</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable				1,943
Salaries and Benefits Payable				
Deferred Revenue:				
Succeeding Year Property Tax				
Deferred Revenue				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,943</u>
<b>Fund Balances</b>				
Reserved for Debt Service				
Unreserved for:				
Capital Project Fund				(197)
Special Revenue Fund	12,674	795	63	
Total Liabilities and Fund Equity	<u>\$ 12,674</u>	<u>\$ 795</u>	<u>\$ 63</u>	<u>\$ 1,746</u>

Special Revenue								
Flood and Erosion	County Recorder's Records Management	Drug Forfeiture	Commissary	Conservation	Tax Increment Financing	Debt Service	Capital Projects	Total
\$ 8,863	\$ 4,890	\$ 28,908	\$ 10,268	\$ 32,669	\$ 40,172	\$ 3,529	\$ 52,394	\$ 196,971
						474		474
					180,000	58,631		238,631
				6,130				6,130
<u>8,863</u>	<u>4,890</u>	<u>28,908</u>	<u>10,268</u>	<u>38,799</u>	<u>220,172</u>	<u>62,634</u>	<u>52,394</u>	<u>442,206</u>
			1,893	13,674			105,244	122,754
				4,451				4,451
					180,000	58,631		238,631
						474		474
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,893</u>	<u>18,125</u>	<u>180,000</u>	<u>59,105</u>	<u>105,244</u>	<u>366,310</u>
						3,529		3,529
							(52,850)	(52,850)
<u>8,863</u>	<u>4,890</u>	<u>28,908</u>	<u>8,375</u>	<u>20,674</u>	<u>40,172</u>			<u>125,217</u>
<u>\$ 8,863</u>	<u>\$ 4,890</u>	<u>\$ 28,908</u>	<u>\$ 10,268</u>	<u>\$ 38,799</u>	<u>\$ 220,172</u>	<u>\$ 62,634</u>	<u>\$ 52,394</u>	<u>\$ 442,206</u>

**SHELBY COUNTY**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Nonmajor Funds**  
**For the Year Ended June 30, 2007**

	Special Revenue			
	Resource Enhancement and Protection	County Recorder's Electronic Transaction Fee	Conservation Land Acquisition	K-9
Revenues				
Property and Other County Tax				
Intergovernmental Revenue	\$ 12,471			
Licenses and Permits				
Charges for Services				
Use of Money and Property	43	\$ 486		\$ 10
Miscellaneous				
Total Revenues	<u>12,514</u>	<u>486</u>	<u>-</u>	<u>10</u>
Expenditures				
Operating				
Public Safety and Legal Services				2,201
County Environment and Education Services				
Governmental Services to Residents				
Administrative Services		2,493		
Non-program				
Debt Service				
Principal				
Interest				
Capital Projects				
Total Expenditures	<u>-</u>	<u>2,493</u>	<u>-</u>	<u>2,201</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>12,514</u>	<u>(2,007)</u>	<u>-</u>	<u>(2,191)</u>
Other Financing Sources (uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	12,514	(2,007)	-	(2,191)
Fund Balances (Deficit) - Beginning of Year	160	2,802	\$ 63	1,994
Fund Balances (Deficit) - End of Year	<u>\$ 12,674</u>	<u>\$ 795</u>	<u>\$ 63</u>	<u>\$ (197)</u>

Special Revenue								
Flood and Erosion	County Recorder's Management	Drug Forfeiture	Commissary	Conservation	Tax Increment Financing	Debt Service	Capital Projects	Total
				\$ 19,734	\$ 183,245	\$ 54,340		\$ 237,585
				10,395		3,407		35,612
	\$ 3,031							10,395
	10	\$ 154		2,275				3,031
		21,075	\$ 8,318	3,164			\$ 1	2,978
	3,041	21,229	8,318	35,568	183,245	57,747	1	32,558
-								322,159
		12,497	9,126					23,824
\$ 893				178,316				179,209
	452			995				452
								3,488
					140,000	50,000		190,000
					11,649	19,474		31,123
							267,869	267,869
893	452	12,497	9,126	179,311	151,649	69,474	267,869	695,965
(893)	2,589	8,732	(808)	(143,743)	31,596	(11,727)	(267,868)	(373,806)
				150,000		11,791	200,388	362,179
				(10,000)	(11,791)		(3,693)	(25,484)
				140,000	(11,791)	11,791	196,695	336,695
(893)	2,589	8,732	(808)	(3,743)	19,805	64	(71,173)	(37,111)
9,756	2,301	20,176	9,183	24,417	20,367	3,465	18,323	113,007
\$ 8,863	\$ 4,890	\$ 28,908	\$ 8,375	\$ 20,674	\$ 40,172	\$ 3,529	\$ (52,850)	\$ 75,896

**SHELBY COUNTY**  
**Combining Schedule of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2007**

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Employee Flex Spending</u>	<u>Schools</u>
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer		\$ 2,120	\$ 170,837	\$ 25,085	\$ 114,398
Other County Officials	\$ 21,920				
Shelby County Solid Waste Agency					
Receivables:					
Property Tax:					
Delinquent		980	1,024		53,440
Succeeding Year		116,213	112,341		6,650,358
Accounts					
Due from Other Governments					
<b>Total Assets</b>	<u>21,920</u>	<u>119,313</u>	<u>284,202</u>	<u>25,085</u>	<u>6,818,196</u>
<b>Liabilities</b>					
Accounts Payable			242	25,085	
Salaries and Benefits Payable			2,494		
Due to Other Governments	14,664	119,313	281,466		6,818,196
Payable to Trusts	7,256				
<b>Total Liabilities</b>	<u>\$ 21,920</u>	<u>\$ 119,313</u>	<u>\$ 284,202</u>	<u>\$ 25,085</u>	<u>\$ 6,818,196</u>

<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>	<u>Auto License and Use Tax</u>	<u>Bangs Eradication</u>	<u>Emergency Management</u>
\$ 5,343	\$ 32,934	\$ 3,525	\$ 424	\$ 270,650	\$ 33	\$ 624,300
2,412	24,545	1,564			15	
394,610	1,995,090	189,184			363,351	
						79,725
<u>402,365</u>	<u>2,052,569</u>	<u>194,273</u>	<u>424</u>	<u>270,650</u>	<u>363,399</u>	<u>704,025</u>
402,365	2,052,569	194,273	424	270,650	363,399	2,127
						12,424
						689,474
<u>\$ 402,365</u>	<u>\$ 2,052,569</u>	<u>\$ 194,273</u>	<u>\$ 424</u>	<u>\$ 270,650</u>	<u>\$ 363,399</u>	<u>\$ 704,025</u>

SHELBY COUNTY  
Combining Schedule of Fiduciary Assets and Liabilities - Continued  
Agency Funds  
June 30, 2007

County Hospital	Solid Waste Agency	E911 Commission	Recorder's E-Commerce	Tax Advance	M/H/S Empowerment	Total
\$ 8,031	\$ 89,980	\$ 251,172	\$ 297	\$ 40,832	\$ 307,869	\$ 1,947,830
	333,000					21,920
						333,000
3,715						87,695
450,617						10,271,764
		16,769				16,769
				13,515		93,240
<u>462,363</u>	<u>422,980</u>	<u>267,941</u>	<u>297</u>	<u>54,347</u>	<u>307,869</u>	<u>12,772,218</u>
	41,245	1,120		199	87,305	157,323
	5,137					20,055
462,363	376,598	266,821	297	54,148	220,564	12,587,584
						7,256
<u>\$ 462,363</u>	<u>\$ 422,980</u>	<u>\$ 267,941</u>	<u>\$ 297</u>	<u>\$ 54,347</u>	<u>\$ 307,869</u>	<u>\$ 12,772,218</u>

**SHELBY COUNTY**

SHELBY COUNTY  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2007

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Employee Flex Spending	Schools
Balances Beginning of Year	\$ 16,345	\$ 119,221	\$ 291,339	\$ 23,078	\$ 6,452,420
Additions:					
Property and Other County Tax E911 Surcharge		112,885	105,169		6,504,740
State Tax Credits		7,446	15,218		407,520
Other State Revenues					
Office Fees and Collections	307,851				
Auto Licenses, Use Tax and Postage Assessments					
Trusts	229,182				
Miscellaneous			5,477	30,892	
Total Additions	<u>537,033</u>	<u>120,331</u>	<u>125,864</u>	<u>30,892</u>	<u>6,912,260</u>
Deductions:					
Agency Remittances:					
To County Employees				28,885	
To Other Funds	143,927				
To Other Governments	161,351	120,239	133,001		6,546,484
Trusts Paid Out	226,180				
Total Deductions	<u>531,458</u>	<u>120,239</u>	<u>133,001</u>	<u>28,885</u>	<u>6,546,484</u>
Balances End of Year	<u>\$ 21,920</u>	<u>\$ 119,313</u>	<u>\$ 284,202</u>	<u>\$ 25,085</u>	<u>\$ 6,818,196</u>

<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>	<u>Auto License and Use Tax</u>	<u>Bangs Eradication</u>	<u>Emergency Management</u>
\$ 299,706	\$ 1,913,169	\$ 189,856	\$ 3,085	\$ 250,591	\$ 405,566	\$ 563,856
380,319	2,914,437	184,384			1,746	
15,426	143,149	11,513			115	64,385
				3,004,072		
			7,946			
<u>395,745</u>	<u>3,057,586</u>	<u>195,897</u>	<u>7,946</u>	<u>3,004,072</u>	<u>1,861</u>	<u>656,162</u> <u>720,547</u>
				115,307		
293,086	2,918,186	191,480	10,607	2,868,706	44,028	580,378
<u>293,086</u>	<u>2,918,186</u>	<u>191,480</u>	<u>10,607</u>	<u>2,984,013</u>	<u>44,028</u>	<u>580,378</u>
<u>\$ 402,365</u>	<u>\$ 2,052,569</u>	<u>\$ 194,273</u>	<u>\$ 424</u>	<u>\$ 270,650</u>	<u>\$ 363,399</u>	<u>\$ 704,025</u>

SHELBY COUNTY  
Combining Schedule of Changes in Fiduciary Assets and Liabilities - Continued  
Agency Funds  
For the Year Ended June 30, 2007

County Hospital	Solid Waste Agency	E911 Commission	Recorder's E-Commerce	Tax Advance	M/H/S Empowerment	Total
\$ 450,838	\$ 363,400	\$ 219,740	\$ 250	\$ 31,205	\$ 160,758	\$ 11,754,423
438,259						10,641,939
28,212		115,318				115,318
						628,599
					696,343	760,728
						307,851
						3,004,072
						7,946
						229,182
	689,124	1,801	3,036	23,142	4,715	1,414,349
466,471	689,124	117,119	3,036	23,142	701,058	17,109,984
						28,885
						259,234
454,946	629,544	68,918	2,989		553,947	15,577,890
						226,180
454,946	629,544	68,918	2,989	-	553,947	16,092,189
\$ 462,363	\$ 422,980	\$ 267,941	\$ 297	\$ 54,347	\$ 307,869	\$ 12,772,218

**SHELBY COUNTY**  
**Schedule of Revenues By Source and Expenditures By Function -**  
**All Governmental Fund Types**  
**For The Last Five Years**

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
<b>Revenues</b>					
Property and Other County Tax	\$ 4,766,609	\$ 4,818,830	\$ 4,502,899	\$ 5,067,769	\$ 5,148,294
Tax Increment Financing	183,245	104,412	80,486	76,791	13,467
Interest and Penalty on Property Tax	28,459	27,516	39,534	33,092	31,318
Intergovernmental	4,410,119	4,295,795	5,156,147	5,262,810	4,597,199
Licenses and Permits	177,386	175,258	155,961	146,386	155,428
Charges for Service	337,799	451,336	360,563	309,773	259,749
Use of Money and Property	273,406	263,287	178,185	103,765	107,014
Miscellaneous	275,494	278,586	196,995	148,858	157,358
<b>Total Revenues</b>	<b>10,452,517</b>	<b>10,415,020</b>	<b>10,670,770</b>	<b>11,149,244</b>	<b>10,469,827</b>
<b>Expenditures</b>					
<b>Current</b>					
Public Safety and Legal Services	1,630,894	1,524,392	1,433,248	1,414,193	1,412,643
Physical Health and Social Services	357,941	355,800	348,471	327,235	309,525
Mental Health	2,160,238	2,078,486	1,863,309	1,708,411	1,722,413
County Environment and Education Services	357,578	316,362	358,298	434,326	474,704
Roads and Transportation	4,355,212	4,079,612	3,709,770	3,346,330	3,369,496
Government Services to Residents	350,805	362,108	333,628	292,064	298,686
Administrative Services	919,344	1,010,105	964,039	929,941	948,414
Non-Program	27,667	126,899	654,913	394,390	172,125
Debt Service	221,123	59,481	69,528	566,504	172,834
Capital Projects -	343,285	892,627	1,250,941	1,201,839	447,566
<b>Total Expenditures</b>	<b>\$ 10,724,087</b>	<b>\$ 10,805,872</b>	<b>\$ 10,986,145</b>	<b>\$ 10,615,233</b>	<b>\$ 9,328,406</b>



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Officials of Shelby County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Iowa of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, listed in the table of contents, and have issued our report thereon dated April 28, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether Shelby County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 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.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Shelby County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelby County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Shelby County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Shelby County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood

that a misstatement of Shelby County's financial statements that is more than inconsequential will not be prevented or detected by Shelby County's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Shelby County's internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe II-A-07 and II-B-07 are material weaknesses.

This report, a public record by law, is intended solely for the information and use of the board of supervisors, management, employees and citizens of Shelby County and other parties to whom Shelby County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Shelby County during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*Williams & Leggett, P.C.*  
Certified Public Accountants

Onawa, Iowa  
April 28, 2008

**SHELBY COUNTY**  
**Schedule of Findings**  
**Year Ended June 30, 2007**

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements and are material weaknesses.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

None.

**SIGNIFICANT DEFICIENCIES:**

**II-A-07 Financial Accounting – Recording Errors**

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the County's financial statements. These reporting errors result in a diminished reliability of accounting data being supplied to the users of the unaudited financial statements. We identified the material reporting errors discussed above and therefore, these matters do not affect our independent auditor's report on the financial statements contained in this audit report.

Recommendation – The County should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the County's financial statements.

Response – The County will monitor its financial reporting process more closely in the future in order to make its annual financial report as accurate as possible.

Conclusion – Response accepted.

**II-B-07 Financial Accounting – Unapproved Transactions**

Observation – During the audit, we identified an instance where the former treasurer extended a 25-cent-per-hour raise to her department's employees without board approval. The unapproved raises were detected by the county auditor and brought to the board of supervisors. The board moved to formally deny the raise. They also approved the adjustment of the treasurer's employees' paychecks in order to recover the unapproved amounts paid out.

Recommendation – The County should continue to enforce its procedures regarding approval of pay rates, and should occasionally review payroll transactions to prevent future unapproved pay raises.

**SHELBY COUNTY**  
**Schedule of Findings**  
**Year Ended June 30, 2007**

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Response – The County will monitor its payroll process more closely in the future in order to make its annual financial report as accurate as possible.

Conclusion – Response accepted.

**Part III: Other Findings Related to Statutory Reporting:**

- III-A-07      Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.
- III-B-07      Questionable Disbursements – No expenditures were noted that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-07      Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- III-D-07      Business Transactions – There were no business transactions between the County and County officials or employees during the year ended June 30, 2007.
- III-E-07      Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-07      Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- III-G-07      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.
- III-H-07      Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455.19(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).
- III-I-07      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

Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.