



THOMAS A. SCHWEICH
Missouri State Auditor

To the County Commission
and
Officeholders of Shelby County, Missouri

The Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is written in a cursive style with a large, stylized "S" at the end.

Thomas A. Schweich
State Auditor

August 2012
Report No. 2012-91

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011 AND 2010

**THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
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FINANCIAL SECTION



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the County Commission
The County of Shelby, Missouri

We have audited the accompanying financial statements of the County of Shelby ("County"), Missouri, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note I, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County of Shelby, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investment balances of the governmental and agency funds of the County of Shelby, Missouri, as of December 31, 2011 and 2010, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note I.

As described in Note X, the County of Shelby has converted from a modified cash (GASB 34) basis of accounting to the regulatory basis of accounting which differs from accounting principles generally accepted in the United States of America, as of and for the years ended December 31, 2011 and December 31, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 20, 2012

FINANCIAL STATEMENTS

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2011

FUND	CASH AND INVESTMENT BALANCES	RECEIPTS	DISBURSEMENTS	CASH AND INVESTMENT BALANCES
	JANUARY 1, 2011	2011	2011	DECEMBER 31, 2011
General Revenue	\$ 250,802.30	\$ 1,099,825.58	\$ 1,153,711.21	\$ 196,916.67
911 Fund	155,387.76	296,640.59	287,384.67	164,643.68
Class 3 Road & Bridge	203,659.45	1,075,323.31	1,122,356.17	156,626.59
Assessment	36,620.87	127,508.06	122,140.23	41,988.70
Law Enforcement Training	3,436.85	1,709.43	2,605.27	2,541.01
Safe Return Project Grant	443.54	0.49	5.83	438.20
Sheriff Civil Fees	23,936.06	9,547.58	3,876.58	29,607.06
POST	-	1,057.15	1,057.15	-
Dare	1,075.03	420.00	55.83	1,439.20
Inmate Security Fund	1,539.22	1,654.92	9.78	3,184.36
Prosecuting Attorney Training	2,641.03	426.25	890.58	2,176.70
P. A. Bad Check Charge	11,042.29	3,127.34	3,794.07	10,375.56
P. A. Tax Collection	1,834.99	2.56	5.83	1,831.72
Circuit Clerk Sound Recording	613.24	0.86	7.81	606.29
Recorder's Record Storage/Pres	6,374.77	2,663.28	2,852.81	6,185.24
Recorder's Technology Fund	7,179.16	1,475.00	5,007.81	3,646.35
Childrens Trust	4,153.80	262.09	1,007.81	3,408.08
Chem Emergency Preparedness	6,384.54	8.88	26.98	6,366.44
Haz Mat Emerg. Preparedness	6,048.56	8.06	446.51	5,610.11
Election Services	2,375.39	512.28	302.74	2,584.93
Collector's Tax Maintenance Fund	18,367.85	7,609.71	6,408.26	19,569.30
Law Enforcement Restitution Fund	11,844.35	17,503.75	9,800.36	19,547.74
TOTAL	\$ 755,761.05	\$ 2,647,287.17	\$ 2,723,754.29	\$ 679,293.93

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010

FUND	CASH AND INVESTMENT BALANCES	RECEIPTS	DISBURSEMENTS	CASH AND INVESTMENT BALANCES
	JANUARY 1, 2010	2010	2010	DECEMBER 31, 2010
General Revenue	\$ 237,456.25	\$ 1,166,057.29	\$ 1,152,711.24	\$ 250,802.30
911 Fund	160,667.22	255,824.82	261,104.28	155,387.76
Class 3 Road & Bridge	250,620.84	1,240,920.94	1,287,882.33	203,659.45
Assessment	41,024.62	109,669.44	114,073.19	36,620.87
Law Enforcement Training	3,292.00	2,679.83	2,534.98	3,436.85
Safe Return Project Grant	447.95	1.02	5.43	443.54
Sheriff Civil Fees	16,392.14	10,364.10	2,820.18	23,936.06
POST	-	1,110.41	1,110.41	-
Dare	604.26	480.00	9.23	1,075.03
Inmate Security Fund	1,976.00	2,466.49	2,903.27	1,539.22
Prosecuting Attorney Training	3,052.99	636.73	1,048.69	2,641.03
P. A. Bad Check Charge	20,975.64	2,704.74	12,638.09	11,042.29
P. A. Tax Collection	1,775.62	64.80	5.43	1,834.99
Circuit Clerk Sound Recording	1,750.30	3.62	1,140.68	613.24
Recorder's Record Storage/Pres	3,704.07	2,679.93	9.23	6,374.77
Recorder's Technology Fund	5,672.09	1,512.50	5.43	7,179.16
Childrens Trust	3,966.27	196.76	9.23	4,153.80
Chem Emergency Preparedness	7,395.97	18.36	1,029.79	6,384.54
Haz Mat Emerg. Preparedness	6,518.57	16.55	486.56	6,048.56
Election Services	2,708.04	502.40	835.05	2,375.39
Collector's Tax Maintenance Fund	14,623.99	8,321.33	4,577.47	18,367.85
Law Enforcement Restitution Fund	6,510.43	11,943.15	6,609.23	11,844.35
TOTAL	\$ 791,135.26	\$ 2,818,175.21	\$ 2,853,549.42	\$ 755,761.05

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	GENERAL REVENUE FUND			
	2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ 422,900.00	\$ 366,411.17	\$ 380,000.00	\$ 408,843.84
Sales Taxes	406,400.00	420,626.74	398,000.00	398,411.94
Intergovernmental	235,936.00	184,810.94	170,805.72	198,542.28
Charges for Services	73,939.00	70,080.13	75,850.00	75,701.57
Interest	800.00	458.21	1,000.00	809.50
Other	74,382.00	44,188.39	68,300.00	68,748.16
Transfers In	25,000.00	13,250.00	25,000.00	15,000.00
TOTAL RECEIPTS	1,239,357.00	1,099,825.58	1,118,955.72	1,166,057.29
DISBURSEMENTS				
County Commission	115,412.08	89,293.44	88,820.23	86,423.65
County Clerk	75,236.29	74,970.44	74,773.28	72,620.61
Elections	13,821.00	11,310.89	39,743.00	38,024.02
Buildings and Grounds	203,852.04	143,551.39	71,600.00	54,325.00
Employee Fringe Benefits	114,900.00	99,413.58	117,186.08	109,607.44
County Treasurer	43,396.00	43,770.02	43,188.80	42,400.38
Collector	70,323.83	69,457.83	67,668.40	66,134.99
Recorder of Deeds	54,446.00	54,418.23	56,219.30	55,094.12
Circuit Clerk	19,700.00	13,986.37	17,700.00	14,469.12
Associate Circuit Court	-	-	-	-
Court Administration	5,923.16	5,192.97	7,123.16	4,675.81
Public Administrator	24,280.00	24,121.73	23,864.00	23,295.93
Sheriff	222,807.95	212,825.41	219,571.44	214,829.02
Jail	87,133.10	78,617.12	86,372.00	82,477.79
Prosecuting Attorney	79,898.80	78,088.41	78,601.20	77,501.97
Juvenile Officer	54,809.00	36,315.13	54,021.97	39,352.95
Coroner	15,418.00	11,945.80	15,020.40	14,642.40
HAVA Election Reimbursable	3,846.00	3,446.00	12,266.00	5,215.09
PA Child Support	-	-	-	-
Reimbursable Grants	-	-	-	-
General County	90,425.00	85,385.45	92,764.00	135,577.95
Health and Welfare	-	-	-	-
Debt Service	-	-	-	-
Transfers Out	17,601.00	17,601.00	16,043.00	16,043.00
Emergency Fund	39,660.00	-	35,476.39	-
TOTAL DISBURSEMENTS	1,352,889.25	1,153,711.21	1,218,022.65	1,152,711.24
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(113,532.25)	(53,885.63)	(99,066.93)	13,346.05
CASH AND INVESTMENT				
BALANCES, JANUARY 1	250,802.30	250,802.30	237,456.25	237,456.25
CASH AND INVESTMENT				
BALANCES, DECEMBER 31,	\$ 137,270.05	\$ 196,916.67	\$ 138,389.32	\$ 250,802.30

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	911 FUND				CLASS 3 ROAD & BRIDGE FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 250,000.00	\$ 241,810.63	\$ 240,000.00	\$ 245,251.96
Sales Taxes	255,000.00	262,895.26	245,000.00	249,005.36	107,450.00	105,156.49	99,000.00	104,808.56
Intergovernmental	-	-	-	-	989,600.00	647,097.45	896,400.00	785,138.92
Charges for Services	-	-	-	-	30,000.00	23,791.67	22,500.00	50,261.40
Interest	500.00	180.52	1,000.00	429.30	1,000.00	456.92	2,000.00	883.25
Other	100.00	33,564.81	1,100.00	6,390.16	40,750.00	57,010.15	40,750.00	54,576.85
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	255,600.00	296,640.59	247,100.00	255,824.82	1,418,800.00	1,075,323.31	1,300,650.00	1,240,920.94
DISBURSEMENTS								
Annual Salaries	194,924.63	188,157.06	194,514.79	189,512.41	249,727.97	238,337.30	245,780.13	242,580.09
Employee Fringe Benefits	-	-	-	-	48,347.50	46,042.19	50,763.00	51,427.80
Supplies	2,000.00	1,550.06	2,000.00	2,410.04	155,500.00	157,199.75	124,000.00	131,996.77
Insurance	-	-	-	-	14,000.00	13,840.08	17,000.00	16,313.72
R&B Materials	-	-	-	-	832,500.00	475,899.04	769,500.00	711,539.14
Equipment Repairs	-	-	-	-	65,000.00	98,516.54	40,000.00	51,739.94
Rentals	-	-	-	-	1,000.00	700.00	2,000.00	552.70
Equipment Purchases	12,500.00	14,857.06	10,500.00	16,904.63	100,000.00	58,324.02	95,000.00	49,440.78
R&B Construction, R&M	-	-	-	-	1,000.00	6,372.36	-	1,500.00
Other Expenditures	50,415.00	82,820.49	54,200.00	52,277.20	14,467.04	13,874.89	15,200.00	15,791.39
Transfers Out	-	-	-	-	25,000.00	13,250.00	25,000.00	15,000.00
TOTAL DISBURSEMENTS	259,839.63	287,384.67	261,214.79	261,104.28	1,506,542.51	1,122,356.17	1,384,243.13	1,287,882.33
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,239.63)	9,255.92	(14,114.79)	(5,279.46)	(87,742.51)	(47,032.86)	(83,593.13)	(46,961.39)
CASH AND INVESTMENT BALANCES, JANUARY 1	155,387.76	155,387.76	160,667.22	160,667.22	203,659.45	203,659.45	250,620.84	250,620.84
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 151,148.13</u>	<u>\$ 164,643.68</u>	<u>\$ 146,552.43</u>	<u>\$ 155,387.76</u>	<u>\$ 115,916.94</u>	<u>\$ 156,626.59</u>	<u>\$ 167,027.71</u>	<u>\$ 203,659.45</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	ASSESSMENT FUND				LETF FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ 98,764.00	\$ 108,666.45	\$ 97,760.00	\$ 92,069.24	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	2,700.00	1,705.11	2,500.00	2,672.26
Interest	150.00	97.61	250.00	149.14	100.00	4.32	100.00	7.57
Other	1,500.00	1,143.00	1,700.00	1,408.06	-	-	-	-
Transfers In	17,601.00	17,601.00	16,043.00	16,043.00	-	-	-	-
TOTAL RECEIPTS	118,015.00	127,508.06	115,753.00	109,669.44	2,800.00	1,709.43	2,600.00	2,679.83
DISBURSEMENTS								
Assessor	121,907.35	122,140.23	123,284.02	114,073.19	-	-	-	-
Expenses	-	-	-	-	3,150.00	2,605.27	3,070.00	2,534.98
TOTAL DISBURSEMENTS	121,907.35	122,140.23	123,284.02	114,073.19	3,150.00	2,605.27	3,070.00	2,534.98
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,892.35)	5,367.83	(7,531.02)	(4,403.75)	(350.00)	(895.84)	(470.00)	144.85
CASH AND INVESTMENT BALANCES, JANUARY 1	36,620.87	36,620.87	41,024.62	41,024.62	3,436.85	3,436.85	3,292.00	3,292.00
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 32,728.52</u>	<u>\$ 41,988.70</u>	<u>\$ 33,493.60</u>	<u>\$ 36,620.87</u>	<u>\$ 3,086.85</u>	<u>\$ 2,541.01</u>	<u>\$ 2,822.00</u>	<u>\$ 3,436.85</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	SAFE RETURN PROJECT GRANT FUND				SHERIFF CIVIL FEES FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	290.00	-	290.00	-	-	-	-	-
Charges for Services	-	-	-	-	13,000.00	9,511.59	13,000.00	10,313.86
Interest	100.00	0.49	100.00	1.02	300.00	35.99	300.00	50.24
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	390.00	0.49	390.00	1.02	13,300.00	9,547.58	13,300.00	10,364.10
DISBURSEMENTS								
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-
Expenses	600.00	5.83	600.00	5.43	19,265.00	3,876.58	19,265.00	2,820.18
Buildings & Other	-	-	-	-	-	-	-	-
Fringes	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	600.00	5.83	600.00	5.43	19,265.00	3,876.58	19,265.00	2,820.18
RECEIPTS OVER (UNDER) DISBURSEMENTS	(210.00)	(5.34)	(210.00)	(4.41)	(5,965.00)	5,671.00	(5,965.00)	7,543.92
CASH AND INVESTMENT BALANCES, JANUARY 1	443.54	443.54	447.95	447.95	23,936.06	23,936.06	16,392.14	16,392.14
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 233.54</u>	<u>\$ 438.20</u>	<u>\$ 237.95</u>	<u>\$ 443.54</u>	<u>\$ 17,971.06</u>	<u>\$ 29,607.06</u>	<u>\$ 10,427.14</u>	<u>\$ 23,936.06</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	POST FUND				DARE FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ 1,500.00	\$ 1,057.15	\$ 1,500.00	\$ 1,110.41	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	500.00	420.00	400.00	480.00
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	1,500.00	1,057.15	1,500.00	1,110.41	500.00	420.00	400.00	480.00
DISBURSEMENTS								
Training	-	-	-	-	-	-	-	-
Office	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Expenses	-	1,057.15	1,500.00	1,110.41	400.00	55.83	400.00	9.23
TOTAL DISBURSEMENTS	-	1,057.15	1,500.00	1,110.41	400.00	55.83	400.00	9.23
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,500.00	-	-	-	100.00	364.17	-	470.77
CASH AND INVESTMENT BALANCES, JANUARY 1	-	-	-	-	1,075.03	1,075.03	604.26	604.26
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 1,500.00	\$ -	\$ -	\$ -	\$ 1,175.03	\$ 1,439.20	\$ 604.26	\$ 1,075.03

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	INMATE SECURITY FUND				PA TRAINING FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Charges for Services	\$ 2,460.00	\$ 1,652.00	\$ 1,200.00	\$ 2,460.00	\$ 500.00	\$ 423.09	\$ 489.00	\$ 629.57
Interest	10.00	2.92	10.00	6.49	11.00	3.16	11.00	7.16
Other	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	2,470.00	1,654.92	1,210.00	2,466.49	511.00	426.25	500.00	636.73
DISBURSEMENTS								
Expenses	3,000.00	9.78	3,000.00	2,903.27	2,500.00	890.58	2,500.00	1,048.69
Mileage	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	3,000.00	9.78	3,000.00	2,903.27	2,500.00	890.58	2,500.00	1,048.69
RECEIPTS OVER (UNDER) DISBURSEMENTS	(530.00)	1,645.14	(1,790.00)	(436.78)	(1,989.00)	(464.33)	(2,000.00)	(411.96)
CASH AND INVESTMENT BALANCES, JANUARY 1	1,539.22	1,539.22	1,976.00	1,976.00	2,641.03	2,641.03	3,052.99	3,052.99
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 1,009.22</u>	<u>\$ 3,184.36</u>	<u>\$ 186.00</u>	<u>\$ 1,539.22</u>	<u>\$ 652.03</u>	<u>\$ 2,176.70</u>	<u>\$ 1,052.99</u>	<u>\$ 2,641.03</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	PA BAD CHECK CHARGE FUND				PA TAX COLLECTION FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	75.00	-	150.00	60.00
Charges for Services	2,270.00	3,112.00	3,500.00	2,658.75	-	-	-	-
Interest	-	15.34	100.00	45.99	4.00	2.56	10.00	4.80
Other	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	2,270.00	3,127.34	3,600.00	2,704.74	79.00	2.56	160.00	64.80
DISBURSEMENTS								
Expenses	13,270.00	3,794.07	22,000.00	12,638.09	1,800.00	5.83	1,700.00	5.43
Misc	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	13,270.00	3,794.07	22,000.00	12,638.09	1,800.00	5.83	1,700.00	5.43
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,000.00)	(666.73)	(18,400.00)	(9,933.35)	(1,721.00)	(3.27)	(1,540.00)	59.37
CASH AND INVESTMENT BALANCES, JANUARY 1	11,042.29	11,042.29	20,975.64	20,975.64	1,834.99	1,834.99	1,775.62	1,775.62
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 42.29	\$ 10,375.56	\$ 2,575.64	\$ 11,042.29	\$ 113.99	\$ 1,831.72	\$ 235.62	\$ 1,834.99

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	CIRCUIT CLERK SOUND RECORDING FUND				RECORDER'S RECORD STORAGE/PRES FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	2,600.00	2,650.00	2,300.00	2,660.85
Interest	0.50	0.86	4.00	3.62	10.00	13.28	20.00	19.08
Other	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	0.50	0.86	4.00	3.62	2,610.00	2,663.28	2,320.00	2,679.93
DISBURSEMENTS								
Expenses	572.07	7.81	1,713.13	1,140.68	6,300.00	2,852.81	5,000.00	9.23
Office Expenditures	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	572.07	7.81	1,713.13	1,140.68	6,300.00	2,852.81	5,000.00	9.23
RECEIPTS OVER (UNDER) DISBURSEMENTS	(571.57)	(6.95)	(1,709.13)	(1,137.06)	(3,690.00)	(189.53)	(2,680.00)	2,670.70
CASH AND INVESTMENT BALANCES, JANUARY 1	613.24	613.24	1,750.30	1,750.30	6,374.77	6,374.77	3,704.07	3,704.07
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 41.67	\$ 606.29	\$ 41.17	\$ 613.24	\$ 2,684.77	\$ 6,185.24	\$ 1,024.07	\$ 6,374.77

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	RECORDER'S TECHNOLOGY FUND				CHILDRENS TRUST			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	-	200.00	257.00	250.00	186.00
Charges for Services	1,500.00	1,475.00	1,300.00	1,512.50	-	-	-	-
Interest	-	-	-	-	10.00	5.09	50.00	10.76
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	1,500.00	1,475.00	1,300.00	1,512.50	210.00	262.09	300.00	196.76
DISBURSEMENTS								
Expenses	7,100.00	5,007.81	5,000.00	5.43	1,100.00	1,007.81	1,300.00	9.23
Other	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	7,100.00	5,007.81	5,000.00	5.43	1,100.00	1,007.81	1,300.00	9.23
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,600.00)	(3,532.81)	(3,700.00)	1,507.07	(890.00)	(745.72)	(1,000.00)	187.53
CASH AND INVESTMENT BALANCES, JANUARY 1	7,179.16	7,179.16	5,672.09	5,672.09	4,153.80	4,153.80	3,966.27	3,966.27
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 1,579.16</u>	<u>\$ 3,646.35</u>	<u>\$ 1,972.09</u>	<u>\$ 7,179.16</u>	<u>\$ 3,263.80</u>	<u>\$ 3,408.08</u>	<u>\$ 2,966.27</u>	<u>\$ 4,153.80</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	CHEM EMERGENCY PREPAREDNESS				HAZ MAT EMERG. PREPAREDNESS			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	20.00	-	1,700.00	-	-	-	2,800.00	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	15.00	8.88	20.00	18.36	20.00	8.06	20.00	16.55
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	35.00	8.88	1,720.00	18.36	20.00	8.06	2,820.00	16.55
DISBURSEMENTS								
Expenses	5,500.00	26.98	5,500.00	1,029.79	6,000.00	446.51	4,500.00	486.56
Other	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	5,500.00	26.98	5,500.00	1,029.79	6,000.00	446.51	4,500.00	486.56
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,465.00)	(18.10)	(3,780.00)	(1,011.43)	(5,980.00)	(438.45)	(1,680.00)	(470.01)
CASH AND INVESTMENT BALANCES, JANUARY 1	6,384.54	6,384.54	7,395.97	7,395.97	6,048.56	6,048.56	6,518.57	6,518.57
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 919.54</u>	<u>\$ 6,366.44</u>	<u>\$ 3,615.97</u>	<u>\$ 6,384.54</u>	<u>\$ 68.56</u>	<u>\$ 5,610.11</u>	<u>\$ 4,838.57</u>	<u>\$ 6,048.56</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	ELECTION SERVICES				COLLECTOR'S TAX MAINTENANCE FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	450.00	508.80	600.00	495.08	7,372.00	7,581.03	7,700.00	8,272.96
Interest	5.00	3.48	10.00	7.32	14.00	28.68	60.00	48.37
Other	-	-	-	-	-	-	-	-
Transfer In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	455.00	512.28	610.00	502.40	7,386.00	7,609.71	7,760.00	8,321.33
DISBURSEMENTS								
Expenses	2,425.00	302.74	3,245.00	835.05	11,691.00	6,408.26	12,700.00	4,577.47
Other	-	-	-	-	-	-	-	-
Transfer Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	2,425.00	302.74	3,245.00	835.05	11,691.00	6,408.26	12,700.00	4,577.47
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,970.00)	209.54	(2,635.00)	(332.65)	(4,305.00)	1,201.45	(4,940.00)	3,743.86
CASH AND INVESTMENT BALANCES, JANUARY 1	2,375.39	2,375.39	2,708.04	2,708.04	18,367.85	18,367.85	14,623.99	14,623.99
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 405.39	\$ 2,584.93	\$ 73.04	\$ 2,375.39	\$ 14,062.85	\$ 19,569.30	\$ 9,683.99	\$ 18,367.85

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH AND INVESTMENT BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>LAW ENFORCEMENT RESTITUTION FUND</u>			
	<u>2011</u>		<u>2010</u>	
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for Services	11,000.00	17,484.25	5,500.00	11,923.75
Interest	-	19.50	30.00	19.40
Other	-	-	-	-
Transfer In	-	-	-	-
TOTAL RECEIPTS	<u>11,000.00</u>	<u>17,503.75</u>	<u>5,530.00</u>	<u>11,943.15</u>
DISBURSEMENTS				
Expenses	10,000.00	9,800.36	12,000.00	6,609.23
Other	-	-	-	-
Transfer Out	-	-	-	-
TOTAL DISBURSEMENTS	<u>10,000.00</u>	<u>9,800.36</u>	<u>12,000.00</u>	<u>6,609.23</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000.00	7,703.39	(6,470.00)	5,333.92
CASH AND INVESTMENT BALANCES, JANUARY 1	<u>11,844.35</u>	<u>11,844.35</u>	<u>6,510.43</u>	<u>6,510.43</u>
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 12,844.35</u>	<u>\$ 19,547.74</u>	<u>\$ 40.43</u>	<u>\$ 11,844.35</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
AS OF DECEMBER 31, 2011

	Cerf & Fed Tax Deposit	Dep. Sheriffs' Salary Supp.	Cemeteries	Civil & Criminal	Surplus Land
ASSETS					
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ -	\$ -	\$ 376.16
INVESTMENTS	-	-	37,765.03	-	-
TOTAL ASSETS	-	-	37,765.03	-	376.16
LIABILITIES AND FUND BALANCES					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	-	-	37,765.03	-	376.16
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 37,765.03	\$ -	\$ 376.16
	Unclaimed Fees	School Fund Principal	Schools	Salt River N.H. District	Clarence N.H. District
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 3,353.60	\$ 27,910.70	\$ -	\$ -	\$ -
INVESTMENTS	-	-	-	-	-
TOTAL ASSETS	3,353.60	27,910.70	-	-	-
LIABILITIES AND FUND BALANCES					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	3,353.60	27,910.70	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,353.60	\$ 27,910.70	\$ -	\$ -	\$ -
	Salt River Amb. District	Monroe City Amb. District	Shelby Co H.U. District	Shelbina Fire Prot. District	Western Lewis Co. Fire Prot. Dist.
ASSETS					
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ -	\$ -	\$ -
INVESTMENTS	-	-	-	-	-
TOTAL ASSETS	-	-	-	-	-
LIABILITIES AND FUND BALANCES					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ -	\$ -	\$ -
	Shelbina Spec. Road Dist.	Cities	Collector	Employee Fund Account	Sheriff General Account
ASSETS					
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ 4,135,132.66	\$ 64.14	\$ -
INVESTMENTS	-	-	-	-	-
TOTAL ASSETS	-	-	4,135,132.66	64.14	-
LIABILITIES AND FUND BALANCES					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	-	-	4,135,132.66	64.14	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 4,135,132.66	\$ 64.14	\$ -
	P.A. Escrow Account	Recorder's Office		Total Agency Funds	
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 34.50	\$ 4,332.15		\$ 4,171,203.91	
INVESTMENTS	-	-		37,765.03	
TOTAL ASSETS	34.50	4,332.15		4,208,968.94	
LIABILITIES AND FUND BALANCES					
TOTAL LIABILITIES	-	-		-	
UNRESERVED FUND BALANCES	34.50	4,332.15		4,208,968.94	
TOTAL LIABILITIES AND FUND BALANCES	\$ 34.50	\$ 4,332.15		\$ 4,208,968.94	

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS - REGULATORY BASIS
AS OF DECEMBER 31, 2010

	Cerf & Fed Tax Deposit	Dep. Sheriffs' Salary Supp.	Cemeteries	Civil & Criminal	Surplus Land
ASSETS					
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ -	\$ -	\$ 376.16
INVESTMENTS	-	-	37,760.98	-	-
TOTAL ASSETS	-	-	37,760.98	-	376.16
LIABILITIES AND FUND BALANCES					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	-	-	37,760.98	-	376.16
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 37,760.98	\$ -	\$ 376.16

	Unclaimed Fees	School Fund Principal	Schools	Salt River N.H. District	Clarence N.H. District
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 3,477.88	\$ 67,517.33	\$ -	\$ -	\$ -
INVESTMENTS	-	-	-	-	-
TOTAL ASSETS	3,477.88	67,517.33	-	-	-
LIABILITIES AND FUND BALANCES					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	3,477.88	67,517.33	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,477.88	\$ 67,517.33	\$ -	\$ -	\$ -

	Salt River Amb. District	Monroe City Amb. District	Shelby Co H.U. District	Shelbina Fire Prot. District	Western Lewis Co. Fire Prot. Dist.
ASSETS					
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ -	\$ -	\$ -
INVESTMENTS	-	-	-	-	-
TOTAL ASSETS	-	-	-	-	-
LIABILITIES AND FUND BALANCES					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ -	\$ -	\$ -

	Shelbina Spec. Road Dist.	Cities	Collector	Employee Fund Account	Sheriff General Account
ASSETS					
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ 3,735,413.05	\$ 144.80	\$ -
INVESTMENTS	-	-	-	-	-
TOTAL ASSETS	-	-	3,735,413.05	144.80	-
LIABILITIES AND FUND BALANCES					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	-	-	3,735,413.05	144.80	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 3,735,413.05	\$ 144.80	\$ -

	P.A. Escrow Account	Recorder's Office	Total Agency Funds
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 34.50	\$ 3,777.82	\$ 3,810,741.54
INVESTMENTS	-	-	37,760.98
TOTAL ASSETS	34.50	3,777.82	3,848,502.52
LIABILITIES AND FUND BALANCES			
TOTAL LIABILITIES	-	-	-
UNRESERVED FUND BALANCES	34.50	3,777.82	3,848,502.52
TOTAL LIABILITIES AND FUND BALANCES	\$ 34.50	\$ 3,777.82	\$ 3,848,502.52

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Shelby, Missouri (“County”), which is governed by a three-member board of commissioners, was established in 1835 by an Act of the Missouri Territory. In addition to the three Commissioners, there are nine elected Constitutional Officers: County Clerk, Collector, Treasurer, Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of the County.

The County’s operations include tax assessments and collections, state/county courts, county recorder, public safety, transportation, economic development, and social and recreation services.

The financial statements referred to above include only the county of Shelby County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County’s legal entity.

B. Basis of Presentation

The financial statements are presented using accounting practices prescribed or permitted by Missouri law, which include a Statement of Receipts, Disbursements and Changes in Cash and Investment Balances – All Governmental Funds, a Comparative Statement of Receipts and Disbursements – Budget and Actual – All Governmental Funds, and a Statement of Assets and Liabilities Arising from Cash Transactions – Agency Funds.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. The following fund types are used by the County:

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similarly to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other officeholders.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The financial statements are prepared on the regulatory basis of accounting. This basis of accounting recognizes amounts when received or disbursed in cash and differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budget and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget includes estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

State law requires that budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. Section 50.740 RSMo prohibits expenditures in excess of the approved budgets.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2011 and 2010, for purposes of taxation was:

	2011	2010
Real Estate	\$ 57,353,584	\$ 56,607,256
Personal Property	26,700,888	27,121,490
Railroad and Utilities	8,676,444	8,207,180
	<u>\$ 92,730,916</u>	<u>\$ 91,935,926</u>

During 2011 and 2010, the County Commission approved a \$0.68 and \$0.68 tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2011 and 2010, for purpose of County taxation, as follows:

	2011	2010
General Revenue Fund	\$.3300	\$.3300
Special Road and Bridge Fund	.3500	.3500
	<u>\$.6800</u>	<u>\$.6800</u>

F. Cash and Investments

The County pools cash and investment resources of various funds in the County Treasurer's office in order to facilitate the management of cash and investments. Cash and investments applicable to a particular fund are readily identifiable. Some County offices also hold cash and investments in their own separate bank accounts as required by state statute. The balance in the pooled cash account is available to meet current operating requirements.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are eliminated due to reporting the financial statements on the regulatory basis of accounting.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

II. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed as "Cash and Equivalents" under each fund's caption. Deposits with maturities greater than three months are considered investments. In addition, cash and investments are separately held by several of the County's funds. Investments of the County consist of certificates of deposit with local banking institutions.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and 2010, the carrying amount of the County's deposits was \$679,293.93 and \$755,761.05 and the bank balance was \$738,016.80 and \$948,435.76, respectively. As of December 31, 2011 and 2010, 100% of the County's investments were guaranteed by the U.S. Government.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2011, as follows:

Included in the following fund financial statement captions:

Statements of Receipts, Disbursements and Changes in Cash
and Investments – Governmental Funds:

Deposits	\$ 679,293.93
Investments	-
Total Governmental Funds	<u>679,293.93</u>

Statement of Assets and Liabilities Arising From Cash
Transactions – Agency Funds:

Deposits	4,171,203.91
Investments	<u>37,765.03</u>
Total Agency Funds	<u>4,208,968.94</u>

Total Deposits & Investments as of December 31, 2011	\$ <u>4,888,262.87</u>
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The carrying values of deposits and investments at December 31, 2010, are as follows:

Included in the following fund financial statement captions:

Statements of Receipts, Disbursements and Changes in Cash
and Investments – Governmental Funds:

Deposits	\$ 755,761.05
Investments	-
Total Governmental Funds	<u>755,761.05</u>

Statement of Assets and Liabilities Arising From Cash
Transactions – Agency Funds:

Deposits	3,810,741.54
Investments	<u>37,760.98</u>
Total Agency Funds	<u>3,848,502.52</u>

Total Deposits & Investments as of December 31, 2010	\$ <u>4,604,263.57</u>
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THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

II. CASH AND INVESTMENTS (concluded)

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk for the years ended December 31, 2011 and 2010.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments. All investments, evidenced by individual securities, are registered in the name of the County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's investments were not exposed to concentration of investment credit risk for the years ended December 31, 2011 and 2010.

III. LONG-TERM DEBT

On January 21, 2011 the County entered into a lease purchase with John Deere for a total principal amount of \$150,000. The lease is for a 2010 John Deere 770G Motor Grader. The interest rate is 3.55% with annual lease payments due on January 21st of every year and matures on February 21, 2016.

The annual requirements to amortize all lease purchases outstanding as of December 31, 2011, including interest payments, are as follows:

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

III. LONG-TERM DEBT (concluded)

2011 John Deere Lease Purchase

YEARS ENDING DECEMBER 31,	PRINCIPAL	INTEREST	TOTAL
2012	\$ 27,911.52	\$ 5,412.50	\$ 33,324.02
2013	28,918.65	4,405.37	33,324.02
2014	29,962.14	3,361.88	33,324.02
2015	31,043.27	2,280.75	33,324.02
2016	32,164.42	1,160.60	33,325.02
	<u>\$ 150,000.00</u>	<u>\$ 16,621.10</u>	<u>\$ 166,621.10</u>

There is no amortization for 2010 since the loan was taken out in 2011.

On June 8, 2011 the County entered into a lease purchase with Capital Lease for a total principal amount of \$15,875. The lease is for a copier system for the Recorder. The down payment was \$10,000 with a lease final payment of \$5,875 due by February 29, 2012.

The annual requirements to amortize all capital leases outstanding as of December 31, 2011, including interest payments are as follows:

2011 Capital Lease

YEARS ENDING DECEMBER 31,	PRINCIPAL	INTEREST	TOTAL
2012	\$ 5,875.00	\$ 0.00	\$ 5,875.00
	<u>\$ 5,875.00</u>	<u>\$ 0.00</u>	<u>\$ 5,875.00</u>

There is no amortization for 2010 since the loan was taken out in 2011.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

IV. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2011 and 2010 are as follows:

	2011		2010	
	Transfers In	Transfers Out	Transfers In	Transfers Out
MAJOR FUNDS				
General Revenue	\$ 13,250.00	\$ 17,601.00	\$ 15,000.00	\$ 16,043.00
Class 3 Road & Bridge	-	13,250.00	-	15,000.00
Assessment	17,601.00	-	16,043.00	-
TOTAL	\$ 30,851.00	\$ 30,851.00	\$ 31,043.00	\$ 31,043.00

Transfers are used to (1) move receipts from the fund which that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. CERF covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first-class, non-charter county, which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2000, employees hired before January 1, 2000, could opt out of the system. CERF is a defined benefit plan providing retirement and death benefits to its members.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (concluded)

B. Pension Benefits

All benefits vest after 8 years of creditable service. Employees who retire on or after 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost of living adjustments, not to exceed 1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of CERF are paid out of the funds of the system.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-573-632-9203.

C. Funding Policy

Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee. The contribution rate is set by state statute and may be amended only by action of Missouri Legislature. During 2011 and 2010, the Primary Government collected and remitted to CERF, employee contributions of approximately \$10,354.20 and \$10,166.15 respectively, for the year then ended.

VI. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2011 and 2010.

VII. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County. There were zero participants for COBRA at December 31, 2011 and 2010.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

VIII. CLAIMS, COMMITMENTS AND CONTINGENCIES

A. Litigation

The County is not involved in pending litigation at December 31, 2011.

B. Compensated Absences

The County provides employees with up to four weeks of paid vacation based upon the number of years of continuous service. Vacation days do not carry forward if they are unused. Upon termination, an employee will not be reimbursed for any unused vacation days. Employees earn seven (7) or eight (8) hours of sick leave per month depending on their normal day. The County allows employees to carry forward sick leave and cannot be accrued beyond sixty days total. An employee will not be reimbursed for unused sick leave. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as inappropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

IX. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. Insurance is obtained from commercial insurance companies. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool, which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

X. ACCOUNTING CHANGE

For the years ended December 31, 2011 and December 31, 2010, the County has elected to change its accounting method from a modified cash basis to the regulatory basis of accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for investments and settlements pending (if applicable). The regulatory basis differs from the accounting principles generally accepted in the United States of America and is described in Note I of the notes to the financial statements.

XI. SUBSEQUENT EVENTS

There are no subsequent events to report up to the date of the audit report.

SUPPLEMENTARY SCHEDULES AND AUDITOR'S REPORT

STATE COMPLIANCE SECTION

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
SCHEDULE OF STATE FINDINGS
YEARS ENDED DECEMBER 31, 2011 AND 2010

SCHEDULE OF STATE FINDINGS

For the year ended December 31, 2011, actual expenditures exceeded budget in the 911 fund, assessment fund and the post fund.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'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 County Commission
The County of Shelby, Missouri

We have audited the financial statements of the County of Shelby ("County"), Missouri, as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 20, 2012. The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (FS 10/11-01, FS 10/11-02, FS 10/11-03, FS 10/11-04). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County in a separate letter dated June 20, 2012.

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

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 20, 2012

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2011 AND 2010

I. FINANCIAL STATEMENT FINDINGS

FS 10/11-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency. SAS No. 115 supersedes SAS No. 112.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Context: During discussions with management, we noted that we will be assisting the County with the preparation of its audited financial statements and footnotes.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 115 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Views of responsible officials and planned corrective actions: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the County's annual budget document and annual financial statement.

FS 10/11-02 Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Context: During discussions with management, we noted that internal control documentation has not been prepared.

Effect: SAS 115 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2011 AND 2010

I. FINANCIAL STATEMENT FINDINGS (continued)

FS 10/11-02 Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Views of responsible officials and planned corrective actions: The County is willing to review this recommendation with the auditor to further understand the COSO internal controls.

FS 10/11-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of responsible officials and planned corrective actions: The County is willing to review this recommendation with the auditor to determine various risk assessments.

FS 10/11-04 Criteria: SAS No. 55, *Consideration of Internal Control in a Financial Statement Audit*, as amended by SAS No. 78, *Consideration of Internal Control in a Financial Statement Audit*: An Amendment to SAS No. 55.

Condition: Lack of sufficient segregation of duties within the office of the Recorder and Collector.

Context: During the audit, we noted that the Recorder and Collector are allowed to write, approve, sign and reconcile expenditures to the bank statement.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2011 AND 2010

I. FINANCIAL STATEMENT FINDINGS (concluded)

Effect: The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Cause: Size and budget constraints limiting the number of personnel within each of the corresponding departments.

Recommendation: These areas should be reviewed periodically and consideration given to improving the segregation of duties.

Views of responsible officials and planned corrective actions: The County is willing to review this recommendation with the auditor to determine various risk assessments.

THE COUNTY OF SHELBY
SHELBYVILLE, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2011 AND 2010

I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings related to internal control and compliance.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Commissioners
County of Shelby

In planning and performing our audit of the financial statements of the County of Shelby (County) as of and for the years ended December 31, 2011 and 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

A significant deficiency, is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the County's internal control to be significant deficiencies as noted in section I.

Our comments concerning internal control and other material and significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

County of Shelby's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

Daniel Jones & Associates, P.C.
Certified Public Accountants
June 20, 2012

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

FS 10/11-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency. SAS No. 115 supersedes SAS No. 112.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Context: During discussions with management, we noted that we will be assisting the County with the preparation of its audited financial statements and footnotes.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 115 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Views of responsible officials and planned corrective actions: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the County's annual budget document and annual financial statement.

FS 10/11-02 Criteria: Statements on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2009, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Context: During discussions with management, we noted that internal control documentation has not been prepared.

Effect: SAS 115 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (concluded)

- FS 10/11-02 Views of responsible officials and planned corrective actions: The County is willing to review this recommendation with the auditor to further understand the COSO internal controls.
- FS 10/11-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
- Condition: During our audit, we noted there is no formal risk assessment in place.
- Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.
- Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.
- Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.
- Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.
- Views of responsible officials and planned corrective actions: The County is willing to review this recommendation with the auditor to determine various risk assessments.
- FS 10/11-04 Criteria: SAS No. 55, *Consideration of Internal Control in a Financial Statement Audit*, as amended by SAS No. 78, *Consideration of Internal Control in a Financial Statement Audit*: An Amendment to SAS No. 55.
- Condition: Lack of sufficient segregation of duties within the office of the Recorder and Collector.
- Context: During the audit, we noted that the Recorder and Collector are allowed to write, approve, sign and reconcile expenditures to the bank statement.
- Effect: The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.
- Cause: Size and budget constraints limiting the number of personnel within each of the corresponding departments.
- Recommendation: These areas should be reviewed periodically and consideration given to improving the segregation of duties.
- Views of responsible officials and planned corrective actions: The County is willing to review this recommendation with the auditor to determine various risk assessments.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

Statements on Auditing Standards (SAS) 118, *Other Information in Documents Containing Audited Financial Statements*, is effective for audits of financial statements for periods beginning on or after December 15, 2010. Early application is permitted. This Standard supersedes the requirements and guidance in AU section 550. Along with SAS No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole*, this SAS also supersedes the requirements and guidance in AU section 551. This Standard

- eliminates the distinction between other information that is included in an auditor-submitted document that contains the client's basic financial statements and the auditor's report thereon and other information that is in a client-prepared document.
- establishes a presumptively mandatory performance requirements, including that the auditor read the other information of which the auditor is aware in order to identify material inconsistencies, if any, with the audited financial statements.
- establishes presumptively mandatory performance and reporting requirements when the auditor identifies a material inconsistency with other information and the financial statements.
- establishes mandatory performance requirements when the auditor becomes aware of an apparent material misstatement of fact in the other information.

SAS 119, *Supplementary Information in Relation to the Financial Statements as a Whole*, is effective for audits of financial statements for periods beginning on or after December 15, 2010. Early application is permitted. This Standard supersedes the requirements and guidance in AU section 550. Along with SAS No. 118, *Other Information in Documents Containing Audited Financial Statements* supersedes the requirements and guidance in AU section 551. This Standard

- establishes preconditions in order to opine on whether supplementary information is fairly stated in relation to the financial statements as a whole.
- establishes presumptively mandatory performance requirements in order to opine on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.
- establishes presumptively mandatory reporting requirements when the entity presents the supplementary information with the financial statements and when the audited financial statements are not presented with the supplementary information.
- establishes a preclusion from expressing an opinion on supplementary information when the auditor's report on the audited financial statements contains an adverse opinion or a disclaimer of opinion and the auditor has been engaged to report on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 22, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the regulatory basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered County of Shelby's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (continued)

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 22, 2012.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Shelby are described in Note I to the financial statements. As described in Note X for the years ended December 31, 2011, and December 31, 2010, the County has elected to change its accounting method from a modified cash basis to the regulatory basis of accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for investments and settlements pending (if applicable). The regulatory basis differs from the accounting principles generally accepted in the United States of America and is described in Note I of the Notes to the financial statements. The new method of accounting presentation was implemented to conform with Missouri State Law. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (concluded)

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 20, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.