

**SHELBY COUNTY, IOWA
Independent Auditors' Report
Basic Financial Statements
and
Supplementary Information
Schedule of Findings and
Questioned Costs
June 30, 2009**



**SHELBY COUNTY, IOWA
TABLE OF CONTENTS**

		<u>Page</u>
County Officials		1
Independent Auditors' Report		2 – 3
Management's Discussion and Analysis		4 – 10
 Basic Financial Statements:		
Government-wide Financial Statements:	<u>Exhibit</u>	
Statement of Net Assets	A	11
Statement of Activities	B	12
Governmental Fund Financial Statements:		
Balance Sheet	C	13 – 14
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	15
Statement of Revenues, Expenditures and Changes in Fund Balances	E	16 – 17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	19
Notes to Financial Statements		20 – 31
 Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes In Balances – Budget and Actual (Cash Basis) – All Governmental Funds		32
Budget to GAAP Reconciliation		33
Notes to Required Supplementary Information – Budgetary Reporting		34
 Other Supplementary Information:		
Governmental Nonmajor Funds:	<u>Schedule</u>	
Combining Balance Sheet	1	35 – 36
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	2	37 – 38
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	39 – 41
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	42 – 47
Schedule of Revenues by Source and Expenditures by Function – All Governmental Fund Types	5	48
Schedule of Expenditures of Federal Awards	6	49
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		50 – 51
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133		52 – 53
Schedule of Findings and Questioned Costs		54 – 58
Corrective Action Plan		59

SHELBY COUNTY, IOWA

COUNTY OFFICIALS

Name	Title	Term Expires
(Before January 2009)		
Roger Schmitz	Board of Supervisors	January 2011
LaVon Christensen	Board of Supervisors	January 2009
Richard Ferry	Board of Supervisors	January 2009
Marsha Carter	County Auditor	January 2009
Carolyn Blum	County Treasurer	January 2011
Linda Fahn	County Recorder	January 2011
Gene Cavenaugh	County Sheriff	January 2009
Marcus Gross	County Attorney	January 2011
Tony Buman	County Assessor	January 2010
(After January 2009)		
Roger Schmitz	Board of Supervisors	January 2011
Delbert Hull	Board of Supervisors	January 2013
James Burmeister	Board of Supervisors	January 2013
Marsha Carter	County Auditor	January 2013
Carolyn Blum	County Treasurer	January 2011
Linda Fahn	County Recorder	January 2011
Mark Hervey	County Sheriff	January 2012
Marcus Gross	County Attorney	January 2011
Tony Buman	County Assessor	January 2016



1009 Iowa Avenue
P.O. Box 238
Onawa, IA 51040
Phone (712) 423-2616
Fax (712) 423-2626

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, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These 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 auditing standards generally accepted in the United States of America 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County at June 30, 2009 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2010 on our consideration of Shelby County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 32 through 34, 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the other three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements.

The accompanying combining governmental nonmajor fund financial statements, combining agency fund financial statements and schedules of revenue by source and expenditures by function are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Shelby County, Iowa. The combining governmental nonmajor fund financial statements, combining agency fund financial statements, schedules of revenue by source and expenditures by function and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As discussed in Note 11 to the financial statements, certain errors resulting in an understatement of previously reported fiduciary assets and liabilities as of June 30, 2008, were discovered by management of the County during the current year. Accordingly, an adjustment has been made to the fiduciary assets and liabilities of July 1, 2008, to correct the errors.

Williams + Company PC
Certified Public Accountants

Onawa, Iowa
March 10, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 4%, or approximately \$483,000, from fiscal 2008 to fiscal 2009. Property tax increased approximately \$367,000, operating grants and contributions decreased approximately \$7,000 and capital grants and contributions decreased approximately \$643,000.
- Program expenses of the County's governmental activities were 2%, or approximately \$262,000, less in fiscal 2009 than in fiscal 2008. Roads and transportation expenses decreased approximately \$606,000, public safety and legal services increased \$169,000, physical health and social services increased approximately 256,000, mental health decreased \$229,000, government services to residents increased \$51,000, and non-program expenses decreased approximately \$26,000.
- The County's net assets increased 2%, or approximately \$384,000, from June 30, 2008 to June 30, 2009.

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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

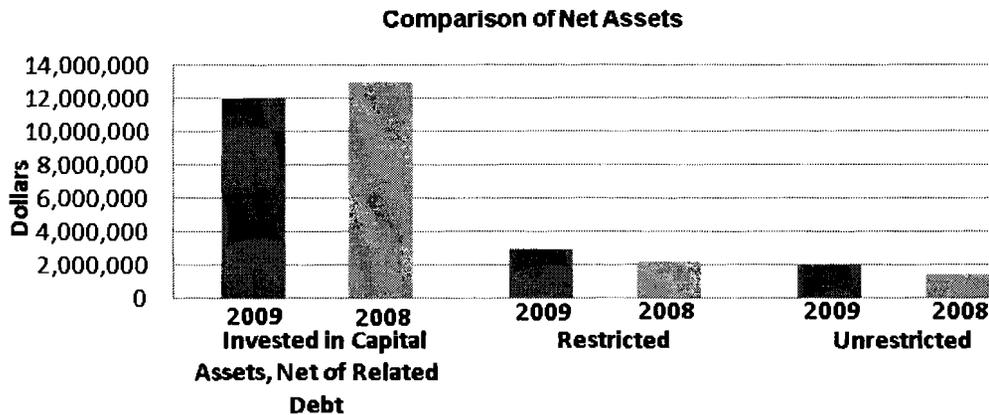
The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

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. Shelby County's combined net assets increased from \$16.6 million to \$17.0 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)			
		June 30,	
		2009	2008
Current and Other Assets		\$ 11,839	\$ 11,762
Capital Assets		13,288	13,015
Total Assets		25,127	24,777
Long-Term Liabilities		1,748	1,985
Other Liabilities		6,370	6,167
Total Liabilities		8,118	8,152
Net Assets			
Invested in Capital Assets, Net of Related Debt		12,043	12,961
Restricted		2,995	2,220
Unrestricted		1,971	1,444
Total Net Assets		\$ 17,009	\$ 16,625

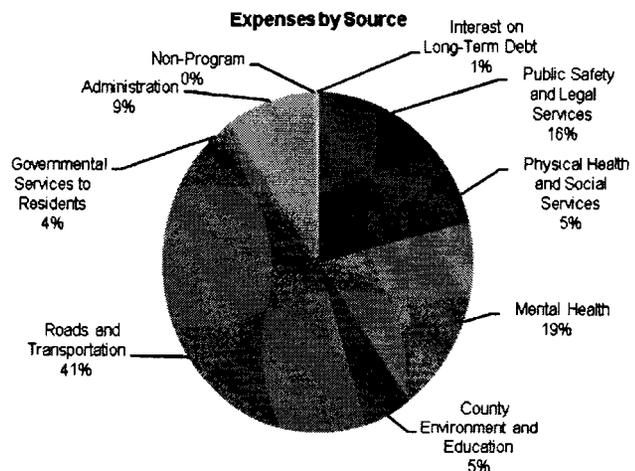
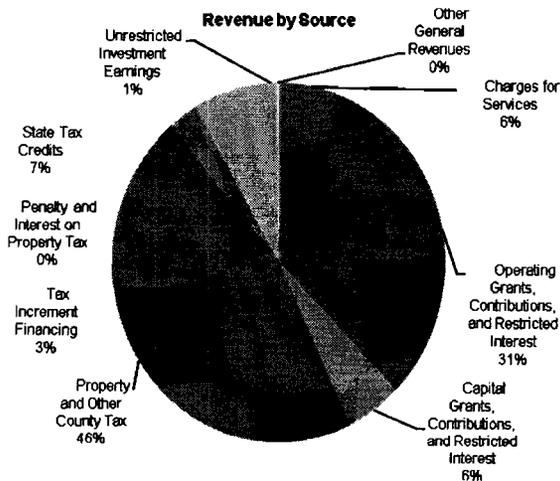


Net assets of Shelby County's governmental activities increased approximately \$384,000 or 2% during the year. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment 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 \$1,444,000 at June 30, 2008 to approximately \$1,971,000 at the end of this year, an increase of 36.5%

This increase of approximately \$527,000 in unrestricted net assets was a result of the increase in the general and rural services fund balance, and the decrease in the general obligation debt. The County decreased its investment in capital assets, net of related debt by approximately \$919,000 over the prior year, primarily due to depreciation.

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

	Year Ended June 30,	
	2009	2008
Revenues		
Program Revenues:		
Charges for Services	\$ 770	\$ 929
Operating Grants, Contributions, and Restricted Interest	3,809	3,816
Capital Grants, Contributions, and Restricted Interest	663	1,306
General Revenues:		
Property and Other County Tax	5,591	5,224
Tax Increment Financing	335	183
Penalty and Interest on Property Tax	33	28
State Tax Credits	831	820
Unrestricted Investment Earnings	133	239
Other General Revenues	42	145
Total Revenues	12,207	12,690
Program Expenses		
Public Safety and Legal Services	1,858	1,689
Physical Health and Social Services	634	378
Mental Health	2,236	2,465
County Environment and Education	595	456
Roads and Transportation	4,870	5,476
Governmental Services to Residents	483	432
Administration	1,088	1,134
Non-Program	3	29
Interest on Long-Term Debt	56	26
Total Expenses	11,823	12,085
Change in Net Assets	384	605
Net Assets, Beginning of Year as Previously Stated	16,625	16,020
Net Assets, End of Year	\$ 17,009	\$ 16,625



Revenues of governmental activities decreased 4%, or approximately \$483,000 over the prior year, with property tax revenue up from the prior year approximately \$367,000, or 7.0%, charges for services decreased approximately \$159,000, operating grants and contributions decreased slightly, and capital grants and contributions decreased approximately \$643,000.

Fiscal 2009 saw an increase in our total taxable valuation of \$53,000,000 which is an 11% increase from prior fiscal year, and our total tax asking increased \$117,000, or 2.3%.

The cost of all governmental activities this year was \$11.8 million compared to \$12.1 million last year. However, as shown in the Statement of Activities on page 13, the amount taxpayers ultimately financed for these activities was \$6.6 million because some of the cost was paid by those directly benefited from the programs (\$770,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,472,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased from approximately \$6,051,000 in 2008 to \$5,242,000 in 2009, principally due to decreases in capital grants and contributions. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$6,965,000 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 \$5.4 million, a decrease of approximately \$97,000 from last year's total of \$5.5 million. 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 2009 with a fund balance totaling \$2,016,380. This was an increase from Fiscal Year 2008 of \$9,984.
- The Mental Health Fund balance at year end increased by \$196,263 from the prior year.
- The Rural Services Fund ended Fiscal Year 2009 with a fund balance of \$282,695. This was a increase from Fiscal Year 2008 of \$58,963.
- The Secondary Roads Fund ended Fiscal Year 2009 with a fund balance of \$2,461,652, up \$317,522 when compared to the ending balance for Fiscal Year 2008. The County continues to work for Federal and State grants and shared funding projects, such as FEMA, EWP, etc., to help offset the maintenance costs to local taxpayers.
- Total Nonmajor Funds balance at year end decreased by \$679,952 from the prior year. This was mainly due to a decrease in the Capital Projects Fund.

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 26, 2009 by \$1,221,106. Only \$135,900 was taken from undesignated reserves for unplanned but necessary expenditures. Additional State funding covered \$47,106 in additional Mental Health expenditures. Shelby County also amended its budget to spend \$960,000 toward the road upgrade in Douglas Township, which was funded by a \$1 million bond issue, and EWP projects. The \$51,000 portion of the amendment taken from designated reserves was for planned projects and maintenance items.

The County's receipts of \$11,474,278 were \$747,841 more than budgeted. \$522,251 was received in Intergovernmental activities which includes all State and Federal Grants.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the Physical Health and Social Services and Debt Service functions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, Shelby County had approximately \$13.3 million invested in a broad range of capital assets (net of related accumulated depreciation), including public safety equipment, buildings, park facilities, roads and bridges. This is an approximate \$273,000 increase (including additions and deletions) over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30	
	2009	2008
Land	\$ 331	\$ 331
Construction in Progress	-	1,178
Buildings and Improvements	2,263	2,281
Equipment and Vehicles	2,341	2,491
Infrastructure	8,353	6,734
Total	\$ 13,288	\$ 13,015

The County had depreciation expense of \$723,325 in fiscal 2009 and total accumulated depreciation of \$6,846,325 at June 30, 2009. The County's fiscal year 2009 capital budget included \$1,711,000 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.

Long-Term Debt

At June 30, 2009, Shelby County had \$1,245,818 in general obligation capital loan notes outstanding, compared to approximately \$1,515,353 of long-term debt at June 30, 2008, as shown below.

Outstanding Debt of Governmental Activities at Year End (Expressed in Thousands)		
	June 30	
	2009	2008
General Obligation Capital Loan Notes	\$ 250	\$ 400
General Obligation Capital Loan Notes	-	55
General Obligation Capital Loan Notes	996	1,060
Total	\$ 1,246	\$ 1,515

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the January 1, 2007 assessed value of all taxable property in the County. Shelby County's outstanding general obligation debt is significantly below its constitutional debt limit of \$42.3 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 elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and the fees charged for various County activities. One of those factors

is the economy. Unemployment in the County now stands at 4.0% versus 3.0% a year ago. This compares with the State's unemployment rate of 6.0% and the national rate of 9.5%.

Since the union contracts do not expire until June 30, 2010, the County was able to budget accurately for payroll, with some estimates for overtime. Negotiations will begin in the fall of 2009 for our three existing unions.

All the different variables were taken into account when adopting the Fiscal Year 2010 Budget. Budgeted revenues for the General and Rural Services Funds stayed fairly level from Fiscal Year 2009, not including property tax revenue. Expected revenues from Local Option Sales Tax were decreased by approximately \$18,000 due to the slow economy. General Revenues budgeted for Licenses & Permits, Charges for Services and Use of Money and Property were also decreased by \$12,000. Budgeted expenditures in the General and Rural Services Funds increased approximately \$385,000. \$85,000 of this increase was due to the increase in the property valuation, which increases the maximum transfer to Secondary Roads. \$150,000 was budgeted in the General Fund as matching funds for Secondary Roads to be able to complete three different EWP projects. The other service areas had minimal changes. The County is working to maintain the existing fund balances to cover any unforeseen expenditures throughout Fiscal Year 2010. The final Fiscal Year 2010 Budget was adopted with a total tax rate decrease of \$0.88 per \$1,000 of taxable valuation and a total tax asking decrease of \$129,321.

By the end of Fiscal 2009, the County had made the last payment on the 1999 bond issue of \$465,000 for the remodel of the Annex and the replacement of the Courthouse roof. The decrease in the property tax rate was due in part to the elimination of the Debt Service Levy Rate.

During Fiscal 2009, the County purchased new aerial photography to bring our mapping system up-to-date. This was a joint project of the Emergency Management Agency, Law Enforcement, the Assessor, and the GIS Mapping Department. The cost of the project was in excess of \$60,000, but was eligible for approximately \$18,000 from the 911 Wireless Surcharge Funds because of its value to Emergency Services and Law Enforcement. The different partners continue to set funds aside in Fiscal 2010 and beyond to be able to update this photography in three to five years.

In early 2008, the law was changed to add county roads to the list of essential purposes for which counties could bond. During fiscal 2008, Shelby County was the first county in Iowa to use GO Bonds to fund a 1.5 mile granular surfaced road upgrade in Douglas Township. The construction of a 6,000-head dairy in the area and the increased traffic on that road was the reason for the \$1.1 million dollar bond. A Tax Increment Financing Area was also set up so the taxes from the facility will pay off the bond. The road upgrade project continued through Fiscal 2009 with minor costs still due in Fiscal 2010.

In April of 2009, the County converted to a new accounting software. The old CMS financial programs are being phased out and replaced by EDEN. This conversion continues into Fiscal 2010 at a proposed cost to the County of \$63,000.

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

BASIC FINANCIAL STATEMENTS

Exhibit A

SHELBY COUNTY
Statement of Net Assets
June 30, 2009

	Governmental Activities
ASSETS	
Cash and Pooled Investments	\$ 4,821,712
Receivables	
Property Tax	
Delinquent	65,986
Succeeding Year	5,362,405
Accounts	8,192
Accrued Interest	57,841
Due from Other Governments	552,091
Prepaid Insurance	42,410
Inventories	905,681
Unamortized Bond Issuance Costs	22,183
Land	330,775
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	12,957,563
Total Assets	25,126,839
 LIABILITIES	
Accounts Payable	348,869
Accrued Interest Payable	3,869
Salaries and Benefits Payable	155,562
Retainage Payable	27,190
Due to Other Governments	471,480
Deferred Revenue:	
Succeeding Year Property Tax	5,362,405
Long-Term Liabilities	
Portion Due or Payable Within One Year	
General Obligation Bonds	219,535
Compensated Absences	182,614
Portion Due or Payable After One Year	
General Obligation Bonds	1,026,283
Compensated Absences	319,842
Total Liabilities	8,117,649
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,042,520
Restricted for	
Supplemental Levy Purposes	394,642
Mental Health Purposes	269,828
Secondary Roads Purposes	2,111,542
Capital Projects	219,673
Unrestricted	1,970,985
Total Net Assets	\$ 17,009,190

See Accompanying Notes to Financial Statements

SHELBY COUNTY
Statement of Activities
For the Year Ended June 30, 2009

	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	
Functions/Programs					
Governmental Activities					
Public Safety and Legal Services	\$ 1,858,440	\$ 296,280	\$ 85,229		\$ (1,476,931)
Physical Health and Social Services	634,421		214,361		(420,060)
Mental Health	2,236,050	74,275	955,562		(1,206,213)
County Environment and Education	595,422	54,480	70,874		(470,068)
Roads and Transportation	4,869,834	153,272	2,469,958	\$ 663,337	(1,583,267)
Government Services to Residents	482,977	146,822	13,394		(322,761)
Administrative Services	1,087,673	45,289			(1,042,384)
Non-Program	2,930				(2,930)
Interest on Long-Term Debt	56,018				(56,018)
Total	<u>\$11,823,765</u>	<u>\$ 770,418</u>	<u>\$ 3,809,378</u>	<u>\$ 663,337</u>	<u>(6,580,632)</u>
General Revenues					
Property and Other County Tax Levied for					
General Purpose					5,059,668
Debt Service					51,005
Penalty and Interest on Property Tax					33,076
Local Option Sales Tax					480,360
Tax Increment Financing					335,158
State Tax Credits					830,789
Unrestricted Investment Earnings					132,604
Miscellaneous					42,450
Total General Revenues					<u>6,965,110</u>
Change in Net Assets					384,478
Net Assets - Beginning of Year					<u>16,624,712</u>
Net Assets - End of Year					<u>\$ 17,009,190</u>

SHELBY COUNTY
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General</u>
Assets	
Cash and Pooled Investments	\$ 1,911,125
Receivables	
Property Tax	
Delinquent	36,251
Succeeding Year	2,761,809
Accounts	632
Accrued Interest	57,841
Interfund Receivables	
Due from Other Governments	86,548
Inventories	
Prepaid Insurance	42,410
Total Assets	<u><u>4,896,616</u></u>
Liabilities and Fund Balances	
Liabilities	
Accounts Payable	40,359
Salaries and Benefits Payable	70,151
Retainage Payable	
Interfund Payables	2,833
Due to Other Governments	173
Deferred Revenue:	
Succeeding Year Property Tax	2,761,809
Deferred Revenue	4,911
Total Liabilities	<u><u>2,880,236</u></u>
Fund Balances	
Reserved for	
Prepaid Insurance	42,410
Debt Service	
Inventories	
Supplemental Levy Purposes	396,638
Unreserved, Reported In	
General Fund	1,577,332
Special Revenue Funds	
Capital Project Fund	
Total Fund Balances	<u><u>2,016,380</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 4,896,616</u></u>

See Accompanying Notes to Financial Statements

Exhibit C

Special Revenue				
Rural Services	Secondary Roads	Mental Health	Nonmajor Funds	Total
\$ 244,671	\$ 1,393,156	\$ 806,034	\$ 466,726	\$ 4,821,712
19,155		10,491	89	65,986
1,320,000		880,253	400,343	5,362,405
	3,319	3,571	670	8,192
				57,841
	2,947			2,947
19,354	378,732	67,030	427	552,091
	905,681			905,681
				42,410
<u>1,603,180</u>	<u>2,683,835</u>	<u>1,767,379</u>	<u>868,255</u>	<u>11,819,265</u>
	130,265	109,875	68,370	348,869
180	64,728	14,842	5,661	155,562
	27,190			27,190
		114		2,947
		471,307		471,480
1,320,000		880,253	400,343	5,362,405
305		503	89	5,808
<u>1,320,485</u>	<u>222,183</u>	<u>1,476,894</u>	<u>474,463</u>	<u>6,374,261</u>
				42,410
			320	320
	905,681			905,681
6,028				402,666
				1,577,332
276,667	1,555,971	290,485	173,799	2,296,922
			219,673	219,673
<u>282,695</u>	<u>2,461,652</u>	<u>290,485</u>	<u>393,792</u>	<u>5,445,004</u>
<u>\$ 1,603,180</u>	<u>\$ 2,683,835</u>	<u>\$ 1,767,379</u>	<u>\$ 868,255</u>	<u>\$ 11,819,265</u>

See Accompanying Notes to Financial Statements

SHELBY COUNTY

SHELBY COUNTY
Reconciliation of The Balance Sheet of Governmental Funds
To The Statement of Net Assets
June 30, 2009

Total Governmental Fund Balances (page 14)		\$ 5,445,004
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 \$20,134,663 and the accumulated depreciation is \$6,846,325.		13,288,338
Deferred revenues from the balance sheet that provide current financial resources for governmental activities		5,808
Unamortized bond issuance costs not reported on the modified accrual basis		22,183
Unamortized bond discount not reported on the modified accrual basis		4,182
Accrued expenses from the balance sheet that required current financial resources for governmental activities.		(3,869)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General Obligation Bonds	(1,250,000)	
Compensated Absences	(502,456)	(1,752,456)
Total Net Assets - Governmental Activities (page 11)		<u>\$ 17,009,190</u>

SHELBY COUNTY
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General
Revenue	
Property and Other County Tax	\$ 2,778,270
Penalty and Interest on Property Tax	33,076
Intergovernmental Revenue	521,729
Licenses and Permits	232,434
Charges for Services	323,470
Use of Money and Property	183,839
Miscellaneous	69,898
Total Revenue	4,142,716
Expenditures	
Operating	
Public Safety and Legal Services	1,702,508
Physical Health and Social Services	639,560
Mental Health	
County Environment and Education Services	36,696
Roads and Transportation	
Governmental Services to Residents	399,763
Administrative Services	1,011,888
Debt Service	
Principal	
Interest	
Capital Projects	5,220
Total Expenditures	3,795,635
Excess (Deficiency) of Revenues Over Expenditures	347,081
Other Financing Sources (Uses)	
Proceeds from Sale of Capital Assets	3,800
Transfers In	200,000
Transfers Out	(540,897)
Total Other Financing Sources (Uses)	(337,097)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	9,984
Fund Balances - Beginning of Year	2,006,396
Fund Balances - End of Year	\$ 2,016,380

See Accompanying Notes to Financial Statements

Exhibit E

Special Revenue				
Rural Services	Secondary Roads	Mental Health	Nonmajor Funds	Total
\$ 1,473,236	\$ 160,120	\$ 834,296	\$ 386,528	\$ 5,632,450
				33,076
130,892	2,917,084	1,573,377	41,236	5,184,318
	1,155			233,589
			17,473	340,943
	190		2,872	186,901
	101,086	15,916	9,393	196,293
<u>1,604,128</u>	<u>3,179,635</u>	<u>2,423,589</u>	<u>457,502</u>	<u>11,807,570</u>
			14,557	1,717,065
				639,560
		2,236,326		2,236,326
166,225			224,003	426,924
144	3,895,716			3,895,860
194				399,957
			818	1,012,706
			270,000	270,000
			56,818	56,818
	977,258		284,496	1,266,974
<u>166,563</u>	<u>4,872,974</u>	<u>2,236,326</u>	<u>850,692</u>	<u>11,922,190</u>
<u>1,437,565</u>	<u>(1,693,339)</u>	<u>187,263</u>	<u>(393,190)</u>	<u>(114,620)</u>
	13,100		500	17,400
	1,997,761	9,000	731,626	2,938,387
<u>(1,378,602)</u>			<u>(1,018,888)</u>	<u>(2,938,387)</u>
<u>(1,378,602)</u>	<u>2,010,861</u>	<u>9,000</u>	<u>(286,762)</u>	<u>17,400</u>
58,963	317,522	196,263	(679,952)	(97,220)
223,732	2,144,130	94,222	1,073,744	5,542,224
<u>\$ 282,695</u>	<u>\$ 2,461,652</u>	<u>\$ 290,485</u>	<u>\$ 393,792</u>	<u>\$ 5,445,004</u>

See Accompanying Notes to Financial Statements

Exhibit F

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, 2009

Net Change in Fund Balances - Total Governmental Funds (page 17) \$ (97,220)

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 assets. Capital outlays exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	1,052,526	
Depreciation expense	<u>(723,325)</u>	329,201

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	(233,366)	
Accumulated depreciation on the disposed assets	<u>176,808</u>	(56,558)

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		(26,499)
--------------	--	----------

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt.

Principal Payments		269,535
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The effect of expensing bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.

(2,465)

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		(32,316)
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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>800</u>
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Change in Net Assets of Governmental Activities (page 12)		<u><u>\$ 384,478</u></u>
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SHELBY COUNTY
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

Assets

Cash and Pooled Investments:

County Treasurer	\$ 2,115,520
Shelby County Solid Waste Agency	426,847

Receivables:

Property Tax:

Delinquent	128,350
Succeeding Year	12,466,549

Accounts	15,592
Due from Other Governments	55,148

Total Assets

 15,208,006
Liabilities

Accounts Payable	292,016
Salaries and Benefits Payable	26,965
Due to Other Governments	14,874,136
Trusts Payable	14,889

Total Liabilities

 \$ 15,208,006

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2009

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, 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, Harrison/Monona/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) and Southwest Iowa Juvenile Detention Center.

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2009

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 County. 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:

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 expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2009

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, 2009

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property 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 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due From and Due To Other Funds - 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, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2009

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 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 acquired after July 1, 1980 (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 if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
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.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

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

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred revenue in 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.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours, including employee benefits, for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is 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, 2009. 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, 2009, disbursements exceeded the amounts budgeted in the Physical Health and Social Services and Debt Service functions.

Note 2 - Cash and Pooled Investments

The County's deposits in banks at June 30, 2009 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 certificates of deposits only as of June 30, 2009 with various maturities extending no later than January 2010.

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2009

Note 2 - Cash and Pooled Investments (Continued)

Custodial Credit Risk – The County has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the State Sinking Fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Note 3 - Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
Secondary Roads	General Fund	\$ 2,833
Secondary Roads	Mental Health	114
		<hr/>
Total		\$ 2,947
		<hr/>

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, 2009 is as follows:

Transfers To	Transfer From	Amount
General Fund	Rural Services	\$ 200,000
Secondary Roads	Rural Services	1,158,602
	General Fund	89,159
	Capital Projects	750,000
Mental Health	General Fund	9,000
Conservation	General Fund	170,000
Flood and Erosion	Rural Services	20,000
Debt Service	General Fund	607
Debt Service	Tax Increment Financing Fund	268,888
Capital Projects	General Fund	272,131
		<hr/>
Total Transfers		\$ 2,938,387
		<hr/>

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, 2009

Note 5 - Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 330,775			\$ 330,775
Construction in Progress	1,178,754		\$ (1,178,754)	-
Total capital assets not being depreciated	<u>1,509,529</u>		<u>(1,178,754)</u>	<u>330,775</u>
Capital assets being depreciated:				
Buildings	3,724,817	61,687		3,786,504
Equipment and Vehicles	6,722,648	259,971	(238,116)	6,744,503
Infrastructure, Road Network	7,358,509	1,914,372		9,272,881
Total capital assets being depreciated	<u>17,805,974</u>	<u>2,236,030</u>	<u>(238,116)</u>	<u>19,803,888</u>
Less accumulated depreciation for:				
Buildings	1,444,217	78,989		1,523,206
Equipment and Vehicles	4,231,855	348,063	(176,808)	4,403,110
Infrastructure, Road Network	623,736	296,273		920,009
Total accumulated depreciation	<u>6,299,808</u>	<u>723,325</u>	<u>(176,808)</u>	<u>6,846,325</u>
Total capital assets being depreciated, net	<u>11,506,166</u>	<u>1,512,705</u>	<u>(61,308)</u>	<u>12,957,563</u>
Governmental activities capital assets, net	<u>\$13,015,695</u>	<u>\$ 1,512,705</u>	<u>\$ (1,240,062)</u>	<u>\$ 13,288,338</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	\$ 23,768
Mental Health	3,690
County Environment and Education Services	22,269
Roads and Transportation	558,709
Governmental Services to Residents	15,661
Administrative Services	<u>99,228</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 723,325</u>

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2009

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
Governmental Funds:		
General Fund	Services	\$ 173
Mental Health		471,307
Total for Governmental Funds		<u>\$ 471,480</u>
Agency Funds:		
Agricultural Extension	Collections	\$ 132,227
County Assessor		351,889
Schools		7,814,268
Community Colleges		516,897
Corporations		3,201,025
Townships		232,589
Auto License and Use Tax		267,221
Emergency Management		673,523
County Hospital		551,058
Solid Waste Agency		403,892
E911 Commission		334,572
M/H/S Empowerment		120,438
All Others		274,537
Total for Agency Funds		<u>\$ 14,874,136</u>

Note 7 - Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	General Obligation Capital Loan Notes				Total
	Series 1999	Series 2004A	Series 2007	Compensated Absences	
Balance beginning of year	\$ 55,000	\$ 400,000	\$ 1,060,353	\$ 470,140	\$ 1,985,493
Increases	-	-	-	34,334	34,334
Decreases	55,000	150,000	64,535	2,018	271,553
Balance end of year	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 995,818</u>	<u>\$ 502,456</u>	<u>\$ 1,748,274</u>
Due within one year	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 94,535</u>	<u>\$ 182,614</u>	<u>\$ 402,149</u>

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2009

Note 7 - Long-Term Liabilities (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. At June 30, 2009, the capital loan note was paid.

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, 2009 general obligation capital loan notes, 2004A is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	3.40%	\$ 125,000	\$ 8,875	\$ 133,875
2011	3.70%	125,000	4,625	129,625
Total		<u>\$ 250,000</u>	<u>\$ 13,500</u>	<u>\$ 263,500</u>

In November 2007, the County issued \$1,065,000 in general obligation capital loan notes to fund the costs of undertaking an urban renewal project, including improvements to a road leading to a new dairy. Tax increment financing revenues will be used to pay off the capital loan notes. A summary of the County's June 30, 2009 general obligation capital loan notes is as follows:

Year Ending June 30,	Interest Rates	Principal	Bond Discount	Net	Interest	Total
2010	3.55%	\$ 95,000	\$ (465)	\$ 94,535	\$ 37,551	\$ 132,551
2011	3.60%	95,000	(465)	94,535	34,179	129,179
2012	3.65%	100,000	(465)	99,535	30,759	130,759
2013	3.70%	105,000	(465)	104,535	27,109	132,109
2014	3.75%	110,000	(465)	109,535	23,224	133,224
2015-2018	3.80 – 3.90%	495,000	(1,857)	493,143	49,201	544,201
Total		<u>\$1,000,000</u>	<u>\$ (4,182)</u>	<u>\$ 995,818</u>	<u>\$ 202,023</u>	<u>\$1,202,023</u>

During the year ended June 30, 2009 interest payments under the Series 1999, Series 2004A and 2007 general obligation capital loan notes totaled \$2,530, \$13,676 and \$39,826, respectively.

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2009

Note 8 - Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% of covered payroll. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$157,789, \$134,628, and \$198,168, respectively, equal to each year's required contributions.

Note 9 - 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 620 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, law enforcement liability, property coverage, bond coverage, and boiler coverage. 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 200 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, 2009 was \$89,818.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, law enforcement, and public official's liability risk up to

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2009

Note 9 - Risk Management (Continued)

\$2,000,000 per claim. Claims exceeding \$2,000,000 are reinsured in an amount not to exceed \$7,000,000 per occurrence. Property and automobile physical damage coverage risks are retained by the Pool up to the total insured values of \$2,169,224 for auto physical damage and \$18,898,386 for property.

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, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, 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 insurance on the Shelby County Care Facility. The policy insures a poultry house, machine shed, storage building, grain bin, electrical wiring, submersible pump, and unscheduled farm personal property. The County also participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for Workman's Compensation insurance.

Note 10 - Commitments

The County has entered into 3 contracts totaling \$313,800 for erosion control. As of June 30, 2009, there were no costs incurred on the project. The balance of \$313,800 remaining on the contracts at June 30, 2009 will be paid as work on the project progresses.

The County has committed to providing \$100,000 to Iowa Western Community College to help fund construction of its new College Park Plaza for new businesses. \$50,000 was provided in the current year ended June 30, 2009 and \$25,000 will be provided in each of the next two fiscal years.

Note 11 - Prior Period Adjustment

During the year, it was determined prior year assets and liabilities of the County Recorder and the County Sheriff on the Combining Schedule of Fiduciary Assets and Liabilities were understated by \$43,236. To correct this error, the beginning balances of the County Recorder has been increased by \$43,430 and the County Sheriff has been decreased by \$194.

SHELBY COUNTY

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, 2009

	Governmental Funds Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
		Original	Final	
Receipts				
Property and Other County Tax	\$ 5,640,939	\$ 5,560,866	\$ 5,557,832	\$ 83,107
Interest and Penalty on Property Tax	33,076	22,000	22,000	11,076
Intergovernmental	5,013,250	4,307,767	4,307,767	705,483
Licenses and Permits	234,204	212,266	212,266	21,938
Charges for Service	348,107	296,635	296,635	51,472
Use of Money and Property	196,478	218,063	218,063	(21,585)
Miscellaneous	180,416	108,840	108,840	71,576
Total Receipts	<u>11,646,470</u>	<u>10,726,437</u>	<u>10,723,403</u>	<u>923,067</u>
Disbursements				
Public Safety and Legal Services	1,720,762	1,759,734	1,821,734	100,972
Physical Health and Social Services	642,232	445,239	465,239	(176,993)
Mental Health	2,109,386	2,152,894	2,200,000	90,614
County Environment and Education	421,386	418,887	448,887	27,501
Roads and Transportation	3,717,058	4,235,850	4,235,850	518,792
Government Services to Residents	394,195	411,627	404,627	10,432
Administrative Services	1,007,205	1,043,694	1,068,694	61,489
Debt Service	326,818	326,432	326,432	(386)
Capital Projects	1,280,892	888,196	1,932,196	651,304
Total Disbursements	<u>11,619,934</u>	<u>11,682,553</u>	<u>12,903,659</u>	<u>1,283,725</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>26,536</u>	<u>(956,116)</u>	<u>(2,180,256)</u>	<u>2,206,792</u>
Other Financing Sources (Uses)				
Proceeds from Fixed Asset Sales	<u>17,400</u>	<u>2,000</u>	<u>2,000</u>	<u>15,400</u>
Total Other Financing Sources	<u>17,400</u>	<u>2,000</u>	<u>2,000</u>	<u>15,400</u>
Excess (Deficiency) of Receipts and Other Sources Over Disbursements	<u>43,936</u>	<u>(954,116)</u>	<u>(2,178,256)</u>	<u>2,222,192</u>
Balance Beginning of Year, as restated	<u>4,777,776</u>	<u>4,260,514</u>	<u>4,777,776</u>	<u>-</u>
Balance End of Year	<u>\$ 4,821,712</u>	<u>\$ 3,306,398</u>	<u>\$ 2,599,520</u>	<u>\$ 2,222,192</u>

SHELBY COUNTY
Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information
For the Year Ended June 30, 2009

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 11,646,470	\$ 161,100	\$ 11,807,570
Expenditures	11,619,934	302,256	11,922,190
Net	26,536	(141,156)	(114,620)
Other Financing Sources	17,400	-	17,400
Beginning Fund Balances, as restated	4,777,776	764,448	5,542,224
Ending Fund Balances	<u>\$ 4,821,712</u>	<u>\$ 623,292</u>	<u>\$ 5,445,004</u>

SHELBY COUNTY, IOWA
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2009

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 ten major classes of expenditures know as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and 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 \$1,221,106. 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, 2009, disbursements exceeded the amounts budgeted in the Physical Health and Social Services and Debt Service functions.

SUPPLEMENTAL INFORMATION

SHELBY COUNTY
Combining Balance Sheet
Governmental Nonmajor Funds
June 30, 2009

	Special Revenue			
	Resource Enhancement and Protection	County Recorder's Electronic Transaction Fee	Conservation Land Acquisition	Flood and Erosion
Assets				
Cash and Pooled Investments	\$ 12	\$ 803	\$ 328	\$ 39,498
Receivables				
Property Tax				
Delinquent				
Succeeding Year				
Due from Other Governments				
Accounts				
Total Assets	<u>12</u>	<u>803</u>	<u>328</u>	<u>39,498</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable				
Salaries and Benefits Payable				
Deferred Revenue:				
Succeeding Year Property Tax				
Deferred Revenue				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Reserved for Debt Service				
Unreserved for:				
Capital Project Fund				
Special Revenue Fund	12	803	328	39,498
Total Fund Balance	<u>12</u>	<u>803</u>	<u>328</u>	<u>39,498</u>
Total Liabilities and Fund Equity	<u>\$ 12</u>	<u>\$ 803</u>	<u>\$ 328</u>	<u>\$ 39,498</u>

Special Revenue								
County Recorder's Records Management	Drug Forfeiture	Commissary	Conservation	Tax Increment Financing	Debt Service	Capital Projects	Total	
\$ 9,951	\$ 13,361	\$ 6,461	\$ 40,264	\$ 85,205	\$ 320	\$ 270,523	\$ 466,726	
				60	29		89	
				400,343			400,343	
327			100				427	
		670	-				670	
<u>10,278</u>	<u>13,361</u>	<u>7,131</u>	<u>40,364</u>	<u>485,608</u>	<u>349</u>	<u>270,523</u>	<u>868,255</u>	
		1,864	15,656			50,850	68,370	
			5,661				5,661	
				400,343			400,343	
				60	29		89	
<u>-</u>	<u>-</u>	<u>1,864</u>	<u>21,317</u>	<u>400,403</u>	<u>29</u>	<u>50,850</u>	<u>474,463</u>	
					320		320	
						219,673	219,673	
10,278	13,361	5,267	19,047	85,205			173,799	
<u>10,278</u>	<u>13,361</u>	<u>5,267</u>	<u>19,047</u>	<u>85,205</u>	<u>320</u>	<u>219,673</u>	<u>393,792</u>	
<u>\$ 10,278</u>	<u>\$ 13,361</u>	<u>\$ 7,131</u>	<u>\$ 40,364</u>	<u>\$ 485,608</u>	<u>\$ 349</u>	<u>\$ 270,523</u>	<u>\$ 868,255</u>	

SHELBY COUNTY
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Governmental Nonmajor Funds
For the Year Ended June 30, 2009

	Special Revenue			
	Resource Enhancement and Protection	County Recorder's Electronic Transaction Fee	Conservation Land Acquisition	Flood and Erosion
Revenues				
Property and Other County Tax				
Intergovernmental Revenue	\$ 16,174			
Charges for Services				
Use of Money and Property	42	\$ 3	\$ 1	
Miscellaneous				
Total Revenues	<u>16,216</u>	<u>3</u>	<u>1</u>	<u>-</u>
Expenditures				
Operating				
Public Safety and Legal Services				
County Environment and Education Services				\$ 4,855
Administrative Services				
Debt Service				
Principal				
Interest				
Capital Projects	26,595			
Total Expenditures	<u>26,595</u>	<u>-</u>	<u>-</u>	<u>4,855</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(10,379)</u>	<u>3</u>	<u>1</u>	<u>(4,855)</u>
Other Financing Sources (uses)				
Proceeds from Sales of Fixed Assets				
Transfers In				20,000
Transfers Out				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	<u>(10,379)</u>	<u>3</u>	<u>1</u>	<u>15,145</u>
Fund Balances - Beginning of Year	10,391	800	327	24,353
Fund Balances - End of Year	<u>\$ 12</u>	<u>\$ 803</u>	<u>\$ 328</u>	<u>\$ 39,498</u>

Special Revenue							
County Recorder's Records Management	Drug Forfeiture	Commissary	Conservation	Tax Increment Financing	Debt Service	Capital Projects	Total
				\$ 335,158	\$ 51,370		\$ 386,528
			\$ 22,749		2,313		41,236
\$ 3,417			14,056				17,473
21	\$ 55		2,750				2,872
	300	\$ 4,462	271			\$ 4,360	9,393
<u>3,438</u>	<u>355</u>	<u>4,462</u>	<u>39,826</u>	<u>335,158</u>	<u>53,683</u>	<u>4,360</u>	<u>457,502</u>
	7,561	6,996					14,557
			219,148				224,003
			818				818
					270,000		270,000
					56,818		56,818
						257,901	284,496
<u>-</u>	<u>7,561</u>	<u>6,996</u>	<u>219,966</u>	<u>-</u>	<u>326,818</u>	<u>257,901</u>	<u>850,692</u>
<u>3,438</u>	<u>(7,206)</u>	<u>(2,534)</u>	<u>(180,140)</u>	<u>335,158</u>	<u>(273,135)</u>	<u>(253,541)</u>	<u>(393,190)</u>
			500				500
			170,000		269,495	272,131	731,626
				(268,888)		(750,000)	(1,018,888)
<u>-</u>	<u>-</u>	<u>-</u>	<u>170,500</u>	<u>(268,888)</u>	<u>269,495</u>	<u>(477,869)</u>	<u>(286,762)</u>
3,438	(7,206)	(2,534)	(9,640)	66,270	(3,640)	(731,410)	(679,952)
6,840	20,567	7,801	28,687	18,935	3,960	951,083	1,073,744
<u>\$ 10,278</u>	<u>\$ 13,361</u>	<u>\$ 5,267</u>	<u>\$ 19,047</u>	<u>\$ 85,205</u>	<u>\$ 320</u>	<u>\$ 219,673</u>	<u>\$ 393,792</u>

SHELBY COUNTY
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

	<u>County Recorder</u>	<u>County Sheriff</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Employee Flex Spending</u>	<u>Schools</u>	<u>Community Colleges</u>
Assets							
Cash and pooled investments:							
County Treasurer			\$ 683	\$ 135,468	\$ 21,532	\$ 41,619	\$ 2,549
Other County Officials	\$ 30,571	\$ 27,312					
Shelby County Solid Waste Agency							
Receivables:							
Property Tax:							
Delinquent			1,544	2,589		90,682	6,030
Succeeding Year			130,000	217,000		7,681,967	508,318
Accounts	2,073			21			
Due from Other Governments							
Total Assets	<u>32,644</u>	<u>27,312</u>	<u>132,227</u>	<u>355,078</u>	<u>21,532</u>	<u>7,814,268</u>	<u>516,897</u>
Liabilities							
Accounts Payable				138	21,532		
Salaries and Benefits Payable				3,051			
Due to Other Governments	32,644	12,423	132,227	351,889		7,814,268	516,897
Trusts Payable		14,889					
Total Liabilities	<u>\$ 32,644</u>	<u>\$ 27,312</u>	<u>\$ 132,227</u>	<u>\$ 355,078</u>	<u>\$ 21,532</u>	<u>\$ 7,814,268</u>	<u>\$ 516,897</u>

Schedule 3

<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>	<u>County Hospital</u>	<u>Solid Waste Agency</u>
\$ 25,944	\$ 689	\$ 771	\$ 267,221	\$ 12	\$ 652,201	\$ 2,948	\$ 102,503
							426,847
17,769	3,274			20		6,442	
3,157,312	228,626			1,658		541,668	
					3,000		
					39,332		7,837
<u>3,201,025</u>	<u>232,589</u>	<u>771</u>	<u>267,221</u>	<u>1,690</u>	<u>694,533</u>	<u>551,058</u>	<u>537,187</u>
					3,843		126,548
					17,167		6,747
3,201,025	232,589	771	267,221	1,690	673,523	551,058	403,892
<u>\$ 3,201,025</u>	<u>\$ 232,589</u>	<u>\$ 771</u>	<u>\$ 267,221</u>	<u>\$ 1,690</u>	<u>\$ 694,533</u>	<u>\$ 551,058</u>	<u>\$ 537,187</u>

SHELBY COUNTY
Combining Schedule of Fiduciary Assets and Liabilities - Continued
Agency Funds
June 30, 2009

	<u>E911 Commission</u>	<u>Recorder's E-Commerce</u>	<u>Tax Advance</u>	<u>Unapportioned Tax</u>	<u>M/H/S Empowerment</u>	<u>Total</u>
Assets						
Cash and pooled investments:						
County Treasurer	\$ 321,283	\$ 259	\$ 45,713	\$ 180,710	\$ 255,532	\$ 2,057,637
Other County Officials						57,883
Shelby County Solid Waste Agency						426,847
Receivables:						
Property Tax:						
Delinquent						128,350
Succeeding Year						12,466,549
Accounts	10,498					15,592
Due from Other Governments	7,652	327				55,148
Total Assets	<u>339,433</u>	<u>586</u>	<u>45,713</u>	<u>180,710</u>	<u>255,532</u>	<u>15,208,006</u>
Liabilities						
Accounts Payable	4,861				135,094	292,016
Salaries and Benefits Payable						26,965
Due to Other Governments	334,572	586	45,713	180,710	120,438	14,874,136
Trusts Payable						14,889
Total Liabilities	<u>\$ 339,433</u>	<u>\$ 586</u>	<u>\$ 45,713</u>	<u>\$ 180,710</u>	<u>\$ 255,532</u>	<u>\$ 15,208,006</u>

SHELBY COUNTY, IOWA
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the Year Ended June 30, 2009

	Balance July 1, 2008 (Restated)	Addi- tions	Deduc- tions	Balance June 30, 2009
County Recorder				
<i>Assets</i>				
Cash and Pooled Investments	\$ 41,629	\$ 231,308	\$ 242,366	\$ 30,571
Accounts Receivable	1,801	2,073	1,801	2,073
Total Assets	<u>43,430</u>	<u>233,381</u>	<u>244,167</u>	<u>32,644</u>
<i>Liabilities</i>				
Due to Other Governments	43,430	233,381	244,167	32,644
Total Liabilities	<u>43,430</u>	<u>233,381</u>	<u>244,167</u>	<u>32,644</u>
County Sheriff				
<i>Assets</i>				
Cash and Pooled Investments	35,919	338,774	347,381	27,312
Total Assets	<u>35,919</u>	<u>338,774</u>	<u>347,381</u>	<u>27,312</u>
<i>Liabilities</i>				
Due to Other Governments	14,806	43,696	46,079	12,423
Trusts Payable	21,113	295,078	301,302	14,889
Total Liabilities	<u>35,919</u>	<u>338,774</u>	<u>347,381</u>	<u>27,312</u>
Agricultural Extension Education				
<i>Assets</i>				
Cash and Pooled Investments	2,077	118,765	120,159	683
Property Tax Receivable	781	1,544	781	1,544
Future Property Tax Receivable	116,560	130,000	116,560	130,000
Total Assets	<u>119,418</u>	<u>250,309</u>	<u>237,500</u>	<u>132,227</u>
<i>Liabilities</i>				
Due to Other Governments	119,418	250,309	237,500	132,227
Total Liabilities	<u>119,418</u>	<u>250,309</u>	<u>237,500</u>	<u>132,227</u>
County Assessor				
<i>Assets</i>				
Cash and Pooled Investments	87,693	219,460	171,685	135,468
Property Tax Receivable	755	2,589	755	2,589
Future Property Tax Receivable	215,347	217,000	215,347	217,000
Accounts Receivable	-	21	-	21
Total Assets	<u>303,795</u>	<u>439,070</u>	<u>387,787</u>	<u>355,078</u>
<i>Liabilities</i>				
Accounts Payable	40,517	138	40,517	138
Due to Other Governments	260,431	435,881	344,423	351,889
Salaries and Benefits Payable	2,847	3,051	2,847	3,051
Total Liabilities	<u>\$ 303,795</u>	<u>\$ 439,070</u>	<u>\$ 387,787</u>	<u>\$ 355,078</u>

(Continued)

SHELBY COUNTY, IOWA
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - (Continued)
 Agency Funds
 For the Year Ended June 30, 2009

	Balance July 1, 2008 (Restated)	Addi- tions	Deduc- tions	Balance June 30, 2009
Employee Flex Spending				
<i>Assets</i>				
Cash and Pooled Investments	\$ 22,660	\$ 38,123	\$ 39,251	\$ 21,532
Total Asset	<u>22,660</u>	<u>38,123</u>	<u>39,251</u>	<u>21,532</u>
<i>Liabilities</i>				
Accounts Payable	22,660	38,123	39,251	21,532
Total Liabilities	<u>22,660</u>	<u>38,123</u>	<u>39,251</u>	<u>21,532</u>
Schools				
<i>Assets</i>				
Cash and Pooled Investments	118,786	7,255,818	7,332,985	41,619
Property Tax Receivable	44,922	90,682	44,922	90,682
Future Property Tax Receivable	7,090,187	7,681,967	7,090,187	7,681,967
Total Assets	<u>7,253,895</u>	<u>15,028,467</u>	<u>14,468,094</u>	<u>7,814,268</u>
<i>Liabilities</i>				
Due to Other Governments	7,253,895	15,028,467	14,468,094	7,814,268
Total Liabilities	<u>7,253,895</u>	<u>15,028,467</u>	<u>14,468,094</u>	<u>7,814,268</u>
Community Colleges				
<i>Assets</i>				
Cash and Pooled Investments	7,057	438,533	443,041	2,549
Property Tax Receivable	2,664	6,030	2,664	6,030
Future Property Tax Receivable	424,811	508,318	424,811	508,318
Total Assets	<u>434,532</u>	<u>952,881</u>	<u>870,516</u>	<u>516,897</u>
<i>Liabilities</i>				
Due to Other Governments	434,532	952,881	870,516	516,897
Total Liabilities	<u>434,532</u>	<u>952,881</u>	<u>870,516</u>	<u>516,897</u>
Corporations				
<i>Assets</i>				
Cash and Pooled Investments	35,819	2,888,261	2,898,136	25,944
Property Tax Receivable	18,377	17,769	18,377	17,769
Future Property Tax Receivable	2,171,967	3,157,312	2,171,967	3,157,312
Total Assets	<u>2,226,163</u>	<u>6,063,342</u>	<u>5,088,480</u>	<u>3,201,025</u>
<i>Liabilities</i>				
Due to Other Governments	2,226,163	6,063,342	5,088,480	3,201,025
Total Liabilities	<u>\$ 2,226,163</u>	<u>\$ 6,063,342</u>	<u>\$ 5,088,480</u>	<u>\$ 3,201,025</u>

(Continued)

SHELBY COUNTY, IOWA
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - (Continued)
 Agency Funds
 For the Year Ended June 30, 2009

	Balance July 1, 2008 (Restated)	Addi- tions	Deduc- tions	Balance June 30, 2009
Townships				
<i>Assets</i>				
Cash and Pooled Investments	\$ 3,424	\$ 209,391	\$ 212,126	\$ 689
Property Tax Receivable	1,267	3,274	1,267	3,274
Future Property Tax Receivable	205,891	228,626	205,891	228,626
Total Assets	<u>210,582</u>	<u>441,291</u>	<u>419,284</u>	<u>232,589</u>
<i>Liabilities</i>				
Due to Other Governments	210,582	441,291	419,284	232,589
Total Liabilities	<u>210,582</u>	<u>441,291</u>	<u>419,284</u>	<u>232,589</u>
City Special Assessments				
<i>Assets</i>				
Cash and Pooled Investments	1,646	12,533	13,408	771
Total Assets	<u>1,646</u>	<u>12,533</u>	<u>13,408</u>	<u>771</u>
<i>Liabilities</i>				
Due to Other Governments	1,646	12,533	13,408	771
Total Liabilities	<u>1,646</u>	<u>12,533</u>	<u>13,408</u>	<u>771</u>
Auto License and Use Tax				
<i>Assets</i>				
Cash and Pooled Investments	259,750	3,253,992	3,246,521	267,221
Total Assets	<u>259,750</u>	<u>3,253,992</u>	<u>3,246,521</u>	<u>267,221</u>
<i>Liabilities</i>				
Due to Other Governments	259,750	3,253,992	3,246,521	267,221
Total Liabilities	<u>259,750</u>	<u>3,253,992</u>	<u>3,246,521</u>	<u>267,221</u>
Bangs Eradication				
<i>Assets</i>				
Cash and Pooled Investments	30	1,830	1,848	12
Property Tax Receivable	11	20	11	20
Future Property Tax Receivable	1,796	1,658	1,796	1,658
Total Assets	<u>1,837</u>	<u>3,508</u>	<u>3,655</u>	<u>1,690</u>
<i>Liabilities</i>				
Due to Other Governments	1,837	3,508	3,655	1,690
Total Liabilities	<u>\$ 1,837</u>	<u>\$ 3,508</u>	<u>\$ 3,655</u>	<u>\$ 1,690</u>

(Continued)

SHELBY COUNTY, IOWA
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - (Continued)
Agency Funds
For the Year Ended June 30, 2009

	Balance July 1, 2008 (Restated)	Addi- tions	Deduc- tions	Balance June 30, 2009
Emergency Management				
Assets				
Cash and Pooled Investments	\$ 640,595	\$ 629,673	\$ 618,067	\$ 652,201
Accounts Receivable	-	3,000	-	3,000
Due from Other Governments	-	39,332	-	39,332
Total Assets	<u>640,595</u>	<u>672,005</u>	<u>618,067</u>	<u>694,533</u>
Liabilities				
Accounts Payable	4,439	3,843	4,439	3,843
Salaries and Benefits Payable	15,451	17,167	15,451	17,167
Due to Other Governments	620,705	650,995	598,177	673,523
Total Liabilities	<u>640,595</u>	<u>672,005</u>	<u>618,067</u>	<u>694,533</u>
County Hospital				
Assets				
Cash and Pooled Investments	8,053	512,462	517,567	2,948
Property Tax Receivable	3,028	6,442	3,028	6,442
Future Property Tax Receivable	502,943	541,668	502,943	541,668
Total Assets	<u>514,024</u>	<u>1,060,572</u>	<u>1,023,538</u>	<u>551,058</u>
Liabilities				
Due to Other Governments	514,024	1,060,572	1,023,538	551,058
Total Liabilities	<u>514,024</u>	<u>1,060,572</u>	<u>1,023,538</u>	<u>551,058</u>
Solid Waste Agency				
Assets				
Cash and Pooled Investments	(3,122)	860,421	754,796	102,503
Shelby County Solid Waste Agency	333,000	426,847	333,000	426,847
Due from Other Governments	-	7,837	-	7,837
Total Assets	<u>329,878</u>	<u>1,295,105</u>	<u>1,087,796</u>	<u>537,187</u>
Liabilities				
Accounts Payable	51,842	126,548	51,842	126,548
Salaries and Benefits Payable	6,080	6,747	6,080	6,747
Due to Other Governments	271,956	1,161,810	1,029,874	403,892
Total Liabilities	<u>329,878</u>	<u>1,295,105</u>	<u>1,087,796</u>	<u>537,187</u>
E911 Commission				
Assets				
Cash and Pooled Investments	313,232	149,355	141,304	321,283
Accounts Receivable	31,126	10,498	31,126	10,498
Due from Other Governments	-	7,652	-	7,652
Total Assets	<u>344,358</u>	<u>167,505</u>	<u>172,430</u>	<u>339,433</u>
Liabilities				
Accounts Payable	1,200	4,861	1,200	4,861
Due to Other Governments	343,158	162,644	171,230	334,572
Total Liabilities	<u>\$ 344,358</u>	<u>\$ 167,505</u>	<u>\$ 172,430</u>	<u>\$ 339,433</u>

(Continued)

SHELBY COUNTY, IOWA
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - (Continued)
 Agency Funds
 For the Year Ended June 30, 2009

	Balance July 1, 2008 (Restated)	Addi- tions	Deduc- tions	Balance June 30, 2009
Recorder's E-Commerce				
<i>Assets</i>				
Cash and Pooled Investments	\$ 275	\$ 3,093	\$ 3,109	\$ 259
Due from Other Governments	-	327	-	327
Total Assets	<u>275</u>	<u>3,420</u>	<u>3,109</u>	<u>586</u>
<i>Liabilities</i>				
Due to Other Governments	275	3,420	3,109	586
Total Liabilities	<u>275</u>	<u>3,420</u>	<u>3,109</u>	<u>586</u>
Tax Advance				
<i>Assets</i>				
Cash and Pooled Investments	51,297	-	5,584	45,713
Total Assets	<u>51,297</u>	<u>-</u>	<u>5,584</u>	<u>45,713</u>
<i>Liabilities</i>				
Due to Other Governments	51,297	-	5,584	45,713
Total Liabilities	<u>51,297</u>	<u>-</u>	<u>5,584</u>	<u>45,713</u>
Unapportioned Tax				
<i>Assets</i>				
Cash and Pooled Investments	-	180,710	-	180,710
Total Assets	<u>-</u>	<u>180,710</u>	<u>-</u>	<u>180,710</u>
<i>Liabilities</i>				
Due to Other Governments	-	180,710	-	180,710
Total Liabilities	<u>-</u>	<u>180,710</u>	<u>-</u>	<u>180,710</u>
M/H/S Empowerment				
<i>Assets</i>				
Cash and Pooled Investments	266,785	688,978	700,231	255,532
Total Assets	<u>266,785</u>	<u>688,978</u>	<u>700,231</u>	<u>255,532</u>
<i>Liabilities</i>				
Accounts Payable	97,777	135,094	97,777	135,094
Due to Other Governments	169,008	553,884	602,454	120,438
Total Liabilities	<u>\$ 266,785</u>	<u>\$ 688,978</u>	<u>\$ 700,231</u>	<u>\$ 255,532</u>

(Continued)

SHELBY COUNTY, IOWA
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - (Continued)
Agency Funds
For the Year Ended June 30, 2009

	Balance July 1, 2008 (Restated)	Addi- tions	Deduc- tions	Balance June 30, 2009
Total All Agency Funds				
Assets				
Cash and Pooled Investments	\$ 1,893,605	\$ 18,031,480	\$ 17,809,565	\$ 2,115,520
Shelby County Solid Waste Agency	333,000	426,847	333,000	426,847
Receivables:				
Property Tax	71,805	128,350	71,805	128,350
Future Property Tax	10,729,502	12,466,549	10,729,502	12,466,549
Accounts	32,927	15,592	32,927	15,592
Due from Other Governments	-	55,148	-	55,148
Total Assets	<u>13,060,839</u>	<u>31,123,966</u>	<u>28,976,799</u>	<u>15,208,006</u>
Liabilities				
Accounts Payable	218,435	308,607	235,026	292,016
Due to Other Governments	12,796,913	30,493,316	28,416,093	14,874,136
Trusts Payable	21,113	295,078	301,302	14,889
Salaries and Benefits Payable	24,378	26,965	24,378	26,965
Total Liabilities	<u>\$ 13,060,839</u>	<u>\$ 31,123,966</u>	<u>\$ 28,976,799</u>	<u>\$ 15,208,006</u>

Schedule 5

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

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
Revenues						
Property and Other County Tax	\$ 5,297,292	\$ 4,737,413	\$ 4,766,609	\$ 4,818,830	\$ 4,502,899	\$ 5,067,769
Tax Increment Financing	335,158	183,245	183,245	104,412	80,486	76,791
Interest and Penalty on Property Tax	33,076	28,403	28,459	27,516	39,534	33,092
Intergovernmental	5,184,318	5,225,590	4,410,119	4,295,795	5,156,147	5,262,810
Licenses and Permits	233,589	214,120	177,386	175,258	155,961	146,386
Charges for Service	340,943	313,916	337,799	451,336	360,563	309,773
Use of Money and Property	186,901	328,668	273,406	263,287	178,185	103,765
Miscellaneous	196,293	287,209	275,494	278,586	196,995	148,858
Total Revenues	11,807,570	11,318,564	10,452,517	10,415,020	10,670,770	11,149,244
Expenditures						
Current						
Public Safety and Legal Services	1,717,065	1,704,440	1,630,894	1,524,392	1,433,248	1,414,193
Physical Health and Social Services	639,560	368,441	357,941	355,800	348,471	327,235
Mental Health	2,236,326	2,446,599	2,160,238	2,078,486	1,863,309	1,708,411
County Environment and Education Services	426,924	444,997	357,578	316,362	358,298	434,326
Roads and Transportation	3,895,860	4,679,611	4,355,212	4,079,612	3,709,770	3,346,330
Government Services to Residents	399,957	398,242	350,805	362,108	333,628	292,064
Administrative Services	1,012,706	1,004,741	919,344	1,010,105	964,039	929,941
Non-Program	-	21,259	27,667	126,899	654,913	394,390
Debt Service	326,818	228,445	221,123	59,481	69,528	566,504
Capital Projects	1,266,974	368,616	343,285	892,627	1,250,941	1,201,839
Total Expenditures	\$ 11,922,190	\$ 11,665,391	\$ 10,724,087	\$ 10,805,872	\$ 10,986,145	\$ 10,615,233

SHELBY COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

	<u>CFDA Number</u>	<u>Program Expenditures</u>
Indirect		
DEPARTMENT OF AGRICULTURE		
Iowa Department of Human Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 4,630
Iowa Natural Resources Conservation:		
Emergency Watershed Protection Program	10.923	288,304 *
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Iowa Department of Public Health:		
National Bioterrorism Hospital Preparedness Program	93.889	7,500
Iowa Department of Human Services:		
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	122,750
Temporary Assistance for Needy Families	93.558	63,215
Temporary Assistance for Needy Families	93.558	4,232
Child Support Enforcement	93.563	290
Refugee and Entrant Assistance-State Administered Programs	93.566	6
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,232
Foster Care - Title IV-E	93.658	2,621
Adoption Assistance	93.659	631
Social Services Block Grant	93.667	2,773
Social Services Block Grant	93.667	43,050
Children's Health Insurance Program	93.767	35
Medical Assistance Program	93.778	5,632
EMERGENCY MANAGEMENT AGENCY		
Iowa Homeland Security and Emergency Management:		
Disaster Grants - Public Assistance	97.036	70,254 *
DEPARTMENT OF HOMELAND SECURITY		
Iowa Homeland Security and Emergency Management:		
Emergency Management Performance Grant	97.042	32,005
DEPARTMENT OF TRANSPORTATION		
Iowa Department of Public Defense		
Interagency Hazardous Materials Training and Planning Grants	20.703	<u>4,424</u>
Total Indirect		<u>653,584</u>
Total		<u>\$ 653,584</u>

* Total disbursements from these programs exceed 50% of the total federal awards and are considered major programs.

Notes to Schedule of Expenditures of Federal Awards

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



1009 Iowa Avenue
P.O. Box 238
Onawa, IA 51040
Phone (712) 423-2616
Fax (712) 423-2626

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

To the Board of Supervisors, Shelby County, Iowa:

We have audited the 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, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Shelby County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 the 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 and material weaknesses.

A *control deficiency* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 U.S. generally accepted accounting principles such that there is a more than 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 in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 was for the limited purpose described in the first paragraph of this section and would not necessarily identify 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, of the significant deficiencies described above, we believe items II-B-09 and II-C-09 are material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether Shelby County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 an instance of noncompliance or other matter that is required to be reported under Governmental Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as item II-A-09. We also noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 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.

Shelby County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Shelby County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Shelby County and other parties to whom Shelby County may report, including federal awarding agencies and pass-through entities and 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. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams + Company PC
Certified Public Accountants

Onawa, Iowa
March 10, 2010

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

SHELBY COUNTY



1009 Iowa Avenue
P.O. Box 238
Onawa, IA 51040
Phone (712) 423-2616
Fax (712) 423-2626

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Supervisors, Shelby County:

Compliance:

We have audited the compliance of Shelby County, Iowa with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2009. Shelby County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of Shelby County's management. Our responsibility is to express an opinion on Shelby County's compliance based on our audit.

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

In our opinion, Shelby County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance:

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to administer a federal program such that there is more than a remote

likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-09, III-B-09 and III-C-09 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompany Schedule of Findings and Questioned Costs as items III-A-09, III-B-09 and III-C-09 to be material weaknesses.

Shelby County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Shelby County's responses and, accordingly, we express no opinion on it.

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 including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Williams + Company PC
Certified Public Accountants

Onawa, Iowa
March 10, 2010

SHELBY COUNTY
Schedule of Findings and Questioned Costs
June 30, 2009

Part I: Summary of the Independent Auditors' 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, including material weaknesses.
- (c) The audit disclosed non-compliance which is material to the financial statements.
- (d) Significant deficiencies and material weaknesses over major programs were disclosed.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 97.036 – Disaster Grants – Public Assistance
 - CFDA Number 10.923 – Emergency Watershed Protection Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Shelby County did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

Instances of Non-Compliance

II-A-09 Financial Accounting

Observation – During the audit, we identified material grant revenues and expenditures which were not recorded or identified to be recorded by the County. The County contracts out the grant administration for these grants to the local hospital who deposited the grant proceeds directly to their bank account to administer the grant.

Recommendation – We recommend the County identify all “pass-thru” type grants and develop procedures to track the “pass-thru” revenues and expenditures for recording purposes and to ensure proper reporting of these types of grants. We also recommend that all grant receipts be deposited by the County before being expended to the contractor for administration.

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

Conclusion – Response accepted.

SHELBY COUNTY
Schedule of Findings and Questioned Costs
June 30, 2009

Significant Deficiencies

These significant deficiencies are considered material weaknesses.

II-B-09 Financial Accounting

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the County’s financial statements. In addition, beginning fiduciary assets and liabilities were restated to correct errors. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

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

Conclusion – Response accepted.

II-C-09 Financial Accounting

Observation – During the audit, material grant revenues and expenditures of the County were not recorded or identified to be recorded by the County because the grant was contracted out to another entity to administer. Also, the checks received from the State of Iowa for these grants were improperly endorsed by the contractor instead of the County.

Recommendation – We recommend the County identify all “pass-thru” type grants and develop procedures to track the “pass-thru” revenues and expenditures for recording purposes and to ensure proper reporting of these types of grants. We also recommend that all grant receipts be deposited by the County before being expended to the contractor for administration.

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

Response – Response accepted.

SHELBY COUNTY
Schedule of Findings and Questioned Costs
June 30, 2009

Part III: Findings Related to Federal Expenditures

Instances of Non-Compliance

No matters were reported

Significant Deficiencies

These significant deficiencies are considered material weaknesses.

CFDA Number 10.923: Emergency Watershed Protection Program
Federal Award Year: 2009
US Department of Agriculture
Passed through the Iowa Natural Resources Conservation

CFDA Number 97.036: Disaster Grants – Public Assistance
Federal Award Year: 2009
US Emergency Management Agency
Passed through the Iowa Homeland Security and Emergency Management

III-A-09 Financial Reporting

Observation – During the audit, material federal grant revenues and expenditures of the County were not recorded or identified to be recorded by the County because the grant was contracted out to another entity to administer. Also, the checks received from the State of Iowa for these grants were improperly endorsed by the contractor instead of the County. See Item II-C-09.

III-B-09 Schedule of Federal Expenditures

Observation – The County did not prepare the Schedule of Federal Expenditures. The federal grant information for the County is maintained by each separate department responsible for the various grants received by the County.

Recommendation – We recommend the County identify one person responsible to gather the grant revenues and expenditures information for tracking and management purposes in order to prepare the Schedule of Federal Expenditures in its entirety.

Response – We will revise our current procedures to gather and provide this information through one central location for future audits.

Conclusion – Response accepted.

III-C-09 Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements. See Item II-B-09.

SHELBY COUNTY
Schedule of Findings and Questioned Costs
June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-09 Certified Budget – Disbursements during the fiscal year ended June 30, 2009 exceeded amounts budgeted in the Physical Health and Social Sciences and Debt Service functions.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget when required in the future.

Conclusion – Response accepted.

IV-B-09 Questionable Expenses – We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-09 Travel Expense – No expenditures of County money for travel expense of spouses of County officials or employees were noted.

IV-D-09 Business Transactions – There were no business transactions between the County and County officials and/or employees during the year ended June 30, 2009.

IV-E-09 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

IV-F-09 Board Minutes – Transfers requiring Board approval which had not been approved by the Board were noted.

Recommendation – All transfers between funds should be approved by the Board before such transfers are made.

Response – We will have all transfers approved by the board in the future.

Conclusion – Response accepted.

IV-G-09 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in these financial statements. Disbursements during the year ended June 30, 2009 for the County Extension Office did not exceed the amount budgeted.

IV-H-09 Resource Enhancement and Protection Certification - The County properly dedicated enough property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

SHELBY COUNTY
Schedule of Findings and Questioned Costs
June 30, 2009

IV-I-09. Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

**SHELBY COUNTY, IOWA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2009**

CURRENT-YEAR AUDIT FINDINGS:

The following significant deficiencies regarding Internal Control Over Financial Reporting and Internal Control Over Compliance are considered to be material weaknesses at June 30, 2009:

III-A-09 – Financial Reporting

Condition – Material federal grant revenues and expenditures of the County were not recorded or identified to be recorded by the County because these grants are contracted out to another entity to administer. Also, the checks received by the state of Iowa for these grants were improperly endorsed by the contractor instead of the County.

CORRECTIVE ACTION PLAN:

Marsha Carter is the contact person responsible for the corrective action plan for this comment. The County will record such grants in the future and properly endorse the checks from the State of Iowa into the County's bank account for proper disbursement.

III-B-09 – Schedule of Federal Expenditures

Condition – The County did not prepare the Schedule of Federal Expenditures. The federal grant information for the County is maintained by each separate department responsible for the various grants related to those departments and received by the County.

CORRECTIVE ACTION PLAN:

Marsha Carter is the contact person responsible for the corrective action plan for this comment. The County will revise their method of gathering this information to provide this information through one central location in future audits.

III-C-09 – Financial Reporting

Condition – Material amounts of receivable, payables and capital asset additions were not recorded in the County's financial statements.

CORRECTIVE ACTION PLAN:

Marsha Carter is the contact person responsible for the corrective action plan for this comment. This comment is a result of the training of the Shelby County, Iowa personnel with regards to U.S. generally accepted accounting principles and government accounting standards. The County is aware of this issue and will try to improve for the future.



Marsha Carter, County Auditor