

SHELBY COUNTY, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2013

Shelby County
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Shelby County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2013)		
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
(After January, 2013)		
Roger Schmitz	Board of Supervisors	January, 2015
Steve Kenkel	Board of Supervisors	January, 2017
Charles Parkhurst	Board of Supervisors	January, 2017
Marsha Carter	County Auditor	January, 2017
Carolyn Blum	County Treasurer	January, 2015
Linda Fahn	County Recorder	January, 2015
Mark Hervey	County Sheriff	January, 2017
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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Iowa as of and for the year ended June 30, 2013, and related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

To the Officials of Shelby County

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

Basis for Qualified Opinions

The financial statements do not include an estimate of an Other Post Employment Benefits (OPEB) liability for an implicit health insurance premium rate subsidy resulting from the legal requirement to allow employees retiring after age 55 to remain on the County's healthcare plan until age 65. Accounting principles generally accepted in the United States of America require that any material liability resulting from this OPEB requirement be included in the financial statements (Note 10).

Qualified Opinions

In our opinion, except for the effect of not including an estimated OPEB liability for the implicit health insurance premium rate subsidy, as discussed in the previous section, the financial statements referred to above present fairly in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County as of June 30, 2013 and the respective changes in financial position, and cash flows where applicable for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 3 through 3f and on pages 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Officials of Shelby County

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shelby County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012 (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 third 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. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2014 on our consideration of Shelby County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Shelby County's internal control over financial reporting and compliance.

Gmewold, Ben, Kyhn + W.P.C.

Atlantic, Iowa
January 27, 2014

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

2013 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 19.1%, or approximately \$2,427,200, from Fiscal 2012 to Fiscal 2013. Property and other County Taxes and Local Option Sales Tax increased approximately \$520,700. Operating Grants and Contributions decreased approximately \$1,020,000, and Capital Grants and Contributions increased by approximately \$3,019,300.
- Program expenses of the County's governmental activities were 18.5%, or approximately \$2,528,700, less in Fiscal 2013 than in Fiscal 2012. Roads and Transportation expenses decreased approximately \$1,197,300 and Mental Health decreased \$1,222,400. All other service areas recorded small changes: Public Safety and Legal Services - \$47,200; Physical Health and Social Services - \$(78,100); Government Services to Residents - \$(137,700); and Administration - \$169,700.
- The County's net position increased 21.0%, or approximately \$4,008,000, from June 30, 2012 to June 30, 2013.

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 Position and a Statement of Activities. These provide information about the activities of Shelby County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Shelby County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Shelby County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, 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 statement of net position 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 position may serve over time as a useful indicator of financial position. Shelby County's combined net position increased from \$19.13 million to \$23.14 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)			
		June 30,	
		2012	2013
Current and Other Assets		\$ 10,651	\$ 10,254
Capital Assets		16,456	19,916
Total Assets		27,107	30,170
Long-Term Liabilities		1,279	565
Other Liabilities		6,698	6,467
Total Liabilities		7,977	7,032
Net Position			
Invested in Capital Assets, Net of Related Debt		15,764	19,916
Restricted		2,138	2,085
Unrestricted		1,228	1,137
Total Net Position		\$ 19,130	\$ 23,138

Net position of Shelby County's governmental activities increased approximately \$4,008,000, or 21.0% during the year. The largest portion of the County's net position 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, since they are unavailable for future spending. Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased from approximately \$1,228,000 at June 30, 2012 to approximately \$1,136,800 at the end of this year, a decrease of 7.4%

This decrease of approximately \$91,200 in unrestricted net position was a result of the decrease in the general fund balance. The County's investment in capital assets, net of related debt, increased by approximately \$4,152,800 from the prior year. Additions to the County's capital assets totaled approximately \$4,818,200. Depreciation expense totaled approximately \$1,185,300 for FY 2013.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2012	2013
Revenues		
Program Revenues:		
Charges for Services	\$ 584	\$ 436
Operating Grants, Contributions, and Restricted Interest	5,218	4,198
Capital Grants, Contributions, and Restricted Interest	857	3,876
General Revenues:		
Property and Other County Tax	5,498	6,019
Tax Increment Financing	171	163
Penalty and Interest on Property Tax	33	33
State Tax Credits	239	301
Unrestricted Investment Earnings	100	101
Total Revenues	12,700	15,127
Program Expenses		
Public Safety and Legal Services	1,701	1,748
Physical Health and Social Services	630	552
Mental Health	2,648	1,425
County Environment and Education	557	440
Roads and Transportation	6,277	5,080
Governmental Services to Residents	436	298
Administration	1,365	1,535
Interest on Long-Term Debt	34	41
Total Expenses	13,648	11,119
Change in Net Position	(948)	4,008
Net Position, Beginning of Year	20,078	19,130
Net Position, End of Year	\$ 19,130	\$ 23,138

Revenues of the County's governmental activities increased 19.1%, or approximately \$2,427,200, from Fiscal 2012 to Fiscal 2013. Property and other County Taxes increased approximately \$520,700. Operating Grants and Contributions decreased approximately \$1,020,000, and Capital Grants and Contributions increased by \$3,019,300.

Fiscal 2013 saw an increase in total taxable valuation of \$58,822,042, which is a 9.14% increase, with the total tax asking increasing by \$554,877, or 10.7%.

The cost of all governmental activities this year was \$11.1 million, a decrease of \$2.5 million 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 \$6.99 million because some of the cost was paid by those directly benefited from the programs (\$436,300) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8,074,300). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased from approximately \$6,659,200 in 2012 to \$8,510,600 in 2013, principally due to the decrease in Operating Grants, Contributions, and Restricted Interest. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$6,617,000 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 \$3.55 million, a decrease of approximately \$163,000 from last year's total of \$3.71 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 2013 with a fund balance totaling \$1,260,490. This was a decrease from Fiscal Year 2012 of \$93,345.
- The Mental Health Fund balance at year end increased by \$103,192 from the prior year. The Mental Health fund ended Fiscal Year 2013 with a balance of \$447,167.
- The Rural Services Fund ended Fiscal Year 2013 with a fund balance of \$201,106. This was a decrease from Fiscal Year 2012 of \$9,568.
- The Secondary Roads Fund ended Fiscal Year 2013 with a fund balance of \$1,092,977, up \$20,284 when compared to the ending balance for Fiscal Year 2012. 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 15, 2012 by \$1,297,795. The majority of the budget increases were in the Roads and Transportation (\$200,000), Physical Health and Social Services (\$68,000), County Environment and Education (\$35,795), and Debt Service (\$605,000) functions.

The County's total receipts of \$11,275,886 were \$490,900 less than budgeted. The County's total disbursements of \$11,892,799 were \$1,537,595 less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Shelby County had approximately \$19.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is an approximate \$3.4 million increase (including additions and deletions) from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)			
	June 30		
	2012	2013	
Land	\$ 331	\$ 331	
Construction in Progress	153	419	
Buildings and Improvements	2,342	2,322	
Equipment and Vehicles	2,863	2,763	
Infrastructure	10,767	14,081	
Total	\$ 16,456	\$ 19,916	

The County had depreciation expense of \$1,185,297 in Fiscal 2013 and total accumulated depreciation of \$9,592,959 at June 30, 2013. The County's Fiscal Year 2013 capital budget included \$810,000 for capital projects, principally for bridge 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, 2013, Shelby County had \$ - 0 - in general obligation capital loan notes outstanding, compared to approximately \$710,000 of long-term debt at June 30, 2012, as shown below.

Outstanding Debt of Governmental Activities at Year End (Expressed in Thousands)		
	June 30	
	2012	2013
General Obligation Capital Loan Notes	\$ 710	\$ --

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the 1-1-2011 assessed value of all taxable property in the County. Shelby County's outstanding general obligation debt is significantly below its constitutional debt limit of \$36.1 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 2014 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. In December of 2012, the County's unemployment was at 3.6% versus 4.2% a year ago. This compared with the State's unemployment rate of 5.2% and the national rate of 7.9%.

The union contracts expired June 30, 2012. The County was able to negotiate with all three unions for a \$1,250 increase for FY2013 and a \$1,500 increase for FY2014, with the employees contributing toward the dependent portion of their health insurance: 5% in FY2013 and 10% in FY2014.

All the different variables were taken into account when adopting the Fiscal Year 2014 Budget. Property taxes were increased by 4.6% to meet the County's operational expenses. Even with the FY2014 increase, the County's tax asking over the last 10 years has averaged +1.32%. Not including property tax revenue, budgeted revenues for the General and Rural Services Funds remained approximately the same. Expected revenues from Local Option Sales Tax, Licenses & Permits, Charges for Services and Use of Money and Property were estimated at the same level. As the County continues to try to hold the line on spending, budgeted expenditures in the General and Rural Services Funds increased only \$271,745, which includes increases in wages and benefits. In FY2011 and FY2012, the transfer to Secondary Roads was frozen at FY2010 level. For FY2013 and FY2014 the County increased that transfer to keep up with the necessary maintenance, and are now back up to the maximum transfer allowed by law. There were no notable changes in other funds. The County is still deficit spending out of the General Fund. 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 2014 Budget was adopted with a total tax rate increase of \$0.115 per \$1,000 of taxable valuation, due to the valuation increase and a total tax asking increase of \$267,641.

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. In June of 2013, the County paid off the bond early, which saved the Shelby County taxpayers approximately \$72,500 in interest.

The County is constantly working on our Disaster Preparedness Plan. During FY2013, a room in the Emergency Operations Center, which is a secure area in the basement of the 911 Center, was remodeled/rearranged to hold all the Emergency Management Agency's computer servers and radio equipment. As part of that project, extra shelf space was put in place to hold all the computer servers that are now in the I.T. room in the basement of the Courthouse. That move and server update is planned for the spring of 2014.

The County continues to work on our declining bridge system, using whatever State and Federal funding is available.

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 Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,115,874
Receivables:	
Property tax:	
Delinquent	1,126
Succeeding year	6,064,000
Interest and penalty on property tax	1,084
Accounts	35,094
Accrued interest	329
Due from other governments	311,355
Prepaid insurance	43,645
Inventories	681,474
Capital assets (net of accumulated depreciation)	<u>19,916,491</u>
Total assets	<u>30,170,472</u>
Liabilities	
Accounts payable	260,597
Salaries and benefits payable	92,533
Due to other funds	19,724
Due to other governments	30,751
Deferred revenue:	
Succeeding year property tax	6,064,000
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	<u>564,917</u>
Total liabilities	<u>7,032,522</u>

(continued next page)

Shelby County
 Statement of Net Position - continued
 June 30, 2013

	<u>Governmental Activities</u>
Net Position	
Invested in capital assets, net of related debt	\$ 19,916,491
Restricted for:	
Rural services purposes	188,286
Mental health purposes	424,551
Secondary roads purposes	926,735
Other purposes	545,073
Unrestricted	<u>1,136,814</u>
Total net position	<u>\$ 23,137,950</u>

See notes to financial statements.

Shelby County
Statement of Activities
Year ended June 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Charges for Service</u>
Functions/Programs:		
Governmental activities:		
Public safety and legal services	\$ 1,747,909	\$ 71,158
Physical health and social services	552,465	11,783
Mental health	1,425,287	--
County environment and education	439,695	96,985
Roads and transportation	5,079,545	--
Governmental services to residents	298,460	256,340
Administrative services	1,535,106	--
Interest on long-term debt	41,167	--
	<u> </u>	<u> </u>
Total	<u>\$ 11,119,634</u>	<u>\$ 436,266</u>
General Revenues:		
Property and other county tax levied for:		
General purposes		
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 position		
Net position beginning of year		
Net position 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 Position</u>
\$ 92,044	\$ --	\$(1,584,707)
331,977	--	(208,705)
621,230	--	(804,057)
138,177	--	(204,533)
2,953,215	3,876,039	1,749,709
12,298	--	(29,822)
49,363	--	(1,485,743)
<u>--</u>	<u>--</u>	<u>(41,167)</u>
<u>\$ 4,198,304</u>	<u>\$ 3,876,039</u>	<u>(2,609,025)</u>

5,468,184
32,850
550,881
163,392
300,605
101,136

6,617,048

4,008,023

19,129,927

\$ 23,137,950

Shelby County
Balance Sheet
Governmental Funds

June 30, 2013

	General	Special Revenue	
		Rural Services	Secondary Roads
Assets			
Cash and pooled investments	\$ 1,334,405	\$ 159,461	\$ 646,503
Receivables:			
Property tax:			
Delinquent	683	242	--
Succeeding year	3,684,000	1,662,000	--
Interest and penalty on property tax	1,084	--	--
Accounts	19,973	--	2,716
Accrued interest	329	--	--
Due from other funds	32,469	--	4,499
Due from other governments	37,679	41,645	122,487
Inventories	--	--	681,474
Prepaid insurance	43,645	--	--
	<u>\$ 5,154,267</u>	<u>\$ 1,863,348</u>	<u>\$ 1,457,679</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 21,491	\$ --	\$ 192,420
Salaries and benefits payable	39,894	--	39,153
Due to other funds	56,647	--	--
Due to other governments	7,178	--	1,167
Deferred revenue:			
Succeeding year property tax	3,684,000	1,662,000	--
Other	1,767	242	--
Compensated absences	82,800	--	131,962
Total liabilities	<u>3,893,777</u>	<u>1,662,242</u>	<u>364,702</u>

(continued next page)

<u>Special Revenue Mental Health</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 415,470	\$ 560,035	\$ 3,115,874
177	24	1,126
557,000	161,000	6,064,000
--	--	1,084
6,000	6,405	35,094
--	--	329
--	216	37,184
94,981	14,563	311,355
--	--	681,474
<u>--</u>	<u>--</u>	<u>43,645</u>
<u>\$ 1,073,628</u>	<u>\$ 742,243</u>	<u>\$ 10,291,165</u>
\$ 36,632	\$ 10,054	\$ 260,597
10,192	3,294	92,533
261	--	56,908
9,540	12,866	30,751
557,000	161,000	6,064,000
177	24	2,210
<u>12,659</u>	<u>9,956</u>	<u>237,377</u>
<u>626,461</u>	<u>197,194</u>	<u>6,744,376</u>

Shelby County
Balance Sheet
Governmental Funds - continued

June 30, 2013

	<u>General</u>	<u>Special Revenue</u>	
		<u>Rural Services</u>	<u>Secondary Roads</u>
Fund balances:			
Nonspendable:			
Inventories	\$ --	\$ --	\$ 681,474
Prepaid insurance	43,645	--	--
Restricted for:			
Rural services purposes	--	201,106	--
Secondary roads purposes	--	--	411,503
Mental health purposes	--	--	--
Capital projects purposes	--	--	--
Other purposes	--	--	--
Unassigned	<u>1,216,845</u>	<u>--</u>	<u>--</u>
Total fund balances	<u>1,260,490</u>	<u>201,106</u>	<u>1,092,977</u>
 Total liabilities and fund balances	 <u>\$ 5,154,267</u>	 <u>\$ 1,863,348</u>	 <u>\$ 1,457,679</u>

See notes to financial statements.

<u>Special Revenue Mental Health</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ --	\$ --	\$ 681,474
--	--	43,645
--	--	201,106
--	--	411,503
447,167	--	447,167
--	508,608	508,608
--	36,441	36,441
--	--	1,216,845
<u>447,167</u>	<u>545,049</u>	<u>3,546,789</u>
<u>\$ 1,073,628</u>	<u>\$ 742,243</u>	<u>\$ 10,291,165</u>

Shelby County

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

June 30, 2013

Total governmental fund balances (page 8)	\$ 3,546,789
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$29,509,450 and the accumulated depreciation is \$9,592,959.	19,916,491
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,210
Compensated absences payable not due and payable in the current period and, therefore, are not reported in the funds.	<u>(327,540)</u>
Net position of governmental activities (page 5)	<u>\$ 23,137,950</u>

See notes to financial statements.

Shelby County

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

Year ended June 30, 2013

	General	Special Revenue	
		Rural Services	Secondary Roads
Revenues:			
Property and other County tax	\$ 3,253,866	\$ 1,373,497	\$ --
Local option sales tax	175,037	187,922	187,922
Interest and penalty on property tax	32,714	--	--
Intergovernmental	425,033	158,208	2,963,024
Licenses and permits	241,179	--	1,075
Charges for service	306,528	--	--
Use of money and property	101,136	--	--
Miscellaneous	50,180	--	161,574
Total revenues	<u>4,585,673</u>	<u>1,719,627</u>	<u>3,313,595</u>
Expenditures:			
Operating:			
Public safety and legal services	1,729,900	--	--
Physical health and social services	549,195	--	--
Mental health	--	--	--
County environment and education	30,093	152,285	--
Roads and transportation	--	--	4,530,985
Governmental services to residents	381,845	404	--
Administration	1,136,782	--	--
Debt service	183,585	--	--
Capital projects	--	--	262,326
Total expenditures	<u>4,011,400</u>	<u>152,689</u>	<u>4,793,311</u>
Excess (deficiency) of revenues over (under) expenditures	<u>574,273</u>	<u>1,566,938</u>	<u>(1,479,716)</u>

(continued next page)

Exhibit E

<u>Special Revenue Mental Health</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 840,654	\$ 163,392	\$ 5,631,409
--	--	550,881
--	--	32,714
651,909	54,604	4,252,778
--	--	242,254
--	35,698	342,226
--	30	101,166
<u>15,207</u>	<u>43,384</u>	<u>270,345</u>
<u>1,507,770</u>	<u>297,108</u>	<u>11,423,773</u>
--	11,877	1,741,777
--	--	549,195
1,413,578	--	1,413,578
--	264,146	446,524
--	--	4,530,985
--	4,913	387,162
--	--	1,136,782
--	552,165	735,750
--	<u>382,672</u>	<u>644,998</u>
<u>1,413,578</u>	<u>1,215,773</u>	<u>11,586,751</u>
<u>94,192</u>	<u>(918,665)</u>	<u>(162,978)</u>

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

Year ended June 30, 2013

	<u>General</u>	<u>Special Revenue</u>	
		<u>Rural Services</u>	<u>Secondary Roads</u>
Other financing sources (uses):			
Operating transfers in	\$ 200,000	\$ 33,982	\$ 1,500,000
Operating transfers out	<u>(867,618)</u>	<u>(1,610,488)</u>	<u> --</u>
Total other financing sources (uses)	<u>(667,618)</u>	<u>(1,576,506)</u>	<u>1,500,000</u>
Change in fund balances	(93,345)	(9,568)	20,284
Fund balances beginning of year	<u>1,353,835</u>	<u>210,674</u>	<u>1,072,693</u>
Fund balances end of year	<u>\$ 1,260,490</u>	<u>\$ 201,106</u>	<u>\$ 1,092,977</u>

See notes to financial statements.

<u>Special Revenue Mental Health</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 9,000	\$ 769,106	\$ 2,512,088
<u>--</u>	<u>(33,982)</u>	<u>(2,512,088)</u>
<u>9,000</u>	<u>735,124</u>	<u>--</u>
103,192	(183,541)	(162,978)
<u>343,975</u>	<u>728,590</u>	<u>3,709,767</u>
<u>\$ 447,167</u>	<u>\$ 545,049</u>	<u>\$ 3,546,789</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, 2013

Change in fund balances - Total governmental funds (page 11) \$(162,978)

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.

Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	\$ 942,119	
Capital assets contributed by the Iowa Department of Transportation	3,876,039	
Depreciation expense	<u>(1,185,297)</u>	3,632,861

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issues, as follows:

Principal paid	710,000
----------------	---------

In the Statement of Activities, the loss 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	(172,458)
-------------------------------	------------

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	303
--	-----

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	15,712	
Accrued interest on long-term debt	2,160	
Debt issue costs	<u>(17,577)</u>	295

Change in net position of governmental activities (page 6) \$ 4,008,023

See notes to financial statements.

Shelby County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

Assets

Cash and pooled investments:		
County Treasurer	\$	1,700,326
Other County Officials		53,255
Receivables:		
Property tax:		
Delinquent		2,682
Succeeding year		14,836,000
Accounts		2,837
Special assessments		9,887
Due from other funds		52,933
Due from other governments		28,726
Total assets		<u>16,686,646</u>

Liabilities

Accounts payable	180,122
Salaries and benefits payable	16,927
Due to other funds	33,209
Due to other governments	16,373,305
Trusts payable	14,258
Compensated absences	68,825
Total liabilities	<u>16,686,646</u>

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

Shelby County
Notes to Financial Statements
June 30, 2013

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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as 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 Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is 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 attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net position consist of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those 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, 2013

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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

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

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

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, 2013

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

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

Shelby County

Notes to Financial Statements

June 30, 2013

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

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

Due from 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, 2013, 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, 2013

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 Position. 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>
Buildings	40 - 50
Building 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, 2013

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 Position 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, 2013. 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 Position. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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, 2013

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 the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the roads and transportation and debt service functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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, 2013

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency:	
	County Sheriff	\$ 9,788
	County Recorder	21,431
	M/H/S Empowerment	<u>1,250</u>
		32,469
Special Revenue:		
Secondary Roads	General	3,930
	Special Revenue:	
	Mental Health	261
	Agency:	
	Emergency Management Services	177
	County Assessor	<u>131</u>
		4,499
Agency:	Agency:	
Recorders' Electronic Transfer Fee	County Recorder	216
Agency:		
Emergency Management Services	General	52,717
Special Revenue:	Agency:	
County Recorder's Records Management	County Recorder	<u>216</u>
Total		<u>\$ 90,117</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, 2013

NOTE 4 - INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Mental Health	General	\$ 9,000
Special Revenue: Conservation	General	160,000
Special Revenue: Secondary Roads	General	100,000
Capital Projects	General	598,618
Special Revenue: Rural Services	Capital Projects	33,982
Capital Projects	Special Revenue: Rural Services	10,488
General	Special Revenue: Rural Services	200,000
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>1,400,000</u>
		<u>\$ 2,512,088</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, 2013

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 330,775	\$ --	\$ --	\$ 330,775
Construction in progress	<u>152,693</u>	<u>4,142,441</u>	<u>3,876,039</u>	<u>419,095</u>
Total capital assets not being depreciated/ amortized	<u>483,468</u>	<u>4,142,441</u>	<u>3,876,039</u>	<u>749,870</u>
Capital assets being depreciated/amortized:				
Buildings	4,065,117	80,754	--	4,145,871
Land improvements	63,667	--	--	63,667
Equipment and vehicles	7,756,555	594,963	603,308	7,748,210
Infrastructure, road network	<u>12,925,793</u>	<u>3,876,039</u>	<u>--</u>	<u>16,801,832</u>
Total capital assets being depreciated/amortized	<u>24,811,132</u>	<u>4,551,756</u>	<u>603,308</u>	<u>28,759,580</u>
Less accumulated depreciation/ amortization for:				
Buildings	1,780,408	97,115	--	1,877,523
Land improvements	6,367	3,183	--	9,550
Equipment and vehicles	4,893,756	522,512	430,850	4,985,418
Infrastructure, road network	<u>2,157,981</u>	<u>562,487</u>	<u>--</u>	<u>2,720,468</u>
Total accumulated depreciation/amortization	<u>8,838,512</u>	<u>1,185,297</u>	<u>430,850</u>	<u>9,592,959</u>
Total capital assets being depreciated/amortized, net	<u>15,972,620</u>	<u>3,366,459</u>	<u>172,458</u>	<u>19,166,621</u>
Governmental activities capital assets, net	<u>\$ 16,456,088</u>	<u>\$7,508,900</u>	<u>\$4,048,497</u>	<u>\$ 19,916,491</u>

Shelby County
Notes to Financial Statements
June 30, 2013

NOTE 5 - CAPITAL ASSETS - continued

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 73,341
Mental health	8,161
County environment and education	19,391
Roads and transportation	905,731
Governmental services to residents	14,758
Administrative services	<u>163,915</u>

Total depreciation/amortization expense - governmental activities	<u>\$1,185,297</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	\$ 7,178
Special Revenue:		
Secondary Roads		1,167
Mental Health		9,540
Conservation		<u>12,866</u>
		<u>23,573</u>
Total for governmental funds		<u>\$ 30,751</u>
Agency:		
County Assessor	Collections	\$ 519,951
Emergency Management Services		298,625
Schools		8,604,756
Community Colleges		708,868
Corporations		4,178,672
Townships		320,703
Auto License and Use Tax		307,211
County Hospital		856,719
All Other		<u>577,800</u>
Total for agency funds		<u>\$ 16,373,305</u>

Shelby County
Notes to Financial Statements
June 30, 2013

NOTE 7 - LONG-TERM LIABILITIES

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

	General Obligation Capital Loan Notes <u>Series</u> <u>2007</u>	Compensated Absences	<u>Total</u>
Balance beginning of year	\$ 710,000	\$ 569,025	\$ 1,279,025
Increases	--	--	--
Decreases	<u>710,000</u>	<u>4,108</u>	<u>714,108</u>
Balance end of year	<u>\$ --</u>	<u>\$ 564,917</u>	<u>\$ 564,917</u>
Due within one year	<u>\$ --</u>	<u>\$ 564,917</u>	<u>\$ 564,917</u>

In November, 2007, the County issued \$1,065,000 in general obligation capital loan notes to fund the costs of undertaking an urban renewal project, including improvements to a road leading to a new dairy. Tax increment financing and general fund revenues were used to pay off the capital loan notes.

During the year ended June 30, 2013, interest payments under the Series 2007 general obligation capital loan notes totaled \$25,750. The County retired the remaining \$710,000 Series 2007 Notes.

Shelby County

Notes to Financial Statements

June 30, 2013

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 5.78% (5.95% beginning July 1, 2013) of their annual covered salary and the County is required to contribute 8.67% (8.93% beginning July 1, 2013) of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were approximately \$345,000, \$313,000, and \$276,800, 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 whose 679 members include 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 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

Shelby County

Notes to Financial Statements

June 30, 2013

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, 2013 were approximately \$86,600.

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 \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington 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, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, 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, 2013

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 74 active employees and 2 retirees currently covered by the Plan.

Funding Policy: The County does not set aside funds to pay for any OPEB liability. Any County costs of an implicit health insurance premium rate subsidy are charged to expense in the year paid.

Net OPEB Obligation: Management of the County considers any OPEB obligation, which may exist, to be immaterial. Therefore the County has elected to not obtain an actuarial evaluation of the OPEB liability.

Generally accepted accounting principles, established under GASB Statement No. 45, require that an actuarial or alternative computation of a liability be completed. The independent auditor's report regarding the financial statements has been qualified as a result of not obtaining the required evaluation and not recording any potential material OPEB liability.

NOTE 11 - COMMITMENT AND CONTINGENCY

Construction

The County has entered into contracts totaling approximately \$2,171,135, primarily for bridge replacement and repairs to be completed during fiscal year 2014. As of June 30, 2013, the County has incurred \$419,095 on these projects. The projects will be financed with existing funds.

Subsequent Events

The County has evaluated all subsequent events through January 27, 2014, the date the financial statements were available to be issued.

Shelby County

Notes to Financial Statements

June 30, 2013

NOTE 12 - EARLY CHILDHOOD IOWA AREA BOARD

Shelby County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the M/H/S Empowerment Agency Fund because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2013 is as follows:

	<u>Early Childhood</u>	<u>School Ready</u>	<u>Total</u>
Revenues:			
State grants:			
Early Childhood	\$ 33,681	\$ --	\$ 33,681
Family support and parent education	--	168,128	168,128
Preschool support for low- income families	--	73,820	73,820
Quality improvement	--	41,957	41,957
Allocation for administration	1,773	9,324	11,097
Other grant programs	<u>--</u>	<u>17,761</u>	<u>17,761</u>
Total state grants	35,454	310,990	346,444
Interest on investments	<u>18</u>	<u>164</u>	<u>182</u>
Total revenues	<u>35,472</u>	<u>311,154</u>	<u>346,626</u>
Expenditures:			
Program services:			
Early Childhood	31,912	--	31,912
Family support and parent education	--	167,378	167,378
Preschool support for low- income families	--	78,321	78,321
Quality improvement	--	36,598	36,598
Other program services	<u>--</u>	<u>18,161</u>	<u>18,161</u>
Total program services	31,912	300,458	332,370
Administration	<u>1,759</u>	<u>10,274</u>	<u>12,033</u>
Total expenditures	<u>33,671</u>	<u>310,732</u>	<u>344,403</u>
Net change in fund balance	1,801	422	2,223
Fund balance beginning of year	<u>1,885</u>	<u>29,510</u>	<u>31,395</u>
Fund balance end of year	<u>\$ 3,686</u>	<u>\$ 29,932</u>	<u>\$ 33,618</u>

Findings related to the operations of the Early Childhood Iowa Area Board are included as item 13-II-K in the Schedule of Findings.

* * *

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, 2013

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other County tax	\$ 6,195,858	\$ --	\$ 6,195,858
Interest and penalty on property tax	32,714	--	32,714
Intergovernmental	4,076,621	--	4,076,621
Licenses and permits	234,437	--	234,437
Charges for service	374,969	--	374,969
Use of money and property	101,982	--	101,982
Miscellaneous	259,305	--	259,305
Total receipts	<u>11,275,886</u>	<u>--</u>	<u>11,275,886</u>
Disbursements:			
Public safety and legal services	1,692,558	--	1,692,558
Physical health and social services	578,798	--	578,798
Mental health	1,740,319	--	1,740,319
County environment and education	401,357	--	401,357
Roads and transportation	4,473,033	--	4,473,033
Governmental services to residents	391,700	--	391,700
Administration	1,146,403	--	1,146,403
Non-program	--	--	--
Debt service	737,909	--	737,909
Capital projects	730,722	--	730,722
Total disbursements	<u>11,892,799</u>	<u>--</u>	<u>11,892,799</u>
Excess (deficiency) of receipts over (under) disbursements	(616,913)	--	(616,913)
Balance beginning of year	<u>3,732,787</u>	<u>--</u>	<u>3,732,787</u>
Balance end of year	<u>\$ 3,115,874</u>	<u>\$ --</u>	<u>\$ 3,115,874</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
\$ 6,162,936	\$ 6,162,936	\$ 32,922
30,000	30,000	2,714
4,800,107	4,800,107	(723,486)
229,950	229,950	4,487
282,075	282,075	92,894
95,012	95,012	6,970
166,706	166,706	92,599
<u>11,766,786</u>	<u>11,766,786</u>	<u>(490,900)</u>
2,063,351	2,098,351	405,793
574,042	642,042	63,244
2,603,280	2,603,280	862,961
397,122	432,917	31,560
4,201,650	4,401,650	(71,383)
426,378	440,378	48,678
1,112,457	1,197,457	51,054
31,000	42,000	42,000
132,709	737,709	(200)
590,610	834,610	103,888
<u>12,132,599</u>	<u>13,430,394</u>	<u>1,537,595</u>
(365,813)	(1,663,608)	1,046,695
<u>3,400,257</u>	<u>3,732,568</u>	<u>219</u>
<u>\$ 3,034,444</u>	<u>\$ 2,068,960</u>	<u>\$ 1,046,914</u>

Shelby County
 Budgetary Comparison Schedule -Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2013

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 11,275,886	\$ 147,887	\$ 11,423,773
Expenditures	<u>11,892,799</u>	<u>(306,048)</u>	<u>11,586,751</u>
Net	(616,913)	453,935	(162,978)
Beginning fund balances	<u>3,732,787</u>	<u>(23,020)</u>	<u>3,709,767</u>
Ending fund balances	<u>\$ 3,115,874</u>	<u>\$ 430,915</u>	<u>\$ 3,546,789</u>

See accompanying independent auditor's report.

Shelby County

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2013

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units 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 \$1,297,795. 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.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the roads and transportation function, and debt service function.

SUPPLEMENTARY INFORMATION

Shelby County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	Special Revenue			
	County Recorder's Records Management	Recorder's Electronic Transaction Fee	Conservation Land Acquisition Trust	Conservation
Assets				
Cash and pooled investments	\$ 6,240	\$ 820	\$ --	\$ 6,626
Receivables:				
Property Tax:				
Delinquent	--	--	--	--
Succeeding year	--	--	--	--
Accounts receivable	--	--	--	6,105
Due from other funds	216	--	--	--
Due from other governments	--	--	--	13,936
	<u>6,456</u>	<u>820</u>	<u>--</u>	<u>26,667</u>
Total assets	<u>\$ 6,456</u>	<u>\$ 820</u>	<u>\$ --</u>	<u>\$ 26,667</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ --	\$ 9,101
Salaries and benefits payable	--	--	--	3,294
Due to other governments	--	--	--	12,866
Deferred Revenue:				
Succeeding year property tax	--	--	--	--
Other	--	--	--	--
Compensated absences	--	--	--	9,956
Total liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>35,217</u>
Fund balances:				
Restricted for:				
Other purposes	6,456	820	--	(8,550)
Total fund balances	<u>6,456</u>	<u>820</u>	<u>--</u>	<u>(8,550)</u>
Total liabilities and fund balances	<u>\$ 6,456</u>	<u>\$ 820</u>	<u>\$ --</u>	<u>\$ 26,667</u>

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Special Revenue					
Resource Enhancement and Protection	Drug Forfeiture	Commissary	Flood and Erosion	Tax Increment Financing	Debt Service
\$ 9,994	\$ 11,198	\$ 4,899	\$ 11,205	\$ --	\$ 320
--	--	--	--	24	--
--	--	--	--	161,000	--
--	300	--	--	--	--
--	--	--	--	--	--
--	--	627	--	--	--
<u>\$ 9,994</u>	<u>\$ 11,498</u>	<u>\$ 5,526</u>	<u>\$ 11,205</u>	<u>\$ 161,024</u>	<u>\$ 320</u>
\$ --	\$ --	\$ 117	\$ 711	\$ --	\$ --
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	161,000	--
--	--	--	--	24	--
--	--	--	--	--	--
--	--	117	711	161,024	--
<u>9,994</u>	<u>11,498</u>	<u>5,409</u>	<u>10,494</u>	<u>--</u>	<u>320</u>
<u>9,994</u>	<u>11,498</u>	<u>5,409</u>	<u>10,494</u>	<u>--</u>	<u>320</u>
<u>\$ 9,994</u>	<u>\$ 11,498</u>	<u>\$ 5,526</u>	<u>\$ 11,205</u>	<u>\$ 161,024</u>	<u>\$ 320</u>

Shelby County
Combining Balance Sheet - Continued
Nonmajor Governmental Funds

June 30, 2013

	Capital Projects	Total
Assets		
Cash and pooled investments	\$ 508,733	\$ 560,035
Receivables:		
Property tax:		
Delinquent	--	24
Succeeding year	--	161,000
Accounts receivable	--	6,405
Due from other funds	--	216
Due from other governments	--	14,563
	--	14,563
Total assets	\$ 508,733	\$ 742,243
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 125	\$ 10,054
Salaries and benefits payable	--	3,294
Due to other governments	--	12,866
Deferred Revenue:		
Succeeding year property tax	--	161,000
Other	--	24
Compensated absences	--	9,956
Total liabilities	125	197,194
Fund balances:		
Restricted for:		
Other purposes	508,608	545,049
Total fund balances	508,608	545,049
Total liabilities and fund balances	\$ 508,733	\$ 742,243

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, 2013

	Special Revenue			
	County Recorder's Records Management	Recorder's Electronic Transaction Fee	Conservation Land Acquisition Trust	Conservation
Revenues:				
Property and other County tax	\$ --	\$ --	\$ --	\$ --
Intergovernmental	--	--	--	44,589
Charges for service	2,941	--	--	32,757
Use of money and property	8	5	--	--
Miscellaneous	--	--	--	20,965
Total revenues	<u>2,949</u>	<u>5</u>	<u>--</u>	<u>98,311</u>
Expenditures:				
Operating:				
Public safety and legal services	--	--	--	--
County environment and education	--	--	--	253,368
Governmental services to residents	4,913	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	--	--
Total expenditures	<u>4,913</u>	<u>--</u>	<u>--</u>	<u>253,368</u>
Excess (deficiency) of revenues over (under) expenditures	(1,964)	5	--	(155,057)
Other financing sources (uses):				
Operating transfers in	--	--	--	160,000
Operating transfers out	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>160,000</u>
Change in fund balances	(1,964)	5	--	4,943
Fund balances beginning of year	<u>8,420</u>	<u>815</u>	<u>--</u>	<u>(13,493)</u>
Fund balances end of year	<u>\$ 6,456</u>	<u>\$ 820</u>	<u>\$ --</u>	<u>\$(8,550)</u>

(continued next page)

Special Revenue					
Resource Enhancement and Protection	Drug Forfeiture	Commissary	Flood and Erosion	Tax Increment Financing	Debt Service
\$ --	\$ --	\$ --	\$ --	\$ 163,392	\$ --
10,015	--	--	--	--	--
--	--	--	--	--	--
5	12	--	--	--	--
--	1,500	8,634	--	--	--
<u>10,020</u>	<u>1,512</u>	<u>8,634</u>	<u>--</u>	<u>163,392</u>	<u>--</u>
--	2,000	9,877	--	--	--
10,000	--	--	778	--	--
--	--	--	--	--	--
--	--	--	--	552,165	--
--	--	--	--	--	--
<u>10,000</u>	<u>2,000</u>	<u>9,877</u>	<u>778</u>	<u>552,165</u>	<u>--</u>
20	(488)	(1,243)	(778)	(388,773)	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--
20	(488)	(1,243)	(778)	(388,773)	--
9,974	11,986	6,652	11,272	388,773	320
<u>\$ 9,994</u>	<u>\$ 11,498</u>	<u>\$ 5,409</u>	<u>\$ 10,494</u>	<u>\$ --</u>	<u>\$ 320</u>

Shelby County

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

Year ended June 30, 2013

	<u>Capital Projects</u>	<u>Total</u>
Revenues:		
Property and other County tax	\$	\$ 163,392
Intergovernmental	--	54,604
Charges for service	--	35,698
Use of money and property	--	30
Miscellaneous	12,285	43,384
Total revenues	<u>12,285</u>	<u>297,108</u>
Expenditures:		
Operating:		
Public safety and legal services	--	11,877
County environment and education	--	264,146
Governmental services to residents	--	4,913
Debt service	--	552,165
Capital projects	382,672	382,672
Total expenditures	<u>382,672</u>	<u>1,215,773</u>
Excess (deficiency) of revenues over (under) expenditures	(370,387)	(918,665)
Other financing sources (uses):		
Operating transfers in	609,106	769,106
Operating transfers out	(33,982)	(33,982)
Total other financing sources (uses)	<u>575,124</u>	<u>735,124</u>
Change in fund balances	204,737	(183,541)
Fund balances beginning of year	<u>303,871</u>	<u>728,590</u>
Fund balances end of year	<u>\$ 508,608</u>	<u>\$ 545,049</u>

See accompanying independent auditor's report.

Shelby County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2013

	<u>County Offices</u>		Agricultural Extension Education
	<u>County Recorder</u>	<u>County Sheriff</u>	
Assets			
Cash and pooled investments:			
County Treasurer	\$ --	\$ --	\$ 2,507
Other County officials	29,209	24,046	--
Receivables:			
Property tax:			
Delinquent	--	--	36
Succeeding year	--	--	162,000
Accounts	1,020	--	--
Special assessments	--	--	--
Due from other funds	--	--	--
Due from other governments	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 30,229</u>	<u>\$ 24,046</u>	<u>\$ 164,543</u>
Liabilities			
Accounts payable	\$ --	\$ --	\$ --
Salaries and benefits payable	--	--	--
Due to other funds	21,863	9,788	--
Due to other governments	8,366	--	164,543
Trusts payable	--	14,258	--
Compensated absences	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 30,229</u>	<u>\$ 24,046</u>	<u>\$ 164,543</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>
\$ 332,831	\$ 327,830	\$ 67,555	\$ 126,029	\$ 10,713	\$ 33,153
--	--	--	--	--	--
43	--	--	1,727	155	519
190,000	--	--	8,477,000	698,000	4,145,000
--	1,200	617	--	--	--
--	--	--	--	--	--
--	52,717	--	--	--	--
--	--	28,726	--	--	--
<u>\$ 522,874</u>	<u>\$ 381,747</u>	<u>\$ 96,898</u>	<u>\$8,604,756</u>	<u>\$ 708,868</u>	<u>\$ 4,178,672</u>
\$ 1,237	\$ 2,668	\$ 92,978	\$ --	\$ --	\$ --
1,136	12,131	3,660	--	--	--
131	177	--	--	--	--
519,951	298,625	--	8,604,756	708,868	4,178,672
--	--	--	--	--	--
419	68,146	260	--	--	--
<u>\$ 522,874</u>	<u>\$ 381,747</u>	<u>\$ 96,898</u>	<u>\$8,604,756</u>	<u>\$ 708,868</u>	<u>\$ 4,178,672</u>

Shelby County

Combining Schedule of Fiduciary Assets and Liabilities - Continued
Agency Funds

June 30, 2013

	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Assets			
Cash and pooled investments:			
County Treasurer	\$ 4,652	\$ 307,211	\$ 33
Other County officials	--	--	--
Receivables:			
Property tax:			
Delinquent	51	--	--
Succeeding year	316,000	--	2,000
Accounts	--	--	--
Special assessments	--	--	--
Due from other funds	--	--	--
Due from other governments	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 320,703</u>	<u>\$ 307,211</u>	<u>\$ 2,033</u>
Liabilities			
Accounts payable	\$ --	\$ --	\$ --
Salaries and benefits payable	--	--	--
Due to other funds	--	--	--
Due to other governments	320,703	307,211	2,033
Trusts payable	--	--	--
Compensated absences	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 320,703</u>	<u>\$ 307,211</u>	<u>\$ 2,033</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>	<u>E911</u>
\$ --	\$ 4,705	\$ 10,568	\$ 80,730	\$ 22,188	\$ 325,347
--	--	--	--	--	--
--	--	151	--	--	--
--	--	846,000	--	--	--
--	--	--	--	--	--
--	9,887	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>\$ --</u>	<u>\$ 14,592</u>	<u>\$ 856,719</u>	<u>\$ 80,730</u>	<u>\$ 22,188</u>	<u>\$ 325,347</u>
\$ --	\$ --	\$ --	\$ 25,710	\$ --	\$ 57,529
--	--	--	--	--	--
--	--	--	1,250	--	--
--	14,592	856,719	53,770	22,188	267,818
--	--	--	--	--	--
--	--	--	--	--	--
<u>\$ --</u>	<u>\$ 14,592</u>	<u>\$ 856,719</u>	<u>\$ 80,730</u>	<u>\$ 22,188</u>	<u>\$ 325,347</u>

Shelby County

Combining Schedule of Fiduciary Assets and Liabilities - Continued
Agency Funds

June 30, 2013

	<u>Advance Tax</u>	<u>Tax Sale</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ 43,475	\$ --
Other County officials	--	--
Receivables:		
Property tax:		
Delinquent	--	--
Succeeding year	--	--
Accounts	--	--
Special assessments	--	--
Due from other funds	--	--
Due from other governments	--	--
	<hr/>	<hr/>
Total assets	<u>\$ 43,475</u>	<u>\$ --</u>
Liabilities		
Accounts payable	\$ --	\$ --
Salaries and benefits payable	--	--
Due to other funds	--	--
Due to other governments	43,475	--
Trusts payable	--	--
Compensated absences	--	--
	<hr/>	<hr/>
Total liabilities	<u>\$ 43,475</u>	<u>\$ --</u>

See accompanying independent auditor's report.

<u>Recorder's Electronic Transfer Fee</u>	<u>Total</u>
\$ 799	\$ 1,700,326
--	53,255
--	2,682
--	14,836,000
--	2,837
--	9,887
216	52,933
--	28,726
<u>\$ 1,015</u>	<u>\$ 16,686,646</u>
\$ --	\$ 180,122
--	16,927
--	33,209
1,015	16,373,305
--	14,258
--	68,825
<u>\$ 1,015</u>	<u>\$ 16,686,646</u>

Shelby County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2013

Assets and Liabilities	County Offices		Agricultural Extension Education
	County Recorder	County Sheriff	
Balances beginning of year	\$ 26,776	\$ 33,642	\$ 178,712
Additions:			
Property and other County tax	--	--	156,846
E911 surcharge	--	--	--
State tax credits	--	--	9,326
Office fees and collections	290,451	49,705	--
Auto licenses, use tax and postage	--	--	--
Assessments	--	--	--
Trusts	--	112,301	--
Miscellaneous	--	--	--
Total additions	<u>290,451</u>	<u>162,006</u>	<u>166,172</u>
Deductions:			
Agency Remittances:			
To other funds	94,136	--	--
To other governments	192,862	55,875	180,341
Trusts paid out	--	115,727	--
Total deductions	<u>286,998</u>	<u>171,602</u>	<u>180,341</u>
Balances end of year	\$ <u>30,229</u>	\$ <u>24,046</u>	\$ <u>164,543</u>

(continued next page)

Schedule 4

<u>County Assessor</u>	<u>Emergency Management Services</u>	<u>Sanitary Disposal District</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
<u>\$ 466,959</u>	<u>\$ 646,669</u>	<u>\$ 186,970</u>	<u>\$ 8,893,081</u>	<u>\$ 547,851</u>	<u>\$ 3,962,354</u>
184,074	--	--	8,246,829	897,478	3,906,077
--	--	--	--	--	--
11,139	--	--	466,000	39,893	152,518
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
73	494,100	724,098	--	--	--
<u>195,286</u>	<u>494,100</u>	<u>724,098</u>	<u>8,712,829</u>	<u>937,371</u>	<u>4,058,595</u>
--	--	--	--	--	--
139,371	759,022	814,170	9,001,154	776,354	3,842,277
--	--	--	--	--	--
<u>139,371</u>	<u>759,022</u>	<u>814,170</u>	<u>9,001,154</u>	<u>776,354</u>	<u>3,842,277</u>
<u>\$ 522,874</u>	<u>\$ 381,747</u>	<u>\$ 96,898</u>	<u>\$ 8,604,756</u>	<u>\$ 708,868</u>	<u>\$ 4,178,672</u>

Shelby County

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

Year ended June 30, 2013

Assets and Liabilities	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Balances beginning of year	\$ 305,066	\$ 312,321	\$ 2,031
Additions:			
Property and other County tax	306,720	--	2,201
E911 surcharge	--	--	--
State tax credits	16,291	--	120
Office fees and collections	--	--	--
Auto licenses, use tax and postage	--	4,037,618	--
Assessments	--	--	--
Trusts	--	--	--
Miscellaneous	--	--	--
Total additions	<u>323,011</u>	<u>4,037,618</u>	<u>2,321</u>
Deductions:			
Agency Remittances:			
To other funds	--	143,766	--
To other governments	307,374	3,898,962	2,319
Trusts paid out	--	--	--
Total deductions	<u>307,374</u>	<u>4,042,728</u>	<u>2,319</u>
Balances end of year	<u>\$ 320,703</u>	<u>\$ 307,211</u>	<u>\$ 2,033</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>	<u>E911</u>
\$ --	\$ 19,057	\$ 752,475	\$ 93,274	\$ 22,622	\$ 294,156
--	--	824,178	--	--	--
--	--	--	--	--	226,375
--	--	39,309	--	--	--
--	--	--	--	--	--
--	3,627	--	--	--	--
--	--	--	--	--	--
793	--	--	346,863	4,120	--
<u>793</u>	<u>3,627</u>	<u>863,487</u>	<u>346,863</u>	<u>4,120</u>	<u>226,375</u>
--	--	--	--	--	--
793	8,092	759,243	359,407	4,554	195,184
--	--	--	--	--	--
<u>793</u>	<u>8,092</u>	<u>759,243</u>	<u>359,407</u>	<u>4,554</u>	<u>195,184</u>
<u>\$ --</u>	<u>\$ 14,592</u>	<u>\$ 856,719</u>	<u>\$ 80,730</u>	<u>\$ 22,188</u>	<u>\$ 325,347</u>

Shelby County

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

Year ended June 30, 2013

Assets and Liabilities	<u>Advance Tax</u>	<u>Tax Sale</u>
Balances beginning of year	\$ 58,190	\$ --
Additions:		
Property and other County tax	50,994	105,714
E911 surcharge	--	--
State tax credits	--	--
Office fees and collections	--	--
Auto licenses, use tax and postage	--	--
Assessments	--	--
Trusts	--	--
Miscellaneous	--	--
Total additions	<u>50,994</u>	<u>105,714</u>
Deductions:		
Agency Remittances:		
To other funds	--	--
To other governments	65,709	105,714
Trusts paid out	--	--
Total deductions	<u>65,709</u>	<u>105,714</u>
Balances end of year	<u>\$ 43,475</u>	<u>\$ --</u>

See accompanying independent auditor's report.

<u>Recorder's Electronic Transfer Fee</u>	<u>Total</u>
\$ 958	\$ 16,803,164
--	14,681,111
--	226,375
--	734,596
4,750	344,906
--	4,037,618
--	3,627
--	112,301
--	1,570,047
<u>4,750</u>	<u>21,710,581</u>
--	237,902
4,693	21,473,470
--	115,727
<u>4,693</u>	<u>21,827,099</u>
<u>\$ 1,015</u>	<u>\$ 16,686,646</u>

Shelby County

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

For the Last Ten Years

	Modified Accrual Basis			
	2013	2012	2011	2010
Revenues:				
Property and other				
County tax	\$ 6,018,898	\$ 5,497,892	\$ 5,215,187	\$ 5,191,493
Tax increment financing	163,392	170,546	207,367	399,815
Interest and penalty on				
property tax	32,714	33,573	36,535	33,851
Intergovernmental	4,252,778	5,254,445	5,706,279	5,551,934
Licenses and permits	242,254	242,540	228,293	234,838
Charges for service	342,226	380,921	369,928	381,407
Use of money and				
property	101,166	99,918	126,998	133,249
Miscellaneous	270,345	263,017	258,350	184,560
Total	<u>\$ 11,423,773</u>	<u>\$ 11,942,852</u>	<u>\$ 12,148,937</u>	<u>\$ 12,111,147</u>
Expenditures:				
Operating:				
Public safety and				
legal services	\$ 1,741,777	\$ 1,907,682	\$ 1,803,117	\$ 1,791,313
Physical health and				
social services	549,195	620,882	525,054	461,919
Mental health	1,413,578	2,669,056	2,581,235	2,104,122
County environment				
and education	446,524	547,057	449,106	430,653
Roads and transportation	4,530,985	4,593,683	4,368,341	4,651,541
Governmental services				
to residents	387,162	424,453	393,236	404,185
Administration	1,136,782	1,048,413	1,039,502	1,010,335
Non-program	--	--	--	--
Debt service	735,750	130,989	132,059	391,875
Capital projects	644,998	854,740	1,240,684	1,376,142
Total	<u>\$ 11,586,751</u>	<u>\$ 12,796,955</u>	<u>\$ 12,532,334</u>	<u>\$ 12,622,085</u>

See accompanying independent auditor's report.

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

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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 27, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

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.

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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

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

Purpose of this Report

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

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

Atlantic, Iowa
January 27, 2014

Shelby County
Schedule of Findings
Year ended June 30, 2013

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

Shelby County

Schedule of Findings - Continued

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting

13-II-A Certified Budget: Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the roads and transportation, and debt service functions.

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

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

Conclusion: Response accepted.

13-II-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.

13-II-C Travel Expense: No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

13-II-D Business Transactions: No business transactions between the County and County officials were noted.

13-II-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.

13-II-F Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

13-II-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.

13-II-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).

13-II-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, 2013 for the County Extension Office did not exceed the amount budgeted.

Shelby County

Schedule of Findings - Continued

Year ended June 30, 2013

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

13-II-J Payment of General Obligation Bonds: Certain general obligation notes were paid from the Special Revenue, Tax Increment Financing Fund and General 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.

13-II-K Early Childhood Iowa Area Board: Shelby County is the fiscal agent for the Harrison, Monona, Shelby Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code Iowa. Financial transactions of the Area Board are included in the County's financial statements as the M/H/S Empowerment Agency Fund because of the County's fiduciary relationship with the organization.

During our testing, we noted that in several instances the supporting documentation received from the entities requesting reimbursement was not signed and dated by them.

Recommendation: We recommend that all documentation received for reimbursement be signed and dated by the entity providing the service to indicate that the service was provided, reimbursement claimed is properly documented and appropriate. The Agency Director should then review this support, document which programs the services are for, and sign and date noting approval for payment.

Response: Documentation of approval of claims will be done in the future.

Conclusion: Response accepted.

13-II-L Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

* * *