



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

March 10, 2004

Contact: Andy Nielsen

515/281-5834

Auditor of State David A. Vaudt today released an audit report on Shelby County, Iowa.

The County had local tax revenue of \$16,814,456 for the year ended June 30, 2003, which included \$1,017,338 in tax credits from the state. The County forwarded \$11,344,428 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,470,028 of the local tax revenue to finance County operations, a less than one percent increase from the prior year. Other revenues included \$4,275,465 from other governments and \$57,223 in interest on investments.

Expenditures for County operations totaled \$9,328,406, a three percent decrease from the prior year. Expenditures included \$3,369,496 for roads and transportation, \$1,722,413 for mental health and \$1,412,643 for public safety and legal services.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

###

SHELBY COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
General Purpose Financial Statements:	<u>Exhibit</u>	
Combined Balance Sheet - All Fund Types and Account Groups	A	8-11
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund	B	12-13
Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) - All Governmental Fund Types and Expendable Trust Fund	C	14
Notes to Financial Statements		15-27
Supplemental Information:	<u>Schedule</u>	
General Fund:		
Statement of Revenues, Expenditures and Changes in Fund Balance	1	30-31
Statement of Expenditures	2	32-34
Special Revenue Funds:		
Combining Balance Sheet	3	36-37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	38-47
Debt Service Fund:		
Statement of Revenues, Expenditures and Changes in Fund Balance	5	48
Trust and Agency Funds:		
Combining Balance Sheet	6	50-53
Combining Statement of Changes in Assets and Liabilities - Agency Funds	7	54-57
Comparison of Taxes and Intergovernmental Revenues	8	58
Schedule of Expenditures of Federal Awards	9	59
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting		61-62
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance		63-64
Schedule of Findings and Questioned Costs		65-69
Staff		70

Shelby County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2003)		
LaVon Christensen	Board of Supervisors	Jan 2003
Gayle Petersen	Board of Supervisors	Jan 2005
Richard Ferry	Board of Supervisors	Jan 2005
Marsha Carter	County Auditor	Jan 2005
Kathy Stinn	County Treasurer	Jan 2003
Linda Jacobsen	County Recorder	Jan 2003
Gene Cavanaugh	County Sheriff	Jan 2005
Jeffrey L. Larson	County Attorney	Jan 2003
Robert J. Heyderhoff	County Assessor	Jan 2004
(After January 2003)		
Gayle Petersen	Board of Supervisors	Jan 2005
Richard Ferry	Board of Supervisors	Jan 2005
Roger Schmitz	Board of Supervisors	Jan 2007
Marsha Carter	County Auditor	Jan 2005
Kathy Stinn	County Treasurer	Jan 2007
Linda Jacobsen	County Recorder	Jan 2007
Gene Cavanaugh	County Sheriff	Jan 2005
Jeffrey L. Larson	County Attorney	Jan 2007
Robert J. Heyderhoff	County Assessor	Jan 2004

Shelby County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Shelby County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Shelby County, Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of Shelby County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Shelby County at June 30, 2003 and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust fund of Shelby County for the year ended June 30, 2003.

As discussed in Note 13 to the financial statements, Shelby County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our reports dated January 13, 2004 on our consideration of Shelby County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 13, 2004

Financial Statements

Shelby County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Assets and Other Debits			
Cash and pooled investments:			
County Treasurer	\$ 1,118,650	2,309,439	3,031
Other County officials	-	-	-
Shelby County Area Solid Waste Agency	-	-	-
Receivables:			
Property tax:			
Delinquent	21,204	22,734	2,731
Succeeding year	2,481,000	2,232,000	345,000
Accounts	12,391	-	-
Accrued interest	1,356	-	-
Due from other funds (note 5)	46,657	2,888	-
Due from other governments	13,520	261,379	-
Inventories	-	700,949	-
Prepaid insurance	105	-	-
Property and equipment (note 3)	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets and other debits	\$ 3,694,883	5,529,389	350,762

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
Trust and Agency			
1,158,688	-	-	4,589,808
48,388	-	-	48,388
332,185	-	-	332,185
69,480	-	-	116,149
10,698,000	-	-	15,756,000
2,821	-	-	15,212
-	-	-	1,356
-	-	-	49,545
266	-	-	275,165
-	-	-	700,949
-	-	-	105
-	10,821,299	-	10,821,299
-	-	926,354	926,354
12,309,828	10,821,299	926,354	33,632,515

Shelby County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
	Liabilities, Fund Equity and Other Credits		
Liabilities:			
Accounts payable	\$ 42,095	211,252	-
Salaries and benefits payable	41,526	31,157	-
Due to other funds (note 5)	2,455	-	-
Due to other governments (note 4)	377	60,320	-
Trusts payable	-	-	-
Deferred revenue:			
Succeeding year property tax	2,481,000	2,232,000	345,000
Other	23,305	22,734	2,731
Capital lease purchase agreement (note 6)	-	-	-
Installment purchase agreements (note 6)	-	-	-
Capital loan notes (note 6)	-	-	-
Bank loans payable (note 6)	-	-	-
Compensated absences	14,305	19,804	-
Total liabilities	2,605,063	2,577,267	347,731
Fund equity and other credits:			
Investment in general fixed assets	-	-	-
Fund balances:			
Reserved for:			
Inventories	-	700,949	-
Prepaid insurance	105	-	-
Supplemental levy purposes	115,567	27,989	-
Unreserved	974,148	2,223,184	3,031
Total fund equity and other credits	1,089,820	2,952,122	3,031
Total liabilities, fund equity and other credits	\$ 3,694,883	5,529,389	350,762

See notes to financial statements.

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
Trust and Agency			
67,577	-	-	320,924
13,568	-	-	86,251
47,090	-	-	49,545
12,170,277	-	-	12,230,974
4,021	-	-	4,021
-	-	-	5,058,000
-	-	-	48,770
-	-	29,101	29,101
-	-	24,421	24,421
-	-	300,000	300,000
-	-	493,113	493,113
5,156	-	79,719	118,984
12,307,689	-	926,354	18,764,104
-	10,821,299	-	10,821,299
-	-	-	700,949
-	-	-	105
-	-	-	143,556
2,139	-	-	3,202,502
2,139	10,821,299	-	14,868,411
12,309,828	10,821,299	926,354	33,632,515

Shelby County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenues:			
Property and other County tax	\$ 2,665,921	2,320,150	162,223
Tax increment financing	13,467	-	-
Interest and penalty on property tax	31,318	-	-
Intergovernmental	658,386	3,928,679	10,134
Licenses and permits	155,088	340	-
Charges for service	255,645	4,081	-
Use of money and property	103,531	3,483	-
Miscellaneous	57,070	99,261	-
Total revenues	<u>3,940,426</u>	<u>6,355,994</u>	<u>172,357</u>
Expenditures:			
Operating:			
Public safety and legal services	1,358,673	53,970	-
Physical health and social services	309,525	-	-
Mental health	-	1,722,413	-
County environment and education	325,648	149,056	-
Roads and transportation	8,299	3,361,197	-
Governmental services to residents	295,740	2,946	-
Administration	946,593	1,821	-
Non-program	165,382	6,743	-
Debt service	-	-	172,834
Capital projects	212,591	230,315	-
Total expenditures	<u>3,622,451</u>	<u>5,528,461</u>	<u>172,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>317,975</u>	<u>827,533</u>	<u>(477)</u>
Other financing sources (uses):			
Operating transfers in	100,000	1,215,382	-
Operating transfers out	(191,837)	(1,128,545)	-
Capital lease purchase agreement	-	18,617	-
Total other financing sources (uses)	<u>(91,837)</u>	<u>105,454</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>226,138</u>	<u>932,987</u>	<u>(477)</u>
Fund balances beginning of year	863,682	1,816,610	3,508
Increase in reserve for inventories	-	202,525	-
Fund balances end of year	<u>\$ 1,089,820</u>	<u>2,952,122</u>	<u>3,031</u>

See notes to financial statements.

Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
-	5,148,294
-	13,467
-	31,318
-	4,597,199
-	155,428
23	259,749
-	107,014
1,027	157,358
<u>1,050</u>	<u>10,469,827</u>
-	1,412,643
-	309,525
-	1,722,413
-	474,704
-	3,369,496
-	298,686
-	948,414
-	172,125
-	172,834
4,660	447,566
<u>4,660</u>	<u>9,328,406</u>
<u>(3,610)</u>	<u>1,141,421</u>
5,000	1,320,382
-	(1,320,382)
-	18,617
<u>5,000</u>	<u>18,617</u>
1,390	1,160,038
749	2,684,549
-	202,525
<u>2,139</u>	<u>4,047,112</u>

Exhibit C

Shelby County

Comparison of Receipts, Disbursements and
Changes in Balances - Actual to Budget (Cash Basis) -
All Governmental Fund Types and Expendable Trust Fund

Year ended June 30, 2003

	Actual	Amended Budget	Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property and other County tax	\$ 5,161,763	4,947,977	213,786	104%
Interest and penalty on property tax	31,529	20,010	11,519	158%
Intergovernmental	4,671,564	5,188,614	(517,050)	90%
Licenses and permits	146,208	156,200	(9,992)	94%
Charges for service	244,110	169,511	74,599	144%
Use of money and property	125,470	107,520	17,950	117%
Miscellaneous	157,147	158,009	(862)	99%
Total receipts	<u>10,537,791</u>	<u>10,747,841</u>	<u>(210,050)</u>	<u>98%</u>
Disbursements:				
Public safety and legal services	1,415,157	1,442,267	27,110	98%
Physical health and social services	319,590	467,176	147,586	68%
Mental health	1,749,320	1,851,029	101,709	95%
County environment and education	478,113	402,797	(75,316)	119%
Roads and transportation	3,356,268	3,749,835	393,567	90%
Governmental services to residents	299,549	320,020	20,471	94%
Administration	950,791	1,004,206	53,415	95%
Non-program	172,742	664,296	491,554	26%
Debt service	172,834	172,684	(150)	100%
Capital projects	632,069	908,531	276,462	70%
Total disbursements	<u>9,546,433</u>	<u>10,982,841</u>	<u>1,436,408</u>	<u>87%</u>
Excess (deficiency) of receipts over (under) disbursements	991,358	(235,000)		
Other financing sources, net	<u>-</u>	<u>-</u>		
Excess (deficiency) of receipts and other financing sources over (under) disbursements	991,358	(235,000)		
Balance beginning of year	<u>2,442,113</u>	<u>2,765,600</u>		
Balance end of year	<u>\$ 3,433,471</u>	<u>2,530,600</u>		

See notes to financial statements.

Shelby County

Notes to Financial Statements

June 30, 2003

(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.

A. Reporting Entity

For financial reporting purposes, Shelby County has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Shelby County Assessor's Conference Board, Shelby County Emergency Management Commission, Shelby County Joint E911 Service Board, Monona/Harrison/Shelby County Empowerment Area and Shelby County Area Solid Waste Agency. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

B. Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures. The various funds and account groups and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the County’s general long-term debt.

Fiduciary Funds

Trust Fund – The Trust Fund is used to account for assets held by the County in a trustee capacity. These include an Expendable Trust Fund which is accounted for in essentially the same manner as Governmental Funds.

Agency Funds – The 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Groups

General Fixed Assets – This account group is established to account for the general fixed assets of the County.

General Long-Term Debt – This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and the Expendable Trust Fund are accounted for on a spending or “financial flow” measurement focus. This means only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and the Expendable Trust Fund are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

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.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

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 non-negotiable certificates of deposit which are stated at cost.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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. 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 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, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates they are not available to liquidate current obligations.

General Fixed Assets – General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or “infrastructure” general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repair are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2003, no interest costs were capitalized since there were no qualifying assets.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003.

F. Budgets and Budgetary Accounting

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 Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year-end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, 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 Expendable Trust Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by function, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 3,935,181	5,245	3,940,426	6,429,390	(73,396)	6,355,994
Expenditures	3,643,976	(21,525)	3,622,451	5,725,443	(196,982)	5,528,461
Net	291,205	26,770	317,975	703,947	123,586	827,533
Other financing sources (uses)	(91,837)	-	(91,837)	86,837	18,617	105,454
Beginning fund balances	919,282	(55,600)	863,682	1,518,655	297,955	1,816,610
Increase in reserve for inventories	-	-	-	-	202,525	202,525
Ending fund balances	\$ 1,118,650	(28,830)	1,089,820	2,309,439	642,683	2,952,122

	Governmental Fund Types			Fiduciary Fund Type		
	Debt Service			Expendable Trust		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 172,357	-	172,357	863	187	1,050
Expenditures	172,834	-	172,834	4,180	480	4,660
Net	(477)	-	(477)	(3,317)	(293)	(3,610)
Other financing sources (uses)	-	-	-	5,000	-	5,000
Beginning fund balances	3,508	-	3,508	668	81	749
Increase in reserve for inventories	-	-	-	-	-	-
Ending fund balances	\$ 3,031	-	3,031	2,351	(212)	2,139

	Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	Revenues	\$ 10,537,791	(67,964)
Expenditures	9,546,433	(218,027)	9,328,406
Net	991,358	150,063	1,141,421
Other financing sources (uses)	-	18,617	18,617
Beginning fund balances	2,442,113	242,436	2,684,549
Increase in reserve for inventories	-	202,525	202,525
Ending fund balances	\$ 3,433,471	613,641	4,047,112

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate it is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The County's deposits at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2003 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 463,026	88,603	-	551,629
Buildings	3,747,967	13,000	-	3,760,967
Equipment	6,418,813	612,960	523,070	6,508,703
Total	<u>\$10,629,806</u>	<u>714,563</u>	<u>523,070</u>	<u>10,821,299</u>

Equipment includes \$115,029 of assets acquired under capital lease and installment purchase agreements.

(4) 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. The Agency Fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 377
Special Revenue:		
Mental Health	Services	59,309
Secondary Roads		1,011
		<u>60,320</u>
Trust and Agency:		
County Assessor	Collections	246,316
Schools		6,603,269
Community Colleges		362,108
Corporations		3,019,107
Auto License and Use Tax		224,380
Emergency Management Services		322,235
County Hospital		460,305
Solid Waste Agency		343,167
E911 Surcharge		194,796
M/H/S Empowerment Area		29,805
All other		364,789
		<u>12,170,277</u>
Total		<u>\$ 12,230,974</u>

(5) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2003 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency:	
	County Recorder	\$ 29,772
	County Sheriff	8,678
	Conservation	478
	Auto License and Use Tax	7,729
Special Revenue:		
Secondary Roads	General	2,455
County Recorder's	Trust and Agency:	
Records Management	County Recorder	433
Total		<u>\$ 49,545</u>

(6) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

	Capital Lease Purchase Agreement	Installment Purchase Agreements	E911 County General Obligation Revenue Bonds	Capital Loan Notes	Bank Loans	Compensated Absences	Total
Balance beginning of year	\$ 15,150	48,602	14,506	345,000	569,691	102,036	1,094,985
Additions	-	18,617	-	-	-	-	18,617
Reductions	(4,666)	(24,181)	(14,506)	(45,000)	(76,578)	(22,317)	(187,248)
Balance end of year	\$ 10,484	43,038	-	300,000	493,113	79,719	926,354

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement for a tractor with loader. The following is a schedule of the future minimum lease payments, including interest of 5.25% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2003:

Year ending June 30,	Amount
2004	\$ 5,880
2005	5,880
Total minimum lease payments	11,760
Less amount representing interest	(1,276)
Present value of net minimum lease payments	\$ 10,484

Payments made under this capital lease purchase agreement during the year ended June 30, 2003 totaled \$5,880.

Installment Purchase Agreements

The County has entered into installment purchase agreements to finance the acquisition of a 2003 Ford Truck, a 1999 Ford Truck, and a 1998 D4C Dozer. The following is a schedule of the future minimum lease payments, including interest ranging from 6.5% to 9% per annum, and the present value of future installment purchase agreement payments under the agreements in effect at June 30, 2003:

Year ending June 30,	Principal	Interest	Total
2004	\$ 28,489	3,583	32,072
2005	4,436	1,317	5,753
2006	4,838	915	5,753
2007	5,275	478	5,753
Total	\$ 43,038	6,293	49,331

Payments under these installment purchase agreements for the year ended June 30, 2003 totaled \$27,464.

Capital Loan Notes

In June 1999, the County issued \$465,000 in general obligation essential corporate purpose capital loan notes to fund improvements to the courthouse and annex buildings. The notes are payable from a continuing annual levy of taxes against all taxable property of the County. A summary of the County's June 30, 2003 general obligation essential corporate purpose capital loan notes is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2004	4.30%	\$ 45,000	13,375	58,375
2005	4.35	45,000	11,440	56,440
2006	4.40	50,000	9,483	59,483
2007	4.50	50,000	7,282	57,282
2008	4.55	55,000	5,032	60,032
2009	4.60	55,000	2,530	57,530
Total		\$ 300,000	49,142	349,142

Bank Loans

Annual debt service requirements to maturity for bank loans are as follows:

Year ending June 30,	Annex (Interest at 5.95% per annum)		Imaging/GIS Project (Interest at 5.95% per annum)		911 Center Expansion GIS Project (Interest at 6.90% per annum)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 23,970	7,724	17,753	5,720	39,923	17,133	81,646	30,577
2005	25,438	6,256	18,840	4,634	42,770	14,286	87,048	25,176
2006	26,974	4,720	19,977	3,497	45,771	11,284	92,722	19,501
2007	28,603	3,091	21,185	2,289	48,984	8,071	98,772	13,451
2008	30,353	1,366	22,479	1,012	52,412	4,643	105,244	7,021
2009	-	-	-	-	27,681	954	27,681	954
Total	\$135,338	23,157	100,234	17,152	257,541	56,371	493,113	96,680

On July 1, 2003, the Board approved a transfer from the Secondary Roads Fund to the Debt Service Fund to pay off \$307,000 of these loans. This amount is to be transferred back to the Secondary Roads Fund before the end of fiscal year 2004. The remaining loans are to be paid from General Fund reserves.

(7) Hospital Revenue Capital Loan Notes

The County has issued \$2,200,000 of hospital revenue capital loan notes pursuant to Chapters 331.402(3) and 331.461(1)(d) of the Code of Iowa. The notes and related interest are payable solely out of the net earnings of the Hospital and do not constitute liabilities of the County. Accordingly, the County does not record any transactions related to the notes.

(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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively and protection occupation employees, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by State statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$184,963, \$171,657, and \$165,266, respectively, equal to the required contributions for each year.

(9) Risk Management

Shelby County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2003 were \$77,282.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

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, 2003, no liability has been recorded in the County's financial statements. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amounts of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by function or amounts appropriated by department. During the year ended June 30, 2003, disbursements exceeded the amounts budgeted in the county environment and education function and the debt service function.

(11) Construction Commitment

During the year ended June 30, 2003, the County entered into one agreement for bridge construction for \$428,362. As of June 30, 2003, no costs had been incurred against the contract. The balance of the contract will be paid as work on the project progresses.

During the year ended June 30, 2003, the County also entered into two agreements to perform stream stabilization for \$92,285 and \$23,642. As of June 30, 2003, \$92,285 in costs had been incurred against the first project. The remaining \$23,642 for the second contract will be paid as work on the project progresses.

These projects will be paid from the Special Revenue, Secondary Roads Fund.

(12) Deficit Fund Balance

The Special Revenue, Resource Enhancement and Protection Fund had a deficit balance of \$186 at June 30, 2003. The deficit will be eliminated by the collection of future receipts.

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of Shelby County’s financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the County’s financial activities.

Shelby County

Supplemental Information

Schedule 1

Shelby County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues:

Property and other County tax:		
Property tax	\$ 2,577,768	
Utility tax replacement excise tax	81,082	
Other	<u>7,071</u>	\$ 2,665,921
Tax increment financing		13,467
Interest and penalty on property tax		31,318
Intergovernmental:		
State shared revenues:		
Franchise tax	<u>28,839</u>	
State tax replacements:		
State tax credits	172,613	
State allocation	102,605	
Other	<u>249</u>	
	<u>275,467</u>	
State and federal pass-thru revenues:		
State indoor radon grants	325	
Human services administrative reimbursement	22,687	
Community development block grant	161,589	
Other	<u>16,994</u>	
	<u>201,595</u>	
Contributions from other governmental units:		
Contract law enforcement	15,472	
Emergency management services agency	20,000	
District court fees	2,920	
Tax increment financing allocation from the City of Harlan	62,055	
Election reimbursements	7,551	
GIS reimbursement	20,000	
Other	<u>7,731</u>	
	<u>135,729</u>	
State grants and entitlements:		
Juvenile justice county base reimbursement	250	
Well testing and abandonment	<u>16,506</u>	
	<u>16,756</u>	658,386
Licenses and permits		155,088

Shelby County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues (continued):		
Charges for service:		
Office fees and collections	140,791	
Auto registration, use tax, drivers license, and mailing	92,241	
Recreation fees	3,282	
Other	19,331	255,645
		<hr/>
Use of money and property:		
Interest on investments	55,643	
Miscellaneous	47,888	103,531
		<hr/>
Miscellaneous		57,070
Total revenues		<hr/> <u>3,940,426</u>
Expenditures:		
Operating:		
Public safety and legal services		1,358,673
Physical health and social services		309,525
County environment and education		325,648
Roads and transportation		8,299
Governmental services to residents		295,740
Administration		946,593
Non-program		165,382
Capital projects		212,591
Total expenditures		<hr/> <u>3,622,451</u>
Excess of revenues over expenditures		<hr/> 317,975
Other financing uses:		
Operating transfers out:		
Special Revenue:		
Secondary Roads		(86,837)
Expendable Trust:		
Conservation Land Acquisition Trust		(5,000)
Total other financing uses		<hr/> <u>(91,837)</u>
Excess of revenues over expenditures and other financing uses		226,138
Fund balance beginning of year		<hr/> 863,682
Fund balance end of year		<hr/> <u>\$ 1,089,820</u>

See accompanying independent auditor's report.

Schedule 2

Shelby County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Public safety and legal services:

Law enforcement:

Uniformed patrol services	\$ 347,704
Adult correction services	234,103
Administration	160,790
	<u>742,597</u>

Legal services:

Criminal prosecution	153,293
Medical examinations	3,539
	<u>156,832</u>

Emergency services:

Emergency management	<u>378,678</u>
----------------------	----------------

Assistance to district court system:

Research and other assistance	<u>8,678</u>
-------------------------------	--------------

Court proceedings:

Juries and witnesses	126
Detention services	40,834
Service of civil papers	49
	<u>41,009</u>

Juvenile justice administration:

Juvenile victim restitution	28,126
Court-appointed attorneys and court costs for juveniles	2,753
	<u>30,879</u>
	\$ 1,358,673

Physical health and social services:

Physical health services:

Personal and family health services	45,000
Sanitation	192,967
	<u>237,967</u>

Services to the poor:

Administration	32,491
General welfare services	7,011
	<u>39,502</u>

Shelby County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Physical health and social services (continued):

Services to military veterans:

Administration	16,555	
General services to veterans	<u>5,807</u>	
	<u>22,362</u>	

Services to other adults:

Services to the elderly	3,500	
Other social services	<u>1,000</u>	
	<u>4,500</u>	

Chemical dependency:

Treatment services	<u>5,194</u>	309,525
--------------------	--------------	---------

County environment and education:

Conservation and recreation services:

Administration	68,669	
Maintenance and operations	113,178	
Recreation and environment education	<u>2,073</u>	
	<u>183,920</u>	

Animal control:

Animal bounties and state apiarist expenses	<u>199</u>	
---	------------	--

County development:

Land use and building controls	6,863	
Economic development	<u>102,422</u>	
	<u>109,285</u>	

Educational services:

Historic preservation	5,244	
Fair and 4-H clubs	<u>27,000</u>	
	<u>32,244</u>	325,648

Roads and transportation:

Roadway maintenance:

Roadway clearing	6,147	
------------------	-------	--

General roadway:

Equipment operations	<u>2,152</u>	8,299
----------------------	--------------	-------

Governmental services to residents:

Representation services:

Elections administration	72,060	
Local elections	<u>7,213</u>	
	<u>79,273</u>	

Schedule 2

Shelby County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Governmental services to residents (continued):

State administrative services:

Motor vehicle registrations and licensing	92,496	
Recording of public documents	<u>123,971</u>	
	<u>216,467</u>	295,740

Administration:

Policy and administration:

General county management	112,813	
Administrative management services	100,433	
Treasury management services	139,955	
Other policy and administration	<u>32,853</u>	
	<u>386,054</u>	

Central services:

General services	146,433	
Data processing services	<u>240,362</u>	
	<u>386,795</u>	

Risk management services:

Safety of the workplace	170,428	
Fidelity of public officials	1,463	
Unemployment compensation	<u>1,853</u>	
	<u>173,744</u>	946,593

Non-program:

Community development block grant	161,589	
Other county enterprises	3,674	
Other non-program current expenditures	<u>119</u>	165,382

Capital projects:

Conservation land acquisition	3,210	
Other capital projects:		
Management information systems	64,731	
Geographic information systems	23,416	
Building and grounds maintenance	48,200	
Equipment	<u>73,034</u>	<u>212,591</u>

Total		<u>\$ 3,622,451</u>
-------	--	---------------------

See accompanying independent auditor's report

Shelby County

Shelby County
Special Revenue Funds
Combining Balance Sheet
June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	K-9
Assets				
Cash and pooled investments	\$ 153,647	1,712,006	337	2,338
Receivables:				
Property tax:				
Delinquent	15,629	-	-	-
Succeeding year	1,401,000	-	-	-
Due from other funds	-	2,455	-	-
Due from other governments	-	224,424	-	-
Inventories	-	700,949	-	-
Total assets	\$ 1,570,276	2,639,834	337	2,338
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 319	144,517	-	-
Salaries and benefits payable	3,042	23,946	-	-
Due to other governments	-	1,011	-	-
Deferred revenue:				
Succeeding year property tax	1,401,000	-	-	-
Other	15,629	-	-	-
Compensated absences	-	15,396	523	-
Total liabilities	1,419,990	184,870	523	-
Fund equity:				
Fund balances:				
Reserved for:				
Inventories	-	700,949	-	-
Supplemental levy purposes	27,989	-	-	-
Unreserved	122,297	1,754,015	(186)	2,338
Total fund equity	150,286	2,454,964	(186)	2,338
Total liabilities and fund equity	\$ 1,570,276	2,639,834	337	2,338

See accompanying independent auditor's report.

Flood and Erosion	Mental Health	Insurance Reimbursement	County Recorder's Records Management	Drug Forfeiture	Commissary	Total
5,704	336,127	56,760	15,680	21,759	5,081	2,309,439
-	7,105	-	-	-	-	22,734
-	831,000	-	-	-	-	2,232,000
-	-	-	433	-	-	2,888
-	36,955	-	-	-	-	261,379
-	-	-	-	-	-	700,949
5,704	1,211,187	56,760	16,113	21,759	5,081	5,529,389
262	64,137	1,591	-	-	426	211,252
-	4,169	-	-	-	-	31,157
-	59,309	-	-	-	-	60,320
-	831,000	-	-	-	-	2,232,000
-	7,105	-	-	-	-	22,734
-	3,885	-	-	-	-	19,804
262	969,605	1,591	-	-	426	2,577,267
-	-	-	-	-	-	700,949
-	-	-	-	-	-	27,989
5,442	241,582	55,169	16,113	21,759	4,655	2,223,184
5,442	241,582	55,169	16,113	21,759	4,655	2,952,122
5,704	1,211,187	56,760	16,113	21,759	5,081	5,529,389

Shelby County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Revenues:			
Property and other County tax:			
Property tax	\$ 1,439,712	-	-
Utility tax replacement excise tax	50,105	-	-
Other	-	-	-
	<u>1,489,817</u>	<u>-</u>	<u>-</u>
Intergovernmental:			
State shared revenues:			
Road use tax	-	2,498,093	-
State tax replacements:			
State tax credits	85,796	-	-
Mental health property tax relief	-	-	-
Other	-	-	-
	<u>85,796</u>	<u>-</u>	<u>-</u>
State and federal pass-thru revenues:			
Resource enhancement and prevention	-	-	205
Highway planning and construction	-	136,271	-
Social services block grant	-	-	-
	<u>-</u>	<u>136,271</u>	<u>205</u>
Contributions from other governmental units:			
Mental health coordinator reimbursement from other counties	-	-	-
Miscellaneous	-	68,268	6,268
	<u>-</u>	<u>68,268</u>	<u>6,268</u>
State grants and entitlements:			
Medicaid case management	-	-	-
MH-DD community services fund allocation	-	-	-
MH-DD allowed growth factor adjustment	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Federal grants and entitlements:			
Watershed protection and flood prevention	-	74,229	-
	<u>85,796</u>	<u>2,776,861</u>	<u>6,473</u>
Licenses and permits	-	340	-
Charges for service	-	-	-

K-9	Flood and Erosion	Mental Health	Insurance Reimbursement	County Recorder's Management	Drug Forfeiture	Commis- sary	Total
-	-	804,365	-	-	-	-	2,244,077
-	-	25,300	-	-	-	-	75,405
-	-	668	-	-	-	-	668
-	-	830,333	-	-	-	-	2,320,150
-	-	-	-	-	-	-	2,498,093
-	-	53,205	-	-	-	-	139,001
-	-	491,215	-	-	-	-	491,215
-	-	736	-	-	-	-	736
-	-	545,156	-	-	-	-	630,952
-	-	-	-	-	-	-	205
-	-	-	-	-	-	-	136,271
-	-	34,231	-	-	-	-	34,231
-	-	34,231	-	-	-	-	170,707
-	-	27,506	-	-	-	-	27,506
-	-	-	-	-	-	-	74,536
-	-	27,506	-	-	-	-	102,042
-	-	201,377	-	-	-	-	201,377
-	-	141,828	-	-	-	-	141,828
-	-	109,451	-	-	-	-	109,451
-	-	452,656	-	-	-	-	452,656
-	-	-	-	-	-	-	74,229
-	-	1,059,549	-	-	-	-	3,928,679
-	-	-	-	-	-	-	340
-	-	-	-	4,081	-	-	4,081

Shelby County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Revenues (continued):			
Use of money and property:			
Interest on investments	-	-	950
Other	1,903	-	-
	<u>1,903</u>	<u>-</u>	<u>950</u>
Miscellaneous:			
Sale of materials and fuel	-	30,491	-
Sales and use tax refund	-	19,001	-
Health insurance premium reimbursement	-	3,192	-
Miscellaneous	-	35,996	-
	<u>-</u>	<u>88,680</u>	<u>-</u>
Total revenues	<u>1,577,516</u>	<u>2,865,881</u>	<u>7,423</u>
Expenditures:			
Operating:			
Public safety and legal services:			
Law enforcement:			
Investigations	-	-	-
Adult correction services	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Emergency services:			
Ambulance services	32,000	-	-
Fire Protection services	6,500	-	-
	<u>38,500</u>	<u>-</u>	<u>-</u>
	<u>38,500</u>	<u>-</u>	<u>-</u>
Mental health:			
Persons with mental health problems - mental illness:			
Information and education	-	-	-
General administration	-	-	-
Coordination services	-	-	-
Treatment services	-	-	-
Institutional, hospital, and commitment services	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

K-9	Flood and Erosion	Mental Health	Insurance Reimbursement	County Recorder's Records Management	Drug Forfeiture	Commis-sary	Total
17	-	-	-	402	211	-	1,580
-	-	-	-	-	-	-	1,903
17	-	-	-	402	211	-	3,483
-	-	-	-	-	-	-	30,491
-	-	-	-	-	-	-	19,001
-	-	-	-	-	-	-	3,192
10	-	1,880	-	-	-	8,691	46,577
10	-	1,880	-	-	-	8,691	99,261
27	-	1,891,762	-	4,483	211	8,691	6,355,994
45	-	-	-	-	5,970	-	6,015
-	-	-	-	-	-	9,455	9,455
45	-	-	-	-	5,970	9,455	15,470
-	-	-	-	-	-	-	32,000
-	-	-	-	-	-	-	6,500
-	-	-	-	-	-	-	38,500
45	-	-	-	-	5,970	9,455	53,970
-	-	8,054	-	-	-	-	8,054
-	-	58,451	-	-	-	-	58,451
-	-	157,818	-	-	-	-	157,818
-	-	88,000	-	-	-	-	88,000
-	-	62,654	-	-	-	-	62,654
-	-	374,977	-	-	-	-	374,977

Shelby County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Expenditures (continued):			
Operating:			
Mental health:			
Persons with chronic mental illness:			
Personal and environmental support	-	-	-
Treatment services	-	-	-
Vocational and day services	-	-	-
Licensed or certified living arrangements	-	-	-
Institutional, hospital, and commitment services	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Persons with mental retardation:			
Coordination services	-	-	-
Personal and environmental support	-	-	-
Vocational and day services	-	-	-
Licensed or certified living arrangements	-	-	-
Institutional, hospital, and commitment services	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Persons with other developmental disabilities:			
Coordination services	-	-	-
Personal and environmental support	-	-	-
Vocational and day services	-	-	-
Licensed or certified living arrangements	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
County environment and education:			
Environmental quality:			
Natural resources conservation	-	-	-
Solid waste disposal	61,725	-	-
	<u>61,725</u>	<u>-</u>	<u>-</u>
Conservation and recreation services:			
Maintenance and operations	-	-	20,666
Educational services:			
Libraries	62,000	-	-
	<u>123,725</u>	<u>-</u>	<u>20,666</u>

K-9	Flood and Erosion	Mental Health	Insurance Reimbursement	County Recorder's Management	Drug Forfeiture	Commis-sary	Total
-	-	21,089	-	-	-	-	21,089
-	-	22,000	-	-	-	-	22,000
-	-	39,348	-	-	-	-	39,348
-	-	176,588	-	-	-	-	176,588
-	-	17,654	-	-	-	-	17,654
-	-	276,679	-	-	-	-	276,679
-	-	8,977	-	-	-	-	8,977
-	-	149,652	-	-	-	-	149,652
-	-	241,302	-	-	-	-	241,302
-	-	424,472	-	-	-	-	424,472
-	-	111,459	-	-	-	-	111,459
-	-	935,862	-	-	-	-	935,862
-	-	439	-	-	-	-	439
-	-	8,008	-	-	-	-	8,008
-	-	42,149	-	-	-	-	42,149
-	-	84,299	-	-	-	-	84,299
-	-	134,895	-	-	-	-	134,895
-	-	1,722,413	-	-	-	-	1,722,413
-	4,665	-	-	-	-	-	4,665
-	-	-	-	-	-	-	61,725
-	4,665	-	-	-	-	-	66,390
-	-	-	-	-	-	-	20,666
-	-	-	-	-	-	-	62,000
-	4,665	-	-	-	-	-	149,056

Shelby County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Expenditures (continued):			
Operating:			
Roads and transportation:			
Secondary roads administration and engineering:			
Administration	137,538	174,556	-
Engineering	-	204,523	-
	<u>137,538</u>	<u>379,079</u>	<u>-</u>
Roadway maintenance:			
Bridges and culverts	-	130,223	-
Roads	-	1,277,686	-
Snow and ice control	-	98,473	-
Traffic controls	-	59,242	-
Road clearing	161,802	83,936	-
	<u>161,802</u>	<u>1,649,560</u>	<u>-</u>
General roadway:			
Equipment	18,617	408,230	-
Equipment operations	-	534,007	-
Tools, materials, and supplies	-	51,639	-
Real estate and buildings	-	20,725	-
	<u>18,617</u>	<u>1,014,601</u>	<u>-</u>
	<u>317,957</u>	<u>3,043,240</u>	<u>-</u>
Governmental services to residents:			
Representation services:			
Township officials	551	-	-
State administrative services:			
Recording of public documents	-	-	-
	<u>551</u>	<u>-</u>	<u>-</u>
Administration:			
Risk management services:			
Unemployment compensation	1,820	-	-
Non-program:			
Health insurance	-	-	-
Capital projects:			
Roadway construction	-	209,034	-
Other capital projects	21,281	-	-
	<u>21,281</u>	<u>209,034</u>	<u>-</u>
Total expenditures	<u>503,834</u>	<u>3,252,274</u>	<u>20,666</u>

K-9	Flood and Erosion	Mental Health	Insurance Reimbursement	County Recorder's Records Management	Drug Forfeiture	Commis-sary	Total
-	-	-	-	-	-	-	312,094
-	-	-	-	-	-	-	204,523
-	-	-	-	-	-	-	516,617
-	-	-	-	-	-	-	130,223
-	-	-	-	-	-	-	1,277,686
-	-	-	-	-	-	-	98,473
-	-	-	-	-	-	-	59,242
-	-	-	-	-	-	-	245,738
-	-	-	-	-	-	-	1,811,362
-	-	-	-	-	-	-	426,847
-	-	-	-	-	-	-	534,007
-	-	-	-	-	-	-	51,639
-	-	-	-	-	-	-	20,725
-	-	-	-	-	-	-	1,033,218
-	-	-	-	-	-	-	3,361,197
-	-	-	-	-	-	-	551
-	-	-	-	2,395	-	-	2,395
-	-	-	-	2,395	-	-	2,946
-	1	-	-	-	-	-	1,821
-	-	-	6,743	-	-	-	6,743
-	-	-	-	-	-	-	209,034
-	-	-	-	-	-	-	21,281
-	-	-	-	-	-	-	230,315
45	4,666	1,722,413	6,743	2,395	5,970	9,455	5,528,461

Shelby County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Resource Enhance- ment and Protection</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,073,682</u>	<u>(386,393)</u>	<u>(13,243)</u>
Other financing sources (uses):			
Operating transfers in (out):			
General	-	86,837	-
Special Revenue:			
Rural Services	-	1,118,545	-
Secondary Roads	(1,118,545)	-	-
Flood and Erosion	(10,000)	-	-
Capital lease purchase agreement	18,617	-	-
Total other financing sources (uses)	<u>(1,109,928)</u>	<u>1,205,382</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(36,246)	818,989	(13,243)
Fund balances beginning of year	186,532	1,433,450	13,057
Increase in reserve for inventories	-	202,525	-
Fund balances end of year	<u>\$ 150,286</u>	<u>2,454,964</u>	<u>(186)</u>

See accompanying independent auditor's report.

K-9	Flood and Erosion	Mental Health	Insurance Reimbursement	County Recorder's Records Management	Drug Forfeiture	Commis-sary	Total
(18)	(4,666)	169,349	(6,743)	2,088	(5,759)	(764)	827,533
-	-	-	-	-	-	-	86,837
-	10,000	-	-	-	-	-	1,128,545
-	-	-	-	-	-	-	(1,118,545)
-	-	-	-	-	-	-	(10,000)
-	-	-	-	-	-	-	18,617
-	10,000	-	-	-	-	-	105,454
(18)	5,334	169,349	(6,743)	2,088	(5,759)	(764)	932,987
2,356	108	72,233	61,912	14,025	27,518	5,419	1,816,610
-	-	-	-	-	-	-	202,525
2,338	5,442	241,582	55,169	16,113	21,759	4,655	2,952,122

Schedule 5

Shelby County

Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues:

Property and other County tax:

Property tax	\$ 157,496	
Utility tax replacement excise tax	4,605	
Other	<u>122</u>	\$ 162,223

Intergovernmental:

State tax replacements:

State tax credits	10,120	
Other	<u>14</u>	<u>10,134</u>
Total revenues		<u>172,357</u>

Expenditures:

Debt service:

Principal redeemed	121,578	
Interest and fiscal charges paid	<u>51,256</u>	<u>172,834</u>

Deficiency of revenues under expenditures (477)

Fund balance beginning of year 3,508

Fund balance end of year \$ 3,031

See accompanying independent auditor's report.

Shelby County

Shelby County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2003

	Expendable Trust Fund	County Offices		Agricultural Extension Education
	Conservation Land Acqui- sition Trust	County Recorder	County Sheriff	
Assets				
Cash and pooled investments:				
County Treasurer	\$ 2,351	-	-	2,234
Other County officials	-	35,251	13,137	-
Shelby County Area Solid Waste Agency	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	1,043
Succeeding year	-	-	-	122,000
Accounts	-	1,438	-	-
Due from other governments	266	-	-	-
Total assets	\$ 2,617	36,689	13,137	125,277
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other funds	478	30,205	8,678	-
Due to other governments	-	6,484	438	125,277
Trusts payable	-	-	4,021	-
Compensated absences	-	-	-	-
Total liabilities	478	36,689	13,137	125,277
Fund equity:				
Unreserved fund balance	2,139	-	-	-
Total liabilities and fund equity	\$ 2,617	36,689	13,137	125,277

Agency Funds						
County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Anatomical Gift Public Awareness and Transportation
65,328	122,064	7,096	36,414	3,091	232,110	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,588	55,205	3,012	2,694	2,096	-	-
185,000	6,426,000	352,000	2,980,000	183,000	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
251,916	6,603,269	362,108	3,019,108	188,187	232,110	-
53	-	-	-	-	-	-
3,519	-	-	-	-	-	-
-	-	-	-	-	7,729	-
246,316	6,603,269	362,108	3,019,108	188,187	224,381	-
-	-	-	-	-	-	-
2,028	-	-	-	-	-	-
251,916	6,603,269	362,108	3,019,108	188,187	232,110	-
-	-	-	-	-	-	-
251,916	6,603,269	362,108	3,019,108	188,187	232,110	-

Shelby County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2003

	Brucellosis and Tuberculosis Eradication	Emergency Management Services	Special Assess- ments
Assets			
Cash and pooled investments:			
County Treasurer	37	331,762	2,718
Other County officials	-	-	-
Shelby County Area Solid Waste Agency	-	-	-
Receivables:			
Property tax:			
Delinquent	16	-	-
Succeeding year	2,000	-	-
Accounts	-	1,383	-
Due from other governments	-	-	-
Total assets	2,053	333,145	2,718
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	-	2,091	-
Salaries and benefits payable	-	6,818	-
Due to other funds	-	-	-
Due to other governments	2,053	322,235	2,718
Trusts payable	-	-	-
Compensated absences	-	2,001	-
Total liabilities	2,053	333,145	2,718
Fund equity:			
Unreserved fund balance	-	-	-
Total liabilities and fund equity	2,053	333,145	2,718

See accompanying independent auditor's report.

Agency Funds					
County Hospital	Solid Waste Agency	E911 Surcharge	Partial Payments	M/H/S Empowerment Area	Total
8,479	22,020	199,936	39,630	83,418	1,158,688
-	-	-	-	-	48,388
-	332,185	-	-	-	332,185
3,826	-	-	-	-	69,480
448,000	-	-	-	-	10,698,000
-	-	-	-	-	2,821
-	-	-	-	-	266
<u>460,305</u>	<u>354,205</u>	<u>199,936</u>	<u>39,630</u>	<u>83,418</u>	<u>12,309,828</u>
-	6,680	5,140	-	53,613	67,577
-	3,231	-	-	-	13,568
-	-	-	-	-	47,090
460,305	343,167	194,796	39,630	29,805	12,170,277
-	-	-	-	-	4,021
-	1,127	-	-	-	5,156
<u>460,305</u>	<u>354,205</u>	<u>199,936</u>	<u>39,630</u>	<u>83,418</u>	<u>12,307,689</u>
-	-	-	-	-	2,139
<u>460,305</u>	<u>354,205</u>	<u>199,936</u>	<u>39,630</u>	<u>83,418</u>	<u>12,309,828</u>

Shelby County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	County Offices		Agricultural	County Assessor
	County Recorder	County Sheriff	Extension Education	
Assets and Liabilities				
Balance beginning of year	\$ 24,962	12,904	122,268	256,602
Additions:				
Property and other County tax	-	-	122,443	185,050
E911 surcharge	-	-	-	-
State tax credits	-	-	7,619	13,382
Office fees and collections	204,615	32,527	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	1,478	143,605	-	-
County contributions	-	-	-	-
Miscellaneous	-	-	(1,972)	3,134
Total additions	206,093	176,132	128,090	201,566
Deductions:				
Agency remittances:				
To other funds	89,718	29,729	-	-
To other governments	103,170	1,322	125,081	206,252
Trusts paid out	1,478	144,848	-	-
Total deductions	194,366	175,899	125,081	206,252
Balance end of year	\$ 36,689	13,137	125,277	251,916

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Anatomical Gift Public Awareness and Transportation
6,614,424	382,843	2,973,296	167,315	214,479	9
6,439,921	352,998	2,927,839	170,082	-	-
-	-	-	-	-	-
417,245	24,251	195,522	8,548	-	-
-	-	-	-	-	-
-	-	-	-	2,846,013	58
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,857,166	377,249	3,123,361	178,630	2,846,013	58
-	-	-	-	90,171	-
6,868,321	397,984	3,077,549	157,758	2,738,211	67
-	-	-	-	-	-
6,868,321	397,984	3,077,549	157,758	2,828,382	67
6,603,269	362,108	3,019,108	188,187	232,110	-

Shelby County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Emergency Management Services</u>	<u>City Special Assess- ments</u>
Assets and Liabilities			
Balance beginning of year	<u>3,260</u>	<u>257,545</u>	<u>1,090</u>
Additions:			
Property and other County tax	1,937	-	-
E911 surcharge	-	-	-
State tax credits	126	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	13,323
Trusts	-	-	-
County contributions	-	374,857	-
Miscellaneous	-	67,416	-
Total additions	<u>2,063</u>	<u>442,273</u>	<u>13,323</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	3,270	366,673	11,695
Trusts paid out	-	-	-
Total deductions	<u>3,270</u>	<u>366,673</u>	<u>11,695</u>
Balance end of year	<u>2,053</u>	<u>333,145</u>	<u>2,718</u>

See accompanying independent auditor's report.

County Hospital	Solid Waste Agency	E911 Surcharge	Partial Payments	M/H/S Empowerment Area	Miscel- laneous	Total
457,245	544,559	163,485	45,906	72,784	-	12,314,976
448,554	-	-	-	-	-	10,648,824
-	-	105,129	-	-	-	105,129
28,911	-	-	-	-	-	695,604
-	-	-	-	-	-	237,142
-	-	-	-	-	-	2,846,071
-	-	-	-	-	-	13,323
-	-	-	-	-	-	145,083
-	-	-	-	-	-	374,857
-	553,146	-	133,847	260,742	8,290	1,024,603
477,465	553,146	105,129	133,847	260,742	8,290	16,090,636
-	-	-	-	-	-	209,618
474,405	743,500	68,678	140,123	250,108	8,290	15,742,457
-	-	-	-	-	-	146,326
474,405	743,500	68,678	140,123	250,108	8,290	16,098,401
460,305	354,205	199,936	39,630	83,418	-	12,307,211

Schedule 8

Shelby County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
Taxes:				
Property tax	\$ 4,979,341	4,886,441	4,108,495	3,553,250
Utility tax replacement excise tax	161,092	162,117	139,043	-
Other	7,861	5,861	13,664	-
	<u>5,148,294</u>	<u>5,054,419</u>	<u>4,261,202</u>	<u>3,553,250</u>
Intergovernmental:				
State shared revenues:				
Road use tax allocation	2,498,093	2,688,150	2,404,661	2,245,713
Franchise tax	28,839	29,446	34,377	19,159
Other	-	520	520	1,137
State tax replacements:				
State tax credits	321,734	364,835	344,149	308,861
State allocation	102,605	107,467	114,359	114,688
Other	492,214	491,216	491,215	491,215
State and federal pass-thru revenues:				
Community development block grant	161,589	-	-	-
Human services administrative reimbursement	22,687	27,559	23,147	20,758
Child support recovery incentives	-	-	449	-
HOME investment partnership program	-	7,220	124,730	107,299
Emergency medical service	-	5,901	5,901	5,901
Resource enhancement and prevention	-	19,072	10,053	7,281
Highway planning and construction	136,271	358,026	316,591	31,125
Social services block grant	34,231	64,672	54,718	55,225
MH incentive	-	-	9,039	9,068
DHS rate increase allocation	-	-	-	11,425
Other	14,727	23,428	24,122	38,717
Contributions from other governmental units	240,568	192,069	236,254	254,320
State grants and entitlements:				
Medicaid case management	201,377	-	-	-
Community services fund allocation	141,828	80,734	85,937	74,512
MH-DD allowed growth factor adjustment	109,451	54,019	53,451	59,496
Other	16,756	17,990	-	-
Federal grants and entitlements:				
Watershed protection and flood prevention	74,229	-	78,711	356,947
Medicare and medicaid	-	152,788	161,132	90,816
	<u>4,597,199</u>	<u>4,685,112</u>	<u>4,573,516</u>	<u>4,303,663</u>
Total	\$ 9,745,493	9,739,531	8,834,718	7,856,913

See accompanying independent auditor's report.

Shelby County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative			
Reimbursements:			
State Administrative Matching Grants for			
Food Stamp Program	10.561		\$ 4,760
Hungry Canyons Alliance:			
Soil and Water Conservation	10.902	0996-0315	74,229
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ Entitlement Grants	14.218	02-CF-013-99	161,589
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	401-HBRRS-004	187,529
Highway Planning and Construction	20.205	01-HBRR-058	7,691
			195,220
Federal Emergency Management Agency:			
Iowa Department of Public Defense:			
Emergency Management Division:			
Emergency Management Performance Grants	83.552		21,827
Hazard Mitigation Grant	83.548		119
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		7,055
Refugee and Entrant Assistance - State			
Administered Programs	93.566		20
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596		1,357
Foster Care - Title IV-E	93.658		2,404
Adoption Assistance	93.659		791
Medical Assistance Program	93.778		6,861
Social Services Block Grant	93.667		4,618
Social Services Block Grant	93.667		45,641
			50,259
Total			\$ 526,491

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

See accompanying independent auditor's report.

Shelby County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Officials of Shelby County:

We have audited the general purpose financial statements of Shelby County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated January 13, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Shelby County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. Prior year statutory comments have all been resolved except for item IV-B-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shelby County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 13, 2004



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Officials of Shelby County:

Compliance

We have audited the compliance of Shelby County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2003. Shelby County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Shelby County's management. Our responsibility is to express an opinion on Shelby County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shelby County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Shelby County's compliance with those requirements.

In our opinion, Shelby County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Shelby County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Shelby County's internal control over compliance with requirements that could have a direct and material effect on a major federal program 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 in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Shelby County and other parties to whom Shelby County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 13, 2004

Shelby County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were identified.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Shelby County qualified as a low-risk auditee.

Shelby County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over financial reporting were noted.

Shelby County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over the major program were noted.

Shelby County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-03 Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year.

IV-B-03 Certified Budget – Disbursements during the year ended June 30, 2003 exceeded the amount budgeted in the county environment and education and debt service functions.

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

Response – We work very hard at keeping track of the budgeted expenditures versus actual, but last minute expenditures still seem to get by. We will continue to monitor the budget as closely as we can.

Conclusion – Response accepted.

IV-C-03 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-D-03 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-03 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Greg Boyson, Roadside Management Employee, Sales Person for Heuss Distributing, Inc.	Chemicals for Roadside Management Department, per bid	\$ 2,220

This does not appear to represent a conflict of interest since the transaction was competitively bid in accordance with Chapter 331.342(4) of the Code of Iowa.

IV-F-03 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-G-03 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Shelby County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

IV-H-03 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-I-03 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-03 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, 2003 for the County Extension Office did not exceed the amount budgeted.

IV-K-03 Tax Increment Financing Revenues (TIF) – The County receives TIF revenues from the City of Harlan pursuant to a 28E agreement between the County and the City. According to the 28E agreement, the County receives an amount equal to thirty percent of the City's tax increment financing property valuation multiplied by the total County tax levy. The purpose of the agreement is to enhance economic development. Also, according to the 28E agreement, the County Board of Supervisors has responsibility as to the final decision of how to spend tax increment funds. The 28E agreement states, in part:

“funds shall be spent only to purchase, rent acquire, construct, repair, maintain, or improve county buildings, equipment, facilities or grounds, to pay debts incurred by Shelby County for the foregoing purposes, or to establish or increase a capital reserve fund for the foregoing purposes.”

The County deposits these funds in the General Fund and disbursements of the funds are not accounted for separately.

Recommendation – Chapter 403 of the Code of Iowa provides that TIF funds may only be spent in accordance with the original purpose of the TIF plan within the designated urban renewal area. The County's expenditures for economic development must be consistent with the City's TIF plan within the City's designated urban renewal area. The County should maintain documentation to demonstrate compliance with the receipt and related expenditure of the TIF revenues.

The County should consult with the City and legal counsel to determine whether the 28E agreement, including the specified use of the TIF revenue, is in compliance with the requirements of Chapter 403 of the Code of Iowa. TIF revenue may not be used to supplement the General Fund.

Response – The County will be setting up a Special Revenue fund in fiscal year 2004 to account for this money. We will also consult with legal counsel concerning the 28E agreement and the use of the money.

Conclusion – Response accepted.

Shelby County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Shelby County

Staff

This audit was performed by:

Suzanne R. Hanft, CPA, Manager
Gina L. Cunningham, CPA, Senior Auditor
Paul F. Kearney, Senior Auditor
Nicholas A. Freymann, Senior Auditor
Sarah D. McFadden, Staff Auditor
Dustin S. Boxa, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State