

SHELBY COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2011

Shelby County
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Shelby County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Schmitz	Board of Supervisors	January, 2015
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, 2015
Linda Fahn	County Recorder	January, 2015
Mark Hervey	County Sheriff	January, 2013
Marcus Gross	County Attorney	January, 2015
Tony Buman	County Assessor	January, 2016

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Shelby County

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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Shelby County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2012 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 3f and 30 through 32 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.

To the Officials of Shelby County

Our audit was conducted 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 one year ended June 30, 2010 (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 six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

GMMWald, Ben, Kuhn & Co. P.C.

Atlantic, Iowa
February 20, 2012

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, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 14.3%, or approximately \$2,072,400, from Fiscal 2010 to Fiscal 2011. Property and other County Taxes increased approximately \$25,000. Operating Grants and Contributions decreased approximately \$68,700, and Capital Grants and Contributions decreased by approximately \$1,812,900.
- Program expenses of the County's governmental activities were 3.2%, or approximately \$375,000, more in Fiscal 2011 than in Fiscal 2010. Mental Health expenses increased approximately \$490,400. All other service areas recorded small changes: Public Safety and Legal Services - \$26,000; Physical Health and Social Services - \$66,700; Roads and Transportation - \$(247,300); Government Services to Residents - \$10,800; and Administration - \$37,400.
- The County's net assets increased 1.6%, or approximately \$310,600, from June 30, 2010 to June 30, 2011.

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 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, and interest on long-term debt. 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 \$19.77 million to \$20.08 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,			
	2010		2011
Current and Other Assets	\$ 11,401	\$	10,885
Capital Assets	16,042		16,626
Total Assets	27,443		27,511
Long-Term Liabilities	1,426		1,336
Other Liabilities	6,250		6,097
Total Liabilities	7,676		7,433
Net Assets			
Invested in Capital Assets, Net of Related Debt	15,160		15,837
Restricted	3,164		2,958
Unrestricted	1,443		1,283
Total Net Assets	\$ 19,767	\$	20,078

Net assets of Shelby County's governmental activities increased approximately \$311,000, or 1.6% 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, decreased from approximately \$1,443,000 at June 30, 2010 to approximately \$1,283,000 at the end of this year, a decrease of 11.1%

This decrease of approximately \$160,000 in unrestricted net assets was a result of the decrease in the general fund balance. The County increased its investment in capital assets, net of related debt by approximately \$677,000 over the prior year, primarily due to transportation construction projects and the payment of \$95,000 of related debt.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)			
		Year Ended June 30,	
		2010	2011
Revenues			
Program Revenues:			
Charges for Services	\$	468	\$ 505
Operating Grants, Contributions, and Restricted Interest		5,437	5,368
Capital Grants, Contributions, and Restricted Interest		2,612	799
General Revenues:			
Property and Other County Tax		5,190	5,215
Tax Increment Financing		399	207
Penalty and Interest on Property Tax		34	34
State Tax Credits		252	196
Unrestricted Investment Earnings		130	126
Total Revenues		14,522	12,450
Program Expenses			
Public Safety and Legal Services		1,770	1,796
Physical Health and Social Services		458	525
Mental Health		2,095	2,585
County Environment and Education		446	446
Roads and Transportation		5,322	5,075
Governmental Services to Residents		399	409
Administration		1,226	1,264
Interest on Long-Term Debt		48	39
Total Expenses		11,764	12,139
Change in Net Assets		2,758	311
Net Assets, Beginning of Year		17,009	19,767
Net Assets, End of Year	\$	19,767	\$ 20,078

Revenues of the County's governmental activities decreased 14.3%, or approximately \$2,072,000, from Fiscal 2010 to Fiscal 2011. Property and other County Taxes increased approximately \$25,000. Operating Grants and Contributions decreased approximately \$69,000, and Capital Grants and Contributions decreased by \$1,813,000.

Fiscal 2011 saw an increase in total taxable valuation of \$65,623,418, which is a 11.87% increase, but the total tax asking actually decreased \$101,470, or 2.04%.

The cost of all governmental activities this year was \$12.1 million, an increase of \$375,000 when compared to last year. However, as shown in the Statement of Activities on page 6, the amount taxpayers ultimately financed for these activities was \$5.47 million because some of the cost was paid by those directly benefited from the programs (\$505,400) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,167,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased from approximately \$8,517,000 in 2010 to \$6,672,000 in 2011, principally due to the decrease in Capital Grants and Operating Grants, Contributions, and Restricted Interest. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5,778,000 in property and local option taxes (some of which could only be used for certain programs) and other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Shelby County completed the year, its governmental funds reported a combined fund balance of \$4.56 million, a decrease of approximately \$374,000 from last year's total of \$4.94 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 2011 with a fund balance totaling \$1,401,057. This was a decrease from Fiscal Year 2010 of \$165,694.
- The Mental Health Fund balance at year end decreased by \$48,027 from the prior year. The Mental Health fund ended Fiscal Year 2011 with a balance of \$564,817.
- The Rural Services Fund ended Fiscal Year 2011 with a fund balance of \$166,247. This was a decrease from Fiscal Year 2010 of \$52,293.
- The Secondary Roads Fund ended Fiscal Year 2011 with a fund balance of \$1,747,434, down \$244,561 when compared to the ending balance for Fiscal Year 2010. 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.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following a 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 17, 2011 by \$1,858,849. The majority of the budget increases were in the Mental Health (\$500,000), Roads and Transportation (\$590,000), and Capital Projects (\$566,150) functions.

The County's total receipts of \$12,089,189 were \$455,495 less than budgeted. The Intergovernmental receipts, which include all State and Federal Grants, were \$813,427 less than budgeted due to the timing of when certain funding was received.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, Shelby County had approximately \$16.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is an approximate \$.6 million increase (including additions and deletions) over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)			
	June 30		
	2010	2011	
Land	\$ 331	\$ 331	
Construction in Progress	46	699	
Buildings and Improvements	2,248	2,404	
Equipment and Vehicles	2,814	2,721	
Infrastructure	10,603	10,471	
Total	\$ 16,042	\$ 16,626	

The County had depreciation expense of \$943,193 in Fiscal 2011 and total accumulated depreciation of \$8,276,598 at June 30, 2011. The County's Fiscal Year 2011 capital budget included \$1,562,650 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, 2011, Shelby County had \$810,000 in general obligation capital loan notes outstanding, compared to approximately \$905,000 of long-term debt at June 30, 2010, as shown below.

Outstanding Debt of Governmental Activities at Year End (Expressed in Thousands)			
	June 30		
	2010	2011	
General Obligation Capital Loan Notes	\$ 905	\$ 810	

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the 1-1-2009 assessed value of all taxable property in the County. Shelby County's outstanding general obligation debt is significantly below its constitutional debt limit of \$31.8 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 2012 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. In December of 2010, the County's unemployment was at 4.1% versus 4.7% a year ago. This compared with the State's unemployment rate of 6.2% and the national rate of 9.4%.

The union contracts expired June 30, 2010. With unemployment increasing nationwide, the employees were willing to work with the County. The County was able to negotiate with all three unions for a 0% increase for FY2011 and a 2% increase for FY2012, with no decrease in benefits.

All the different variables were taken into account when adopting the Fiscal Year 2012 Budget. Property taxes were increased by 7% to meet the County's operational expenses. Using reserves, making expenditure cuts and implementing efficiencies have enabled the County to hold taxes level and even decrease them. Even with the FY2012 increase, the County's tax asking over the last 10 years has averaged -.4%. Not including property tax revenue, budgeted revenues for the General and Rural Services Funds decreased by approximately \$120,000 due mainly to the drop in interest rates. Expected revenues from Local Option Sales Tax, Licenses & Permits, Charges for Services and Use of Money and Property were estimated at the same level due to the slow economy. Budgeted expenditures in the General and Rural Services Funds increased only \$170,000 as the County continues to try to hold the line on spending. Even though there was an increase in property valuation, the transfer to Secondary Roads was frozen at FY2010 level. There were no notable changes in other funds. The County is still deficit spending out of the General Fund to bring down that ending balance. Over the next few years the County will work towards stabilizing that reserve to enable the County to cover any unforeseen expenditures. The final Fiscal Year 2012 Budget was adopted with a total tax rate increase of \$0.23 per \$1,000 of taxable valuation, due to the valuation increase and a total tax asking increase of \$342,142.

In November of 2010, the Shelby County voted to implement an additional \$2.50 E911 surcharge for two years, which was estimated to bring in an additional \$250,000, to help pay for the 2012 Narrowbanding and Radio Upgrade Project mandated by the Federal Government. Funds have been set aside for years in anticipation of this project, which has an estimated cost of \$592,928. This cost also includes help for the volunteer emergency services departments to complete their upgrades.

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. The taxes collected in that Tax Increment Financing District continue to fund the bond payments.

The County continues to work on our declining bridge system, using whatever State and Federal funding is available. During FY2011, a prestressed, concrete beam bridge measuring 24' X 253' was erected in Clay Township at a cost of \$750,000, using Federal Bridge Replacement plus IJOBS Funding.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Shelby County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marsha J. Carter, Shelby County Auditor, 612 Court St., Harlan, Iowa 51537-0650.

Shelby County
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,126,853
Receivables:	
Property tax:	
Delinquent	919
Succeeding year	5,247,000
Interest and penalty on property tax	859
Accounts	43,580
Accrued interest	2,033
Due from other funds	38,772
Due from other governments	392,656
Prepaid insurance	43,044
Inventories	968,188
Unamortized bond issuance costs	20,507
Capital assets (net of accumulated depreciation)	<u>16,626,093</u>
Total assets	<u>27,510,504</u>
Liabilities	
Accounts payable	262,484
Accrued interest payable	2,430
Salaries and benefits payable	71,275
Due to other governments	451,180
Deferred revenue:	
Succeeding year property tax	5,247,000
Other	62,160
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	100,000
Compensated absences	526,225
Portion due or payable after one year:	
General obligation notes	<u>710,000</u>
Total liabilities	<u>7,432,754</u>

(continued next page)

Shelby County
Statement of Net Assets - continued
June 30, 2011

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 15,836,600
Restricted for:	
Rural services	151,287
Mental health purposes	549,794
Secondary roads purposes	1,577,058
Other purposes	679,896
Unrestricted	<u>1,283,115</u>
Total net assets	<u>\$ 20,077,750</u>

See notes to financial statements.

Shelby County
Statement of Activities
Year ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Service</u>
Functions/Programs:		
Governmental activities:		
Public safety and legal services	\$ 1,795,620	\$ 91,661
Physical health and social services	524,853	13,783
Mental health	2,585,271	--
County environment and education	446,409	113,376
Roads and transportation	5,074,894	--
Governmental services to residents	409,463	283,438
Administrative services	1,263,723	3,103
Interest on long-term debt	<u>39,741</u>	<u>--</u>
Total	<u>\$ 12,139,974</u>	<u>\$ 505,361</u>
General Revenues:		
Property and other county tax levied for:		
General purpose		
Penalty and interest on property tax		
Local option sales tax		
Tax increment financing		
State tax credits		
Unrestricted investment earnings		
Total general revenues		
Change in net assets		
Net assets beginning of year		
Net assets end of year		

See notes to financial statements.

<u>Program Revenues</u>		
<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
\$ 76,335	\$ --	\$(1,627,624)
296,281	--	(214,789)
1,642,783	--	(942,488)
163,103	--	(169,930)
3,092,263	799,018	(1,183,613)
63,807	--	(62,218)
33,417	--	(1,227,203)
<u>--</u>	<u>--</u>	<u>(39,741)</u>
<u>\$ 5,367,989</u>	<u>\$ 799,018</u>	<u>(5,467,606)</u>

4,882,675
34,120
332,151
207,367
195,958
125,930
5,778,201
310,595
19,767,155
\$ 20,077,750

Shelby County
Balance Sheet
Governmental Funds

June 30, 2011

		Special Revenue	
	General	Rural Services	Secondary Roads
Assets			
Cash and pooled investments	\$ 1,392,776	\$ 132,343	\$ 863,373
Receivables:			
Property tax:			
Delinquent	623	102	--
Succeeding year	2,931,000	1,286,000	--
Interest and penalty on property tax	859	--	--
Accounts	38,950	--	3,734
Accrued interest	2,033	--	--
Due from other funds	39,072	--	3,016
Due from other governments	48,127	33,904	255,395
Inventories	--	--	968,188
Prepaid insurance	43,044	--	--
	<u>\$ 4,496,484</u>	<u>\$ 1,452,349</u>	<u>\$ 2,093,706</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 44,204	\$ --	\$ 141,997
Salaries and benefits payable	28,930	--	33,014
Due to other funds	2,247	--	--
Due to other governments	24,005	--	716
Deferred revenue:			
Succeeding year property tax	2,931,000	1,286,000	--
Other	1,482	102	45,240
Compensated absences	63,559	--	125,305
Total liabilities	<u>3,095,427</u>	<u>1,286,102</u>	<u>346,272</u>

(continued next page)

<u>Special Revenue</u>			
<u>Mental Health</u>	<u>Tax Increment Financing</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 1,012,515	\$ 351,646	\$ 374,200	\$ 4,126,853
183	11	--	919
859,000	171,000	--	5,247,000
--	--	--	859
--	--	896	43,580
--	--	--	2,033
--	--	175	42,263
53,711	--	1,519	392,656
--	--	--	968,188
<u>--</u>	<u>--</u>	<u>--</u>	<u>43,044</u>
<u>\$ 1,925,409</u>	<u>\$ 522,657</u>	<u>\$ 376,790</u>	<u>\$ 10,867,395</u>
\$ 58,289	\$ 2,430	\$ 15,564	\$ 262,484
6,998	--	2,333	71,275
1,244	--	--	3,491
426,201	--	258	451,180
859,000	171,000	--	5,247,000
183	11	16,920	63,938
8,677	--	8,616	206,157
<u>1,360,592</u>	<u>173,441</u>	<u>43,691</u>	<u>6,305,525</u>

Shelby County
 Balance Sheet
 Governmental Funds - continued

June 30, 2011

	Special Revenue		
General	Rural Services	Secondary Roads	
Fund balances:			
Nonspendable:			
Inventories	\$ --	\$ --	\$ 968,188
Prepaid insurance	43,044	--	--
Restricted for:			
Rural services purposes	--	166,247	--
Secondary roads purposes	--	--	779,246
Mental health purposes	--	--	--
Tax increment financing purposes	--	--	--
Capital projects purposes	--	--	--
Other purposes	--	--	--
Unassigned	1,358,013	--	--
Total fund balances	1,401,057	166,247	1,747,434
 Total liabilities and fund balances	\$ 4,496,484	\$ 1,452,349	\$ 2,093,706

See notes to financial statements.

<u>Special Revenue</u>			
<u>Mental Health</u>	<u>Tax Increment Financing</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ 968,188
--	--	--	43,044
--	--	--	166,247
--	--	--	779,246
564,817	--	--	564,817
--	349,216	--	349,216
--	--	261,897	261,897
--	--	71,202	71,202
--	--	--	1,358,013
<u>564,817</u>	<u>349,216</u>	<u>333,099</u>	<u>4,561,870</u>
<u>\$ 1,925,409</u>	<u>\$ 522,657</u>	<u>\$ 376,790</u>	<u>\$ 10,867,395</u>

Shelby County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2011

Total governmental fund balances (page 8)	\$ 4,561,870
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$24,902,691 and the accumulated depreciation is \$8,276,598.	16,626,093
Unamortized debt issue costs are not a current use of financial resources and, therefore are not reported in the funds.	20,507
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,778
Accrued interest payable, long-term liabilities, including general obligation notes, compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,132,498)</u>
Net assets of governmental activities (page 5)	<u>\$ 20,077,750</u>

See notes to financial statements.

Shelby County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	<u>Special Revenue</u>		
	<u>General</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues:			
Property and other County tax	\$ 2,867,423	\$ 1,342,438	\$ 159,583
Interest and penalty on property tax	36,535	--	--
Intergovernmental	367,022	106,825	3,485,250
Licenses and permits	227,163	--	1,130
Charges for service	345,744	--	--
Use of money and property	125,930	--	--
Miscellaneous	<u>35,812</u>	<u>--</u>	<u>100,493</u>
Total revenues	<u>4,005,629</u>	<u>1,449,263</u>	<u>3,746,456</u>
Expenditures:			
Operating:			
Public safety and legal services	1,789,239	--	--
Physical health and social services	525,054	--	--
Mental health	--	--	--
County environment and education	34,003	140,725	--
Roads and transportation	--	--	4,368,341
Governmental services to residents	391,840	194	--
Administration	1,039,502	--	--
Debt service	--	--	--
Capital projects	<u>--</u>	<u>--</u>	<u>856,585</u>
Total expenditures	<u>3,779,638</u>	<u>140,919</u>	<u>5,224,926</u>
Excess (deficiency) of revenues over (under) expenditures	<u>225,991</u>	<u>1,308,344</u>	<u>(1,478,470)</u>

(continued next page)

<u>Special Revenue</u>			
<u>Mental Health</u>	<u>Tax Increment Financing</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 845,743	\$ 207,367	\$ --	\$ 5,422,554
--	--	--	36,535
1,664,222	462	82,498	5,706,279
--	--	--	228,293
--	--	24,184	369,928
--	--	1,068	126,998
<u>14,243</u>	<u>--</u>	<u>107,802</u>	<u>258,350</u>
<u>2,524,208</u>	<u>207,829</u>	<u>215,552</u>	<u>12,148,937</u>
--	--	13,878	1,803,117
--	--	--	525,054
2,581,235	--	--	2,581,235
--	--	274,378	449,106
--	--	--	4,368,341
--	--	1,202	393,236
--	--	--	1,039,502
--	132,059	--	132,059
<u>--</u>	<u>--</u>	<u>384,099</u>	<u>1,240,684</u>
<u>2,581,235</u>	<u>132,059</u>	<u>673,557</u>	<u>12,532,334</u>
<u>(57,027)</u>	<u>75,770</u>	<u>(458,005)</u>	<u>(383,397)</u>

Shelby County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds - continued

Year ended June 30, 2011

		<u>Special Revenue</u>	
	<u>General</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Other financing sources (uses):			
Sale of capital assets	\$ 9,201	\$ --	\$ --
Operating transfers in	319,303	--	1,233,909
Operating transfers out	<u>(720,189)</u>	<u>(1,360,637)</u>	<u>--</u>
Total other financing sources (uses)	<u>(391,685)</u>	<u>(1,360,637)</u>	<u>1,233,909</u>
Net change in fund balances	(165,694)	(52,293)	(244,561)
Fund balances beginning of year	<u>1,566,751</u>	<u>218,540</u>	<u>1,991,995</u>
Fund balances end of year	<u>\$ 1,401,057</u>	<u>\$ 166,247</u>	<u>\$ 1,747,434</u>

See notes to financial statements.

<u>Special Revenue</u>			
<u>Mental Health</u>	<u>Tax Increment Financing</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ 9,201
9,000	174,078	637,917	2,374,207
<u>--</u>	<u>(119,303)</u>	<u>(174,078)</u>	<u>(2,374,207)</u>
<u>9,000</u>	<u>54,775</u>	<u>463,839</u>	<u>9,201</u>
(48,027)	130,545	5,834	(374,196)
<u>612,844</u>	<u>218,671</u>	<u>327,265</u>	<u>4,936,066</u>
<u>\$ 564,817</u>	<u>\$ 349,216</u>	<u>\$ 333,099</u>	<u>\$ 4,561,870</u>

Shelby County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds to the Statement of Activities

Year ended June 30, 2011

Net change in fund balance - Total governmental funds (page 11)		\$(374,196)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.		
Capital outlays exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	\$ 1,232,148	
Capital assets contributed by the Iowa Department of Transportation	299,460	
Depreciation expense	<u>(943,193)</u>	588,415
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:		
Principal paid		95,000
In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.		
Book value of disposed assets		(4,253)
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.		
Change in deferred property tax revenues		(2,776)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:		
Compensated absences	11,087	
Accrued interest on long-term debt	247	
Debt issue costs	<u>(2,929)</u>	8,405
Change in net assets of governmental activities (page 6)		<u>\$ 310,595</u>

See notes to financial statements.

Shelby County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Assets

Cash and pooled investments:		
County Treasurer	\$	2,040,995
Other County Officials		60,089
Receivables:		
Property tax:		
Delinquent		3,715
Succeeding year		14,932,000
Accounts		463
Special assessments		16,696
Due from other funds		834
Due from other governments		82,846
Total assets		<u>17,137,638</u>

Liabilities

Accounts payable	72,460
Salaries and benefits payable	12,559
Due to other funds	39,606
Due to other governments	16,937,231
Trusts payable	14,760
Compensated absences	61,022
Total liabilities	<u>17,137,638</u>

Net assets	<u>\$</u>	<u>--</u>
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See notes to financial statements.

Shelby County
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

For financial reporting purposes, 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 organization 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
Notes to Financial Statements
June 30, 2011

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 the following categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization 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 nonmajor governmental funds.

Shelby County
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Special Revenue:

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The 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 Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

Additionally, the County reports the following funds:

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

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.

Shelby County
Notes to Financial Statements

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

Shelby County
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2010.

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 that certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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.

Shelby County

Notes to Financial Statements

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - Capital assets, which include property, equipment and vehicles, and intangibles 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
Intangibles	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>
Building and improvements	20 - 50
Land improvements	10 - 50
Infrastructure	10 - 50
Intangibles	5 - 20
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.

Shelby County
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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 amounts paid to employees within sixty days after year end. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Secondary Roads and Conservation 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, fund balances are classified as follows:

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

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

Shelby County
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

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

Unassigned - All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2011 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.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Interest Rate Risk - 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.

Credit Risk - The County had no investments with credit risk.

Concentration of Credit Risk - The County places no limit on the amount which may be invested in any one issuer.

Shelby County
Notes to Financial Statements
June 30, 2011

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency:	
	County Sheriff	\$ 15,477
	County Recorder	<u>23,595</u>
		39,072
Special Revenue:	General	2,247
Secondary Roads	Special Revenue:	
	Mental Health	410
	Agency:	
	Emergency Management	311
	Assessor	<u>48</u>
		3,016
Agency:	Special Revenue	
County Sheriff	Mental Health	834
Special Revenue:	Agency:	
County Recorder's	County Recorder's	
Records Management		<u>175</u>
Total		<u>\$ 43,097</u>

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

Shelby County
Notes to Financial Statements
June 30, 2011

NOTE 4 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Rural Services	\$ 200,000
Special Revenue: Secondary Roads	Special Revenue: Rural Services	1,140,637
	General	<u>93,272</u>
		1,233,909
Special Revenue: Mental Health	General	9,000
Special Revenue: Conservation	General	150,000
Capital Projects	General	467,917
Special Revenue: Flood and Erosion	Special Revenue: Rural Services	20,000
General	Special Revenue: Tax Increment Financing	119,303
Special Revenue: Tax Increment Financing	Capital Projects	<u>174,078</u>
		<u>\$ 2,374,207</u>

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

Shelby County
Notes to Financial Statements
June 30, 2011

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 330,775	\$ --	\$ --	\$ 330,775
Construction in progress	<u>45,848</u>	<u>818,996</u>	<u>166,156</u>	<u>698,688</u>
Total capital assets not being depreciated/ amortized	<u>376,623</u>	<u>818,996</u>	<u>166,156</u>	<u>1,029,463</u>
Capital assets being depreciated/amortized:				
Buildings	3,786,504	246,215	--	4,032,719
Land improvements	63,667	--	--	63,667
Equipment and vehicles	7,354,873	333,093	95,337	7,592,629
Infrastructure, road network	<u>11,884,753</u>	<u>299,460</u>	<u>--</u>	<u>12,184,213</u>
Total capital assets being depreciated/amortized	<u>23,089,797</u>	<u>878,768</u>	<u>95,337</u>	<u>23,873,228</u>
Less accumulated depreciation/ amortization for:				
Buildings	1,602,195	86,652	--	1,688,847
Land improvements	--	3,183	--	3,183
Equipment and vehicles	4,541,358	421,356	91,084	4,871,630
Infrastructure, road network	<u>1,280,936</u>	<u>432,002</u>	<u>--</u>	<u>1,712,938</u>
Total accumulated depreciation/amortization	<u>7,424,489</u>	<u>943,193</u>	<u>91,084</u>	<u>8,276,598</u>
Total capital assets being depreciated/amortized, net	<u>15,665,308</u>	<u>(64,425)</u>	<u>4,253</u>	<u>15,596,630</u>
Governmental activities capital assets, net	<u>\$ 16,041,931</u>	<u>\$ 754,571</u>	<u>\$ 170,409</u>	<u>\$ 16,626,093</u>

Shelby County
Notes to Financial Statements
June 30, 2011

NOTE 5 - CAPITAL ASSETS - continued

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 22,049
Mental health	3,910
County environment and education	18,244
Roads and transportation	739,484
Governmental services to residents	17,815
Administrative services	<u>141,691</u>

Total depreciation/amortization expense - governmental activities	<u>\$ 943,193</u>
-------------------------------------------------------------------	-------------------

NOTE 6 - DUE TO OTHER GOVERNMENTS

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Services	\$ 24,005
Special Revenue:		
Secondary Roads		716
Mental Health		426,201
Conservation		258
		<u>427,175</u>
Total for governmental funds		<u>\$ 451,180</u>
Agency:		
County Assessor	Collections	\$ 392,545
Emergency Management Services		668,096
Schools		9,482,557
Community Colleges		495,483
Corporations		3,791,461
Auto License and Use Tax		303,484
County Hospital		686,852
E911 Commission		374,861
All Other		<u>741,892</u>
Total for agency funds		<u>\$ 16,937,231</u>

Shelby County
Notes to Financial Statements
June 30, 2011

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	General Obligation Capital Loan Notes	Compensated Absences	Total
	Series 2007		
Balance beginning of year	\$ 905,000	\$ 520,607	\$ 1,425,607
Increases	--	5,618	5,618
Decreases	95,000	--	95,000
Balance end of year	<u>\$ 810,000</u>	<u>\$ 526,225</u>	<u>\$ 1,336,225</u>
Due within one year	<u>\$ 100,000</u>	<u>\$ 526,225</u>	<u>\$ 626,225</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 financial revenues will be used to pay off the capital loan notes. A summary of the County's June 30, 2011 general obligation capital loan notes is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.65%	\$ 100,000	\$ 30,759	\$ 130,759
2013	3.70%	105,000	27,109	132,109
2014	3.75%	110,000	23,224	133,224
2015	3.80%	115,000	19,099	134,099
2016	3.85%	120,000	14,729	134,729
2017-2018	3.875-3.90%	<u>260,000</u>	<u>15,373</u>	<u>275,373</u>
Total		<u>\$ 810,000</u>	<u>\$ 130,293</u>	<u>\$ 940,293</u>

During the year ended June 30, 2011, interest payments under the Series 2007 general obligation capital loan notes totaled \$34,179. The County retired \$95,000 of Series 2007 Notes.

Shelby County
Notes to Financial Statements
June 30, 2011

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 4.5% (5.38% beginning July 1, 2011) of their annual covered salary and the County is required to contribute 6.95% (8.07% beginning July 1, 2011) of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were approximately \$276,800, \$250,300, and \$232,900, respectively, equal to the required contributions for each year.

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 with over 645 members from various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. 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 150 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 expense 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.

Shelby County

Notes to Financial Statements

June 30, 2011

NOTE 9 - RISK MANAGEMENT - Continued

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 contributions to the Pool for the year ended June 30, 2011 were approximately \$85,500.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's 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, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, 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 casualty claims and claim 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty 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, and for employee blanket bond, and participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for Workman's Compensation insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Shelby County

Notes to Financial Statements

June 30, 2011

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: As required by state law, the County offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all County employees, and the retiree must pay a health insurance premium equal to that charged for current employees. There are approximately 71 active employees and 3 retirees currently covered by the Plan.

Potential for Liability: The County currently finances a retiree benefit plan on a pay-as-you-go basis. A review of the County's current and potential future exposure to this requirement resulted in the conclusion that no material liability exists.

NOTE 11 - COMMITMENT AND CONTINGENCY

Construction

The County has entered into contracts totaling approximately \$955,000, primarily for a bridge replacement to be completed during fiscal year 2012. As of June 30, 2011, the County has incurred \$698,688 on these projects. The projects will be financed with existing funds.

Subsequent Events

The County has evaluated all subsequent events through February 20, 2012, the date the financial statements were available to be issued.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

Shelby County

Budgetary Comparison Schedule of Receipts, Disbursements and
Changes in Balances - Budget and Actual (Cash Basis)
All Governmental Funds
Required Supplementary Information

Year ended June 30, 2011

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other County tax	\$ 5,420,563	\$ --	\$ 5,420,563
Interest and penalty on property tax	36,535	--	36,535
Intergovernmental	5,603,205	--	5,603,205
Licenses and permits	228,364	--	228,364
Charges for service	359,285	--	359,285
Use of money and property	145,245	--	145,245
Miscellaneous	295,992	--	295,992
Total receipts	<u>12,089,189</u>	<u>--</u>	<u>12,089,189</u>
Disbursements:			
Public safety and legal services	1,806,729	--	1,806,729
Physical health and social services	503,003	--	503,003
Mental health	2,447,775	--	2,447,775
County environment and education	437,058	--	437,058
Roads and transportation	4,744,334	--	4,744,334
Governmental services to residents	399,131	--	399,131
Administration	1,043,650	--	1,043,650
Non-program	--	--	--
Debt service	129,629	--	129,629
Capital projects	1,289,901	--	1,289,901
Total disbursements	<u>12,801,210</u>	<u>--</u>	<u>12,801,210</u>
Excess (deficiency) of receipts over (under) disbursements	(712,021)	--	(712,021)
Other financing sources, net	<u>9,201</u>	<u>--</u>	<u>9,201</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(702,820)	--	(702,820)
Balance beginning of year	<u>4,829,673</u>	<u>--</u>	<u>4,829,673</u>
Balance end of year	<u>\$ 4,126,853</u>	<u>\$ --</u>	<u>\$ 4,126,853</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 5,279,331	\$ 5,279,331	\$ 141,232
22,000	22,000	14,535
4,854,933	6,416,632	(813,427)
223,484	223,484	4,880
271,511	271,511	87,774
218,074	218,074	(72,829)
111,652	113,652	182,340
<u>10,980,985</u>	<u>12,544,684</u>	<u>(455,495)</u>
1,799,907	1,824,907	18,178
528,113	538,113	35,110
2,305,344	2,805,344	357,569
433,207	579,906	142,848
4,160,000	4,750,000	5,666
406,196	406,196	7,065
1,054,065	1,064,065	20,415
--	11,000	11,000
259,203	259,203	129,574
996,500	1,562,650	272,749
<u>11,942,535</u>	<u>13,801,384</u>	<u>1,000,174</u>
(961,550)	(1,256,700)	544,679
<u>2,000</u>	<u>2,000</u>	<u>7,201</u>
(959,550)	(1,254,700)	551,880
<u>4,504,876</u>	<u>4,829,550</u>	<u>123</u>
<u>\$ 3,545,326</u>	<u>\$ 3,574,850</u>	<u>\$ 552,003</u>

Shelby County

Budgetary Comparison Schedule -Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2011

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 12,089,189	\$ 59,748	\$ 12,148,937
Expenditures	<u>12,801,210</u>	<u>(268,876)</u>	<u>12,532,334</u>
Net	(712,021)	328,624	(383,397)
Other financing sources, net	9,201	--	9,201
Beginning fund balances	<u>4,829,673</u>	<u>106,393</u>	<u>4,936,066</u>
Ending fund balances	<u>\$ 4,126,853</u>	<u>\$ 435,017</u>	<u>\$ 4,561,870</u>

See accompanying independent auditor's report.

Shelby County

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, 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 Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,858,849. The 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.

OTHER SUPPLEMENTARY INFORMATION

Shelby County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue			
	County Recorder's Records Management	Recorder's Electronic Transaction Fee	Conservation Land Acquisition Trust	Conservation
Assets				
Cash and pooled investments	\$ 14,466	\$ 812	\$ 329	\$ 44,012
Receivables:				
Accounts receivable	--	--	--	80
Due from other funds	175	--	--	--
Due from other governments	--	--	--	1,519
	<u>\$ 14,641</u>	<u>\$ 812</u>	<u>\$ 329</u>	<u>\$ 45,611</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ --	\$ 9,146
Salaries and benefits payable	--	--	--	2,333
Due to other governments	--	--	--	258
Deferred revenue:				
Other	--	--	--	16,920
Compensated absences	--	--	--	8,616
Total liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>37,273</u>
Fund balances:				
Restricted for:				
Capital projects purposes	--	--	--	--
Other purposes	14,641	812	329	8,338
Total fund balances	<u>14,641</u>	<u>812</u>	<u>329</u>	<u>8,338</u>
Total liabilities and fund balances				
	<u>\$ 14,641</u>	<u>\$ 812</u>	<u>\$ 329</u>	<u>\$ 45,611</u>

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<u>Special Revenue</u>				
<u>Resource Enhancement and Protection</u>	<u>Drug Forfeiture</u>	<u>Commissary</u>	<u>Flood and Erosion</u>	<u>Debt Service</u>
\$ 9,249	\$ 11,624	\$ 6,477	\$ 20,526	\$ 320
--	--	781	--	--
--	--	--	--	--
<u>9,249</u>	<u>11,624</u>	<u>7,258</u>	<u>20,526</u>	<u>320</u>
\$ --	\$ --	\$ 1,895	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>1,895</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
<u>9,249</u>	<u>11,624</u>	<u>5,363</u>	<u>20,526</u>	<u>320</u>
<u>9,249</u>	<u>11,624</u>	<u>5,363</u>	<u>20,526</u>	<u>320</u>
<u>\$ 9,249</u>	<u>\$ 11,624</u>	<u>\$ 7,258</u>	<u>\$ 20,526</u>	<u>\$ 320</u>

Shelby County
Combining Balance Sheet - Continued
Nonmajor Governmental Funds

June 30, 2011

	Capital Projects	Total
Assets		
Cash and pooled investments	\$ 266,385	\$ 374,200
Receivables:		
Accounts receivable	35	896
Due from other funds	--	175
Due from other governments	--	1,519
Total assets	\$ 266,420	\$ 376,790
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 4,523	\$ 15,564
Salaries and benefits payable	--	2,333
Due to other governments	--	258
Deferred revenue:		
Other	--	16,920
Compensated absences	--	8,616
Total liabilities	4,523	43,691
Fund balances:		
Restricted for:		
Capital projects purposes	261,897	261,897
Other purposes	--	71,202
Total fund balances	261,897	333,099
Total liabilities and fund balances	\$ 266,420	\$ 376,790

See accompanying independent auditor's report.

Shelby County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2011

	Special Revenue			
	County Recorder's Records Management	Recorder's Electronic Transaction Fee	Conservation Land Acquisition Trust	Conservation
Revenues:				
Intergovernmental	\$ --	\$ --	\$ --	\$ 69,083
Charges for service	2,849	--	--	21,335
Use of money and property	26	4	--	1,000
Miscellaneous	--	--	--	29,257
Total revenues	<u>2,875</u>	<u>4</u>	<u>--</u>	<u>120,675</u>
Expenditures:				
Operating:				
Public safety and legal services	--	--	--	--
County environment and education	--	--	--	259,779
Governmental services to residents	1,202	--	--	--
Capital projects	--	--	--	--
Total expenditures	<u>1,202</u>	<u>--</u>	<u>--</u>	<u>259,779</u>
Excess (deficiency) of revenues over (under) expenditures	1,673	4	--	(139,104)
Other financing sources (uses):				
Operating transfers in	--	--	--	150,000
Operating transfers out	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>150,000</u>
Net change in fund balances	1,673	4	--	10,896
Fund balances beginning of year	<u>12,968</u>	<u>808</u>	<u>329</u>	<u>(2,558)</u>
Fund balances end of year	<u>\$ 14,641</u>	<u>\$ 812</u>	<u>\$ 329</u>	<u>\$ 8,338</u>

(continued next page)

Special Revenue				
Resource Enhancement and Protection	Drug Forfeiture	Commissary	Flood and Erosion	Debt Service
\$ 13,415	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
17	21	--	--	--
<u>--</u>	<u>6,691</u>	<u>8,077</u>	<u>--</u>	<u>--</u>
<u>13,432</u>	<u>6,712</u>	<u>8,077</u>	<u>--</u>	<u>--</u>
--	7,124	6,754	--	--
9,972	--	--	4,627	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>9,972</u>	<u>7,124</u>	<u>6,754</u>	<u>4,627</u>	<u>--</u>
3,460	(412)	1,323	(4,627)	--
--	--	--	20,000	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>20,000</u>	<u>--</u>
3,460	(412)	1,323	15,373	--
<u>5,789</u>	<u>12,036</u>	<u>4,040</u>	<u>5,153</u>	<u>320</u>
<u>\$ 9,249</u>	<u>\$ 11,624</u>	<u>\$ 5,363</u>	<u>\$ 20,526</u>	<u>\$ 320</u>

Shelby County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Continued
Nonmajor Governmental Funds

Year ended June 30, 2011

	Capital Projects	Total
Revenues:		
Intergovernmental	\$ --	\$ 82,498
Charges for service	--	24,184
Use of money and property	--	1,068
Miscellaneous	<u>63,777</u>	<u>107,802</u>
Total revenues	<u>63,777</u>	<u>215,552</u>
Expenditures:		
Operating:		
Public safety and legal services	--	13,878
County environment and education	--	274,378
Governmental services to residents	--	1,202
Capital projects	<u>384,099</u>	<u>384,099</u>
Total expenditures	<u>384,099</u>	<u>673,557</u>
Excess (deficiency) of revenues over (under) expenditures	(320,322)	(458,005)
Other financing sources (uses):		
Operating transfers in	467,917	637,917
Operating transfers out	<u>(174,078)</u>	<u>(174,078)</u>
Total other financing sources (uses)	<u>293,839</u>	<u>463,839</u>
Net change in fund balances	(26,483)	5,834
Fund balances beginning of year	<u>288,380</u>	<u>327,265</u>
Fund balances end of year	<u>\$ 261,897</u>	<u>\$ 333,099</u>

See accompanying independent auditor's report.

Shelby County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

	County Offices		Agricultural
	County Recorder	County Sheriff	Extension Education
Assets			
Cash and pooled investments:			
County Treasurer	\$ --	\$ --	\$ 1,908
Other County officials	29,852	30,237	--
Receivables:			
Property tax:			
Delinquent	--	--	37
Succeeding year	--	--	176,000
Accounts	463	--	--
Special assessments	--	--	--
Due from other funds	--	834	--
Due from other governments	--	--	--
	<u>\$ 30,315</u>	<u>\$ 31,071</u>	<u>\$ 177,945</u>
Liabilities			
Liabilities:			
Accounts payable	\$ --	\$ --	\$ --
Salaries and benefits payable	--	--	--
Due to other funds	23,770	15,477	--
Due to other governments	6,545	834	177,945
Trusts payable	--	14,760	--
Compensated absences	--	--	--
	<u>\$ 30,315</u>	<u>\$ 31,071</u>	<u>\$ 177,945</u>

(continued next page)

<u>County Assessor</u>	<u>Emergency Management Services</u>	<u>Sanitary Disposal District</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
\$ 184,396	\$ 732,541	\$ 28,962	\$ 119,584	\$ 6,375	\$ 37,074
--	--	--	--	--	--
45	--	--	1,973	108	1,387
210,000	--	--	9,361,000	489,000	3,753,000
--	--	--	--	--	--
--	--	--	--	--	--
--	--	82,846	--	--	--
<u>\$ 394,441</u>	<u>\$ 732,541</u>	<u>\$ 111,808</u>	<u>\$9,482,557</u>	<u>\$ 495,483</u>	<u>\$ 3,791,461</u>
\$ 330	\$ 2,954	\$ 30,899	\$ --	\$ --	\$ --
1,498	8,329	2,732	--	--	--
48	311	--	--	--	--
392,545	668,096	70,026	9,482,557	495,483	3,791,461
--	--	--	--	--	--
20	52,851	8,151	--	--	--
<u>\$ 394,441</u>	<u>\$ 732,541</u>	<u>\$ 111,808</u>	<u>\$9,482,557</u>	<u>\$ 495,483</u>	<u>\$ 3,791,461</u>

Shelby County

Combining Schedule of Fiduciary Assets and Liabilities - Continued
Agency Funds

June 30, 2011

	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Assets			
Cash and pooled investments:			
County Treasurer	\$ 3,111	\$ 303,484	\$ 28
Other County officials	--	--	--
Receivables:			
Property tax:			
Delinquent	21	--	--
Succeeding year	262,000	--	2,000
Accounts	--	--	--
Special assessments	--	--	--
Due from other funds	--	--	--
Due from other governments	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 265,132</u>	<u>\$ 303,484</u>	<u>\$ 2,028</u>
Liabilities			
Liabilities:			
Accounts payable	\$ --	\$ --	\$ --
Salaries and benefits payable	--	--	--
Due to other funds	--	--	--
Due to other governments	265,132	303,484	2,028
Trusts payable	--	--	--
Compensated absences	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 265,132</u>	<u>\$ 303,484</u>	<u>\$ 2,028</u>

(continued next page)

<u>Monies and Credits</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>M/H/S Empowerment</u>	<u>Flex Benefits</u>
\$ --	\$ 334	\$ 7,708	\$ 148,238	\$ 25,551
--	--	--	--	--
--	--	144	--	--
--	--	679,000	--	--
--	--	--	--	--
--	16,696	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ 17,030</u>	<u>\$ 686,852</u>	<u>\$ 148,238</u>	<u>\$ 25,551</u>
\$ --	\$ --	\$ --	\$ 26,220	\$ --
--	--	--	--	--
--	--	--	--	--
--	17,030	686,852	122,018	25,551
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ 17,030</u>	<u>\$ 686,852</u>	<u>\$ 148,238</u>	<u>\$ 25,551</u>

Shelby County

Combining Schedule of Fiduciary Assets and Liabilities - Continued
Agency Funds

June 30, 2011

	<u>E911</u>	<u>Advance Tax</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ 386,918	\$ 54,096
Other County officials	--	--
Receivables:		
Property tax:		
Delinquent	--	--
Succeeding year	--	--
Accounts	--	--
Special assessments	--	--
Due from other funds	--	--
Due from other governments	--	--
	<u> </u>	<u> </u>
Total assets	<u>\$ 386,918</u>	<u>\$ 54,096</u>
Liabilities		
Liabilities:		
Accounts payable	\$ 12,057	\$ --
Salaries and benefits payable	--	--
Due to other funds	--	--
Due to other governments	374,861	54,096
Trusts payable	--	--
Compensated absences	--	--
	<u> </u>	<u> </u>
Total liabilities	<u>\$ 386,918</u>	<u>\$ 54,096</u>

See accompanying independent auditor's report.

<u>Tax Sale</u>	<u>Recorder's Electronic Transfer Fee</u>	<u>Total</u>
\$ --	\$ 687	\$ 2,040,995
--	--	60,089
--	--	3,715
--	--	14,932,000
--	--	463
--	--	16,696
--	--	834
<u>--</u>	<u>--</u>	<u>82,846</u>
<u>\$ --</u>	<u>\$ 687</u>	<u>\$ 17,137,638</u>
\$ --	\$ --	\$ 72,460
--	--	12,559
--	--	39,606
--	687	16,937,231
--	--	14,760
<u>--</u>	<u>--</u>	<u>61,022</u>
<u>\$ --</u>	<u>\$ 687</u>	<u>\$ 17,137,638</u>

Shelby County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2011

Assets and Liabilities	County Offices		Agricultural Extension Education
	County Recorder	County Sheriff	
Balances beginning of year	\$ 28,908	\$ 26,166	\$ 148,119
Additions:			
Property and other County tax	--	--	173,776
E911 surcharge	--	--	--
State tax credits	--	--	6,716
Office fees and collections	265,224	65,313	--
Auto licenses, use tax and postage	--	--	--
Assessments	--	--	--
Trusts	--	220,374	--
Miscellaneous	--	--	--
Total additions	265,224	285,687	180,492
Deductions:			
Agency Remittances:			
To other funds	102,285	--	--
To other governments	161,532	60,408	150,666
Trusts paid out	--	220,374	--
Total deductions	263,817	280,782	150,666
Balances end of year	\$ 30,315	\$ 31,071	\$ 177,945

(continued next page)

<u>County Assessor</u>	<u>Emergency Management Services</u>	<u>Sanitary Disposal District</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
\$ 398,489	\$ 783,866	\$ 155,133	\$ 9,276,124	\$ 500,409	\$ 2,547,871
207,199	--	--	9,247,710	483,049	4,505,418
--	--	--	--	--	--
7,839	--	--	398,097	21,239	120,360
44	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	688,942	822,719	--	--	--
<u>215,082</u>	<u>688,942</u>	<u>822,719</u>	<u>9,645,807</u>	<u>504,288</u>	<u>4,625,778</u>
--	--	--	--	--	--
219,130	740,267	866,044	9,439,374	509,214	3,382,188
--	--	--	--	--	--
<u>219,130</u>	<u>740,267</u>	<u>866,044</u>	<u>9,439,374</u>	<u>509,214</u>	<u>3,382,188</u>
<u>\$ 394,441</u>	<u>\$ 732,541</u>	<u>\$ 111,808</u>	<u>\$ 9,482,557</u>	<u>\$ 495,483</u>	<u>\$ 3,791,461</u>

Shelby County

Combining Schedule of Changes in Fiduciary Assets and Liabilities - Continued
Agency Funds

Year ended June 30, 2011

Assets and Liabilities	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Balance beginning of year	\$ 249,359	\$ 285,263	\$ 1,829
Additions:			
Property and other County tax	257,517	--	2,219
E911 surcharge	--	--	--
State tax credits	10,380	--	89
Office fees and collections	--	--	--
Auto licenses, use tax and postage	--	3,712,675	--
Assessments	--	--	--
Trusts	--	--	--
Miscellaneous	--	--	--
Total additions	<u>267,897</u>	<u>3,712,675</u>	<u>2,308</u>
Deductions:			
Agency Remittances:			
To other funds	--	134,899	--
To other governments	252,124	3,559,555	2,109
Trusts paid out	--	--	--
Total deductions	<u>252,124</u>	<u>3,694,454</u>	<u>2,109</u>
Balance end of year	<u>\$ 265,132</u>	<u>\$ 303,484</u>	<u>\$ 2,028</u>

(continued next page)

<u>Monies and Credits</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>M/H/S Empowerment</u>	<u>Flex Benefits</u>
\$ --	\$ 3,799	\$ 600,378	\$ 162,891	\$ 22,180
--	--	669,707	--	--
--	--	--	--	--
--	--	25,680	--	--
--	--	--	--	--
--	24,403	--	--	--
--	--	--	--	--
816	--	--	463,779	32,879
<u>816</u>	<u>24,403</u>	<u>695,387</u>	<u>463,779</u>	<u>32,879</u>
--	--	--	--	--
816	11,172	608,913	478,432	29,508
--	--	--	--	--
<u>816</u>	<u>11,172</u>	<u>608,913</u>	<u>478,432</u>	<u>29,508</u>
<u>\$ --</u>	<u>\$ 17,030</u>	<u>\$ 686,852</u>	<u>\$ 148,238</u>	<u>\$ 25,551</u>

Shelby County

Combining Schedule of Changes in Fiduciary Assets and Liabilities - Continued
Agency Funds

Year ended June 30, 2011

Assets and Liabilities	<u>E911</u>	<u>Advance Tax</u>	<u>Tax Sale</u>
Balance beginning of year	\$ 323,170	\$ 55,504	\$ --
Additions:			
Property and other County tax	--	--	176,362
E911 surcharge	171,191	--	--
State tax credits	--	--	--
Office fees and collections	--	--	--
Auto licenses, use tax and postage	--	--	--
Assessments	--	--	--
Trusts	--	--	--
Miscellaneous	--	--	--
Total additions	<u>171,191</u>	<u>--</u>	<u>176,362</u>
Deductions:			
Agency Remittances:			
To other funds	--	--	--
To other governments	107,443	1,408	176,362
Trusts paid out	--	--	--
Total deductions	<u>107,443</u>	<u>1,408</u>	<u>176,362</u>
Balance end of year	<u>\$ 386,918</u>	<u>\$ 54,096</u>	<u>\$ --</u>

See accompanying independent auditor's report.

<u>Recorder's Electronic Transfer Fee</u>	<u>Total</u>
\$ <u>711</u>	\$ <u>15,570,169</u>
--	15,722,957
--	171,191
--	590,400
8,575	339,156
--	3,712,675
--	24,403
--	220,374
--	<u>2,009,135</u>
<u>8,575</u>	<u>22,790,291</u>
--	237,184
8,599	20,765,264
--	<u>220,374</u>
<u>8,599</u>	<u>21,222,822</u>
<u>\$ 687</u>	<u>\$ 17,137,638</u>

Shelby County

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Fund Types

For the Last Eight Years

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Property and other				
County tax	\$ 5,215,187	\$ 5,191,493	\$ 5,297,292	\$ 4,737,413
Tax increment financing	207,367	399,815	335,158	183,245
Interest and penalty on				
property tax	36,535	33,851	33,076	28,403
Intergovernmental	5,706,279	5,551,934	5,184,318	5,225,590
Licenses and permits	228,293	234,838	233,589	214,120
Charges for service	369,928	381,407	340,943	313,916
Use of money and				
property	126,998	133,249	186,901	328,668
Miscellaneous	258,350	184,560	196,293	287,209
Total	\$ 12,148,937	\$ 12,111,147	\$ 11,807,570	\$ 11,318,564
Expenditures:				
Operating:				
Public safety and				
legal services	\$ 1,803,117	\$ 1,791,313	\$ 1,717,065	\$ 1,704,440
Physical health and				
social services	525,054	461,919	639,560	368,441
Mental health	2,581,235	2,104,122	2,236,326	2,446,599
County environment				
and education	449,106	430,653	426,924	444,997
Roads and transportation	4,368,341	4,651,541	3,895,860	4,679,611
Governmental services				
to residents	393,236	404,185	399,957	398,242
Administration	1,039,502	1,010,335	1,012,706	1,004,741
Non-program	--	--	--	21,259
Debt service	132,059	391,875	326,818	228,445
Capital projects	1,240,684	1,376,142	1,266,974	368,616
Total	\$ 12,532,334	\$ 12,622,085	\$ 11,922,190	\$ 11,665,391

See accompanying independent auditor's report.

Modified Accrual Basis			
2007	2006	2005	2004
\$ 4,766,609	\$ 4,818,830	\$ 4,502,899	\$ 5,067,769
183,245	104,412	80,486	76,791
28,459	27,516	39,534	33,092
4,410,119	4,295,795	5,156,147	5,262,810
177,386	175,258	155,961	146,386
337,799	451,336	360,563	309,773
273,406	263,287	178,185	103,765
<u>275,494</u>	<u>278,586</u>	<u>196,995</u>	<u>148,858</u>
<u>\$ 10,452,517</u>	<u>\$ 10,415,020</u>	<u>\$ 10,670,770</u>	<u>\$ 11,149,244</u>
\$ 1,630,894	\$ 1,524,392	\$ 1,433,248	\$ 1,414,193
357,941	355,800	348,471	327,235
2,160,238	2,078,486	1,863,309	1,708,411
357,578	316,362	358,298	434,326
4,355,212	4,079,612	3,709,770	3,346,330
350,805	362,108	333,628	292,064
919,344	1,010,105	964,039	929,941
27,667	126,899	654,913	394,390
221,123	59,481	69,528	566,504
<u>343,285</u>	<u>892,627</u>	<u>1,250,941</u>	<u>1,201,839</u>
<u>\$ 10,724,087</u>	<u>\$ 10,805,872</u>	<u>\$ 10,986,145</u>	<u>\$ 10,615,233</u>

Shelby County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561		\$ 6,899
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction (Federal- Aid Highway Program	20.205	BROS-C083(47)-8J-83	499,558
Iowa Department of Public Defense:			
Interagency Hazardous Materials Training and Planning Grants	20.703		8,753
U.S. Department of Energy:			
Iowa Office of Energy Independence:			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE000812	63,672
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund - Governmental Services Recovery Act	84.397	5397A090016A	15,457
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5881BT83	5,937
Public Health Emergency Preparedness	93.069	5881BT383	14,543
			<u>20,480</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566		5
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,686
Foster Care - Title IV-E	93.658		2,737
Adoption Assistance	93.659		663
Children's Health Insurance Program	93.767		32
Medical Assistance Program	93.778		6,620
Social Services Block Grant	93.667		2,359
Social Services Block Grant	93.667		38,102
			<u>40,461</u>

(continued next page)

Shelby County

Schedule of Expenditures of Federal Awards - Continued

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		\$ 301,426
Emergency Management Performance Grants	97.042		10,364
Homeland Security Grant Program	97.067		<u>4,578</u>
Total			<u>\$ 983,391</u>

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 general purpose financial statements.

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Shelby County

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, 2011, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 20, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 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, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis.

To the Officials of Shelby County

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 11-II-A and 11-II-B to be significant deficiencies.

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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 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 findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit 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. This report is not intended to be and should not be used by anyone other than these specified parties.

Gammewald, Ben, Rynn & Co. P.C.

Atlantic, Iowa
February 20, 2012

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Officials of Shelby County

Compliance

We have audited the compliance of Shelby County with the types of compliance requirements described in the 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, 2011. 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 U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shelby County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Shelby County's compliance with those requirements.

In our opinion, Shelby County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

To the Officials of Shelby County

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 grants 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shelby County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

Gammewell, Bell, Lyman & Co. P.C.

Atlantic, Iowa
February 20, 2012

Shelby County
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results

Financial Statements

- (a) Type of auditor's report issued:
• Unqualified.
- (b) Internal control over financial reporting:
• Material weakness(es) identified? _____ yes X no
• Significant deficiency(ies) identified? X yes _____ none reported
- (c) Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

- (d) Internal control over major programs:
• Material weakness(es) identified? _____ yes X no
• Significant deficiency(ies) identified? _____ yes X none reported
- (e) Type of auditor's report issued on compliance for major programs:
• Unqualified.
- (f) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the OMB Circular A-133? _____ yes X no
- (g) The major programs were as follows:
• CFDA Number 20.205 - Highway Planning and Construction (Federal-Aid Highway Program)
• CFDA Number 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) Auditee qualified as low-risk auditee? _____ yes X no

Shelby County

Schedule of Findings and Questioned Costs - Continued

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

11-II-A Financial Accounting: During our audit, we noted grant revenues that "pass thru" the County were not properly reviewed.

Recommendation: The County should review the activity of the "pass thru" grants.

Response: The County will review "pass thru" documentation in the future.

Conclusion: Response accepted.

11-II-B Tax Reconciliation: During our audit, we noted that an incomplete reconciliation was being done between the taxes collected and the County revenue reports.

Recommendation: For better accountability, a complete reconciliation should be made between the taxes collected and the revenue reports. Any reconciling items noted as part of the reconciliation process should be investigated and resolved.

Response: The County will reconcile taxes collected with County revenue reports in the future.

Conclusion: Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

Shelby County

Schedule of Findings and Questioned Costs - Continued

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting

- 11-IV-A Certified Budget: Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- 11-IV-B Questionable Expenditures: No expenditures were noted that meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 11-IV-C Travel Expense: No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 11-IV-D Business Transactions: No business transactions between the County and County officials were noted.
- 11-IV-E Bond Coverage: Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 11-IV-F Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.
- 11-IV-G 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.
- 11-IV-H Resource Enhancement and Protection Certification: The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 11-IV-I County Extension Office: The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted. However, the ending operating fund balance exceeded 50% of the amount expended during the year. In accordance with Chapter 176A.8(13) of the Code of Iowa, unencumbered funds in excess of one-half the amount expended from the fund shall be paid over to the County Treasurer.

Recommendation: The County should transfer the excess balance to the General Fund in accordance with Chapter 176A.8(13) of the Code of Iowa.

Response: We will transfer any excess fund balance in the future as recommended.

Conclusion: Response accepted.

Shelby County

Schedule of Findings and Questioned Costs - Continued

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting - Continued

11-IV-J Payment of General Obligation Bonds: Certain general obligation notes were paid from the Special Revenue, Tax Increment Financing Fund. The Debt Service Fund is to be used to account for the payment of interest and principal on the County's general long-term debt.

Recommendation: The County should transfer from the Special Revenue, Tax Increment Financing Fund to the Debt Service Fund for future funding contributions. Payments of the notes should then be disbursed from the Debt Service Fund.

Response: We will consider transferring to the Debt Service Fund in the future as recommended.

Conclusion: Response accepted.

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