

**SHELBY COUNTY, ILLINOIS
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2012**

F I L E D

APR 29 2013

Jessica Tox
SHELBY COUNTY CLERK

**MOSE, YOCKEY, BROWN & KULL, LLC
CERTIFIED PUBLIC ACCOUNTANTS
SHELBYVILLE, ILLINOIS**

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Financial Section

230 N. Morgan Street
P.O. Box 317
Shelbyville, IL 62565
Tel: 217.774.9587
Fax: 217.774.9589
Email: mybkcpas@consolidated.net



ROBIN R. YOCKEY, CPA
HOPE M. BROWN, CPA
KENT D. KULL, CPA

WILLIAM R. MOSE, CPA

INDEPENDENT AUDITOR'S REPORT

County Board Members
Shelby County
Shelbyville, Illinois

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, Illinois as of and for the year ended August 31, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Shelby County, Illinois' management. Our responsibility is to express opinions on these statements based on our audit.

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

As discussed in Note 1, Shelby County, Illinois prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

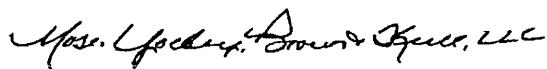
The County has omitted disclosures required by Governmental Accounting Standards Board Statement 45 *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The amount by which this disclosure would affect the financial statements is not reasonably determinable.

In our opinion, except for the effects of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, Illinois, as of August 31, 2012, and the respective changes in financial position – modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2013, on our consideration of Shelby County, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shelby County, Illinois' basic financial statements taken as a whole. The combining fund financial statements and the Section 5311 Annual Financial Report listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining fund financial statements, the Section 5311 Annual Financial Report, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that comprise Shelby County, Illinois' basic financial statements. The management's discussion and analysis, budgetary comparison information, and the IMRF Schedule of Funding Progress included as "Other Information" are not required parts of the financial statements. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.



Mose, Yockey Brown & Kull, LLC
Certified Public Accountants

April 10, 2013

230 N. Morgan Street
P.O. Box 317
Shelbyville, IL 62565
Tel: 217.774.9587
Fax: 217.774.9589
Email: mybkcpas@consolidated.net



ROBIN R. YOCKEY, CPA
HOPE M. BROWN, CPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

County Board Members
Shelby County
Shelbyville, Illinois

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Shelby County, Illinois, as of and for the year ended August 31, 2012, which collectively comprise Shelby County, Illinois' basic financial statements and have issued our report thereon dated April 10, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompany schedule of finding and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We considered the deficiency described in the accompanying schedule of findings and questioned costs, as item B-2, to be a material weakness.

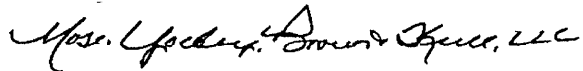
A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item B-1, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shelby County, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item B-3.

Shelby County, Illinois' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Shelby County, Illinois' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Board, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Mose, Yockey, Brown & Kull, LLC
Certified Public Accountants

April 10, 2013

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

County Board Members
Shelby County
Shelbyville, Illinois

Compliance

We have audited Shelby County, Illinois' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Shelby County, Illinois' major federal programs for the year ended August 31, 2012. Shelby County, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Shelby County, Illinois' management. Our responsibility is to express an opinion on Shelby County, Illinois' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shelby County, Illinois' 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 of Shelby County, Illinois' compliance with those requirements.

In our opinion, Shelby County, Illinois, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

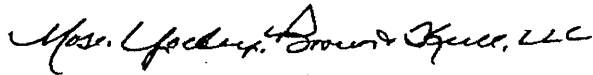
Internal Control Over Compliance

Management of Shelby County, Illinois, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Shelby County, Illinois' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shelby County, Illinois' internal control over compliance.

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

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

This report is intended solely for the information and use of the County Board, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Mose, Yockey, Brown & Kull, LLC
Certified Public Accountants

April 10, 2013

Basic Financial Statements

**Government-Wide
Financial Statements (GWFS)**

SHELBY COUNTY, ILLINOIS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
AUGUST 31, 2012

	Primary Government Governmental Activities	Component Unit
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 11,052,344	\$ 19,971
Certificates of Deposit	426,253	--
Notes Receivable		
Due Within One Year	23,410	--
Inventory	3,606	--
Total Current Assets	\$ 11,505,613	\$ 19,971
Noncurrent Assets:		
Notes Receivable		
Due In More Than One Year	\$ 68,271	\$ --
Capital Assets		
Land	3,376,596	--
Work in Process	613,415	--
Buildings & Improvements	3,940,696	--
Vehicles	2,307,768	--
Maintenance Vehicles	666,469	--
Infrastructure	7,224,165	--
Equipment	1,818,153	4,820
Law Enforcement Canine	13,000	--
Less: Accumulated Depreciation	(6,427,519)	(4,820)
Total Noncurrent Assets	\$ 13,601,014	\$ --
TOTAL ASSETS	\$ 25,106,627	\$ 19,971
LIABILITIES:		
Withholding Payable	\$ 110,373	\$ 1,029
Due to Other Governmental Units	89,097	--
Debt Due Within One Year	2,189	--
Debt Due In More Than One Year	7,827	--
TOTAL LIABILITIES	\$ 209,486	\$ 1,029
NET ASSETS		
Investment in Capital Assets, net of related debt	\$ 13,532,743	\$ --
Restricted for:		
Inventory	3,606	--
Insurance	944,399	--
Employees' Retirement	1,842,664	--
Public Safety	491,461	--
Public Works and Transportation	957,818	--
Economic Development	504,087	--
Health and Welfare	1,845,350	--
Other Purposes	653,023	--
Unrestricted	4,121,990	18,942
TOTAL NET ASSETS	\$ 24,897,141	\$ 18,942

The accompanying notes are an integral part of these financial statements.

SHELBY COUNTY, ILLINOIS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED AUGUST 31, 2012

Activities	PROGRAM RECEIPTS				Net (Disbursements) Receipts and Changes in Net Assets
	Disbursements	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities					
General Government	\$ 2,838,428	\$ 741,130	\$ 420,028	--	\$ (1,677,270)
Public Safety	2,336,271	223,857	57,824	174,048	(1,880,542)
Corrections	144,593	--	--	--	(144,593)
Judiciary	490,221	244,079	--	--	(246,142)
Public Works/Transportation	3,306,609	136,446	1,393,065	461,304	(1,315,794)
Health and Welfare	1,433,248	90,108	383,857	--	(959,283)
Total Governmental Activities	<u>\$ 10,549,370</u>	<u>\$ 1,435,620</u>	<u>\$ 2,254,774</u>	<u>\$ 635,352</u>	<u>\$ (6,223,624)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 10,549,370</u>	<u>\$ 1,435,620</u>	<u>\$ 2,254,774</u>	<u>\$ 635,352</u>	<u>\$ (6,223,624)</u>
Component Unit:					
Shelby County Tourism	\$ 90,957	\$ 17,875	\$ 14,453	--	\$ (58,629)
General Receipts:					
Taxes - Property					\$ 3,978,566
Taxes - Sales					600,258
Taxes - Income					876,660
Taxes - Motor Fuel					364,240
Taxes - Replacement & Other					130,782
Unrestricted Interest					49,995
County Farm Transfers					30,426
Miscellaneous					70,546
					164,814
Total General Receipts and Transfers					<u>\$ 6,266,287</u>
Change in Net Assets					\$ 42,663
Net Assets - September 1, 2011					24,854,328
Adjustment to Net Assets					<u>150</u>
Net Assets - August 31, 2012					<u>\$ 24,897,141</u>

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

SHELBY COUNTY, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AUGUST 31, 2012

	General Fund	County Health Fund	County Highway Fund	Municipal Retirement Fund	Mental Health Fund	Rural Transportation Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$ 3,982,909	\$ 1,076,925	\$ 969,443	\$ 1,593,506	\$ 1,351,053	\$ --	\$ 2,078,508	\$ 11,052,344
Certificates of Deposit	10,000	250,899	--	--	--	--	165,354	426,253
Interfund Loans Receivable	315,966	3,800	--	--	--	--	780	320,536
Inventory	3,606	--	--	--	--	--	--	3,606
TOTAL ASSETS	\$ 4,312,471	\$ 1,331,624	\$ 969,443	\$ 1,593,506	\$ 1,351,053	\$ --	\$ 2,244,642	\$ 11,802,739
LIABILITIES								
Withholding Payable	\$ 110,373	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 110,373
Interfund Loans Payable	220,932	3,800	--	71,800	--	--	24,004	320,536
Due to Other Governmental Units	88,949	--	--	--	--	--	148	89,097
TOTAL LIABILITIES	\$ 420,254	\$ 3,800	\$ --	\$ 71,800	\$ --	\$ --	\$ 24,152	\$ 520,006
FUND BALANCE								
Fund Balance:								
Nonspendable:								
Inventory	\$ 3,606	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 3,606
Restricted for:								
Insurance	944,399	--	--	--	--	--	91,251	944,399
Indemnity	--	--	--	--	--	--	91,251	91,251
Employees Retirement	--	--	--	1,517,313	--	--	325,351	1,842,664
Public Safety	--	--	--	--	--	--	491,461	491,461
Judiciary	--	--	--	--	--	--	126,227	126,227
Automation	--	--	--	--	--	--	86,498	86,498
Recording	--	--	--	--	--	--	115,893	115,893
Public Works/Transportation	--	--	957,818	--	--	--	--	957,818
GIS	--	--	--	--	--	--	192,802	192,802
Document Storage	--	--	--	--	--	--	40,352	40,352
Economic Development	--	--	--	--	--	--	412,406	412,406
Health and Welfare	--	289,417	--	--	1,337,368	--	218,565	1,845,350
Committed								
Capital Improvement	1,329,036	--	--	--	--	--	--	1,329,036
Assigned	--	1,038,407	11,625	4,393	13,685	--	141,455	1,209,565
Unassigned	1,615,176	--	--	--	--	--	(21,771)	1,593,405
TOTAL FUND BALANCES	\$ 3,892,217	\$ 1,327,824	\$ 969,443	\$ 1,521,706	\$ 1,351,053	\$ --	\$ 2,220,490	\$ 11,282,733
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,312,471	\$ 1,331,624	\$ 969,443	\$ 1,593,506	\$ 1,351,053	\$ --	\$ 2,244,642	\$ 11,802,739

The accompanying notes are an integral part of these financial statements.

SHELBY COUNTY, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
ASSETS, LIABILITIES AND FUND BALANCE - MODIFIED CASH BASIS
TO THE STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
AUGUST 31, 2012

Total Fund Balance for Governmental Funds	\$ 11,282,733
Total net assets reported for governmental activities in the statement of net assets is different because:	
Notes Receivable are not financial resources; therefore, they are not reported in the funds.	91,681
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the funds:	
Land	3,376,596
Other Capital Assets	10,156,147
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the funds:	
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(10,016)</u>
Net Assets of Governmental Activities	<u>\$ 24,897,141</u>

The accompanying notes are an integral part of these financial statements.

SHELBY COUNTY, ILLINOIS
STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2012

	General Fund	County Health Fund	County Highway Fund	Municipal Retirement Fund	Mental Health Fund	Rural Transportation Fund	Other Governmental Funds	Total Governmental Funds
REVENUES RECEIVED:								
Property Taxes	\$ 1,475,054	\$ 326,763	\$ 719,301	\$ 586,663	\$ 479,889	\$ --	\$ 390,896	\$ 3,978,566
Sales Taxes	600,258	--	--	--	--	--	--	600,258
Intergovernmental Revenue:								
State Sources:								
Income Taxes	876,660	--	--	--	--	--	--	876,660
Motor Fuel Taxes	40,199	9,210	364,240	--	--	--	4,401	364,240
Replacement Tax	422,941	207,295	39,473	19,396	18,103	602,100	1,450	1,307,822
Other State Sources	17,593	176,562	349,610	--	--	441,355	344,249	1,583,396
Federal Sources	30,426	--	--	--	--	--	--	30,426
County Farm	--	--	--	--	--	--	10,796	10,796
Loan Repayments	84,935	73,945	89,675	--	--	--	46,771	295,326
Charges for Services	6,035	--	--	--	--	--	--	6,035
Licenses and Permits	749,212	--	--	--	--	--	198,774	947,986
Fines, Fees and Forfeits	82,798	--	--	--	--	--	--	82,798
Penalties, Interest and Costs	109,510	--	--	--	--	--	--	109,510
Sales of Real Estate Stamps	27,319	4,709	4,048	2,390	5,112	--	6,417	49,995
Interest	8,041	252	--	--	--	--	324,534	332,827
Miscellaneous	--	--	--	--	--	--	--	--
Total Revenues Received	\$ 4,530,981	\$ 788,736	\$ 1,566,347	\$ 608,449	\$ 503,104	\$ 1,043,455	\$ 1,328,288	\$ 10,379,360
EXPENDITURES DISBURSED:								
Current:								
General Government	\$ 1,791,786	--	--	\$ 639,004	--	--	\$ 346,944	\$ 2,777,734
Public Safety	1,924,917	--	--	--	--	--	236,574	2,161,491
Corrections	144,593	--	--	--	--	--	--	144,593
Judiciary	468,836	--	--	--	--	--	21,385	490,221
Public Works/Transportation	64,500	--	1,648,540	--	--	1,043,455	189,738	2,881,733
Health and Welfare	634,103	883,894	--	--	418,358	--	63,607	1,430,359
Capital Outlay	--	--	82,319	--	--	--	336,977	1,053,399
Debt Service	205	--	--	--	--	--	--	205
Interest on Long Term Debt	340	--	--	--	--	--	--	340
Principal on Long Term Debt	--	--	--	--	--	--	--	--
Total Expenditures Disbursed	\$ 5,029,280	\$ 883,894	\$ 1,730,859	\$ 639,004	\$ 418,358	\$ 1,043,455	\$ 1,195,225	\$ 10,940,075
Revenues Received Over (Under) Expenditures Disbursed	\$ (498,299)	\$ (85,158)	\$ (164,512)	\$ (30,555)	\$ 84,746	\$ --	\$ 133,063	\$ (560,715)
Other Financing Sources (Uses):								
Loan Proceeds	10,356	--	--	--	--	--	--	10,356
Operating Transfers In	989,763	1,300	425,118	--	--	--	133,522	1,549,703
Operating Transfers Out	(724,742)	--	(383,818)	--	--	--	(370,597)	(1,479,157)
Net Change in Fund Balance	\$ (222,922)	\$ (83,858)	\$ (123,212)	\$ (30,555)	\$ 84,746	\$ --	\$ (104,012)	\$ (479,813)
Fund Balance - September 1, 2011	4,115,139	1,411,682	1,092,655	1,552,261	1,266,307	--	2,324,502	11,762,546
Fund Balance - August 31, 2012	\$ 3,892,217	\$ 1,327,824	\$ 969,443	\$ 1,521,706	\$ 1,351,053	\$ --	\$ 2,220,490	\$ 11,282,733

The accompanying notes are an integral part of these financial statements.

SHELBY COUNTY, ILLINOIS
 RECONCILIATION OF THE STATEMENT OF REVENUES RECEIVED, EXPENDITURES
 DISBURSED AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED AUGUST 31, 2012

Net Change in Fund Balance - Total Governmental Funds	\$	(479,813)
<p>The Change in Net Assets reported for governmental activities in the Statement of Activities - modified cash basis is different because:</p> <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Current year debt proceeds		(10,356)
Current year principal retirement		340
<p>Governmental funds report capital outlays as disbursements. However, in the Statement of Activities - modified cash basis the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and infrastructure additions (\$1,053,400) exceed depreciation (\$663,035) in the current period.</p>		
		390,365
<p>Federal and State on-behalf payments for mini vans and road infrastructure are reported as capital grants and contributions in the Statement of Activities - modified cash basis; however, they are not recognized as receipts in the governmental funds.</p>		
		152,923
<p>Principal payments received on Notes Receivable reduce Notes Receivable and do not affect the Statement of Activities - modified cash basis</p>		
		(10,796)
Change in Net Assets of Governmental Activities	\$	42,663

The accompanying notes are an integral part of these financial statements.

SHELBY COUNTY, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS -
MODIFIED CASH BASIS
YEAR ENDED AUGUST 31, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 5,297,752
TOTAL ASSETS	<u>\$ 5,297,752</u>
LIABILITIES	
Distributions Payable	<u>\$ 5,297,752</u>
TOTAL LIABILITIES	<u>\$ 5,297,752</u>
TOTAL NET ASSETS	<u><u>\$ --</u></u>

The accompanying notes are an integral part of these financial statements.

Notes to Basic Financial Statements

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 1 - Summary of Significant Accounting Policies

Shelby County, Illinois was created on January 23, 1827 by an act of state legislature. The County is governed by an elected 22 member board and provides the following services: public safety, tax collection, highways and streets, health and social services, public improvements, planning and zoning, airport operations, corrections, public records, and general administration.

A. Reporting Entity

The accompanying financial statements present the County's primary government and component units over which the County exercises significant influence. Component units are legally separate organizations for which the elected officials of Shelby County are financially accountable. Shelby County would be considered financially accountable if it appoints a voting majority of the organization's government body and (1) it is able to impose its will (significantly influence the programs, projects, activities, or level of services performed or provided by the organization) on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Shelby County (i.e., entitled to or can access the organization's resources, is legally obligated or has otherwise assumed the obligation to finance deficits of, or provide financial support to the organization, or is obligated in some manner for the debt of the organization). If an organization is fiscally dependent on Shelby County, the County is considered financially accountable regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The County's reporting entity includes the County's governing board and its component units for which the County is financially accountable under the definition described above. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

Blended Units

Shelby County Airport Commission (SCAC)

Financial reporting for the Shelby County Airport Commission (SCAC) is blended with the primary government financial statements. The SCAC operates a landing field. Three members of the Shelby County Board serve as trustees of the SCAC. SCAC assets and activities are reported in the Airport Special Revenue Fund.

Shelby County Health Department (SCHD)

The County Board members appoint the Shelby County Health Board and approve the appropriations for the SCHD. In addition, the County Treasurer's office maintains the accounting records of the SCHD. The payroll of the SCHD is included with and processed with the County's payroll. The SCHD funds have been included in the County's reporting entity as special revenue funds.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Discretely Presented Component Unit

The discretely presented component unit included in the County's financial statements is the Shelby County Office of Tourism (SCOT). The SCOT encourages and promotes tourism in the Shelby County area. All members of the SCOT board are selected by the chairman of the Shelby County Board and approved by the Shelby County board members. SCOT employees manage the assets and maintain the accounting records and payroll records for SCOT. The SCOT does not issue separate financial statements.

B. Related Organizations

The County Board Chairman and County Board make appointments of the governing boards of a number of fire protection, drainage and other districts. Even though the County Board may appoint a majority of the members of the respective districts, the members do not serve at the discretion of the County Board, that is, they can be removed only for cause. There are no indications that the County Board can impose its will over these districts and, therefore, has no financial accountability. These units are not considered units of Shelby County, Illinois.

C. Basis of Presentation

The County's basic financial statements include both the government-wide and fund financial statements. The County's general and special revenue funds are classified as governmental activities. The County does not have any enterprise or internal service funds to report.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary fund assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government.

The government-wide financial statements (i.e., the statement of net assets-modified cash basis and the statement of activities-modified cash basis) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Shelby County does not have any business-type activities. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. *Direct* disbursements are those that are clearly identifiable with a specific function or segment. *Program receipts* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as *general receipts*.

D. Fund Accounting

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, receipts, and disbursements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the County:

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the County's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is on determination of "financial flow". The county's major governmental funds are:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *County Health Fund* is used to account for receipts and disbursements pertaining to the general operation of the Shelby County Health Department. The basic purpose of the Department is the protection and improvement of the public health in the County.

The *County Highway Fund* is used to account for receipts and disbursements pertaining to the general operation in the Shelby County Highway Department. The basic purpose of the Department is the maintenance and construction of roads and bridges in the County.

The *Municipal Retirement Fund* is used to account for receipts and disbursements pertaining to the retirement of the County's employees.

The *Mental Health Fund* is used to account for receipts and disbursements pertaining to the Mental Health Fund. The basic purpose of the Department is to provide for the community health facilities and services for the mentally challenged in the County.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

The *Rural Transportation Fund* is used to account for receipts and disbursements pertaining to Rural Transportation. The basic purpose of the fund is to provide public transportation for the residents of the county.

Fiduciary Funds

Fiduciary funds include agency funds. Agency funds are purely custodial (assets equal liabilities) and thus, do not involve measurement of results of operations.

Agency Funds-Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, an/or other funds. The County has fifteen agency funds.

E. Basis of Accounting

Basis of accounting refers to when receipts and disbursements 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.

The *government-wide financial statements* are reported using the economic resources measurement focus and the modified cash basis of accounting. Receipts are recorded when received and disbursements are recorded when checks are written. Capital assets are capitalized when purchased and depreciation is recognized over the estimated useful lives of the assets. Long-term liabilities are recognized when cash proceeds are received or the liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Receipts are recorded when received and expenditures are recorded when checks are written. Only assets representing a right to receive cash arising from a previous payment of cash are recorded as assets. In the same manner, only liabilities resulting from previous cash transactions are recorded as liabilities.

Financial statements prepared on the modified cash basis of accounting are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance as the County does not have any business-type activities and enterprise funds as of August 31, 2012.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

F. Budgets and Budgetary Accounting

Shelby County follows these procedures in establishing the budgetary data reflected in these financial statements.

1. Prior to September 1, a proposed operating budget is prepared for the general fund and special revenue funds. This operating budget includes proposed disbursements for each line item in the general fund and major disbursement categories in the special revenue funds, and the proposed amount of real estate taxes to levy. No formal budgets are prepared for any funds other than the general fund and special revenue funds.
2. Public hearings are conducted through July and August to obtain taxpayer comments.
3. In September, the budget is legally enacted through the passage of an appropriation ordinance and a tax levy ordinance.
4. Budgets are adopted on the modified cash basis of accounting.
5. Budgets lapse at year end. Shelby County reappropriates the following year any unperformed contracts, commitments or any other encumbrances.
6. The County Board determines any amendments that may be made to the budget. Evaluation and financial control is also determined at the County Board level.
7. Formal budgetary integration is employed as a management control device during the year.

The original budget was adopted on September 14, 2011, the final budget on July 11, 2012. Both original and final amended budgets are presented as approved by the County Board.

G. Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

H. Certificates of Deposit

Certificates of deposits are stated at cost and held for investment purposes and have original maturities exceeding three months.

I. Inventory

The County does not maintain inventories of supplies and materials with the exception of the value of the Real Estate Tax Stamps as held by the County Clerk's office. The tax stamp inventory is reported at cost using the specific identification method.

SHELBY COUNTY, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

J. Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from funds” on the governmental funds statement of assets, liabilities and fund balance - modified cash basis.

K. Notes Receivable

The County has two notes receivable that are recorded as an asset on the government-wide statement of net assets-modified cash basis. In the fund financial statements, principal and interest payments are recorded as receipts in the statement of revenues received, expenditures disbursed and changes in fund balance.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, and similar items) are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (amounts not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment of the County, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-50
Land Improvements	15
Equipment and Vehicles	3-10
Infrastructure - Highways, Bridges, etc.	20-50
Law Enforcement Canine	8

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, if applicable.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statements of net assets-modified cash basis. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

N. Capital Leases

Leases, which are in effect financing agreements under the provisions of FASB Statement 13, are recorded as capital leases. The present value of the asset and liability at the inception of the lease are recorded on the County's statement of net assets - modified cash basis.

O. Interfund Transfers

The interfund transfers shown in the financial statements are categorized as operating transfers. Operating interfund transfers are those routine kinds of transfers made between funds due to the unique relationships between the funds involved. These transfers have not been recorded as loans with interfund repayment requirements.

P. Use of Estimates

The preparation of financial statements with the modified cash basis of accounting requires the County to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues received and expenditures disbursed during the reporting period. Actual results could differ from these estimates.

Q. Fund Equity

Fund Balances

Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," requires fund balances on the governmental fund financial statements to be classified into five major classifications: Nonspendable Fund Balance; Restricted Fund Balance; Committed Fund Balance; Assigned Fund Balance; and Unassigned Fund Balance.

A. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

C. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the County Board). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

The County Board commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by (a) the County Board itself or (b) by an official or body to which the governing body delegates the authority.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the individual funds.

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

Prior to implementation of GASB 54, fund balances of special revenue fund types were reported as "unreserved". These amounts were reclassified as to the appropriate GASB 54 category as of September 1, 2010.

Net Assets

In the government-wide financial statements, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, less outstanding principal of related debt. Restricted net assets have a limited use due to restrictions imposed by outside third-parties, such as creditors or grantors, or restrictions imposed by law through enabling legislation.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 2 - Property Taxes

Property taxes are levied by the Shelby County Board and are collected by the Shelby County Treasurer.

Property tax revenues are recognized when they are received on the modified cash basis of accounting. Taxes levied and uncollected are not carried as an asset of the related fund.

Property taxes collected in calendar years 2011 and 2012 attached as an enforceable lien on property as of January 1, 2010 and 2011, respectively. These taxes were required to be levied by the County prior to the last Tuesday in December. The 2010 and 2011 levies were adopted by the County in September, 2010 and September, 2011. Property taxes were due from property owners in two installments in August and October. The property tax receipts for the year ending August 31, 2012, as shown in the financial statements, consist of two distributions from the 2010 levy and one distribution from the 2011 levy. Property taxes are distributed from August through February.

Taxes become a lien against property if not paid by the date of the tax sale. Shelby County's tax sale was held on December 6, 2011.

The following are the assessed valuations and tax rates applicable to the various levies per \$100 of assessed valuation for the property tax collections included in these financial statements.

	2011 <u>Maximum</u>	<u>2011 Levy</u>	<u>2010 Levy</u>
Assessed Valuation		<u>\$320,603,949</u>	<u>\$311,068,492</u>
Property Tax Rates:			
Extension Education	.05000	.02288	.02358
County	Unlimited	.44752	.32491
County Highway	.20000	.15015	.10135
County Bridge	.25000	.04440	.04519
Federal Aid	.05000	.05000	.05000
County Health	.17500	.10139	.10321
Municipal Retirement	Unlimited	.12477	.26747
Airport	.25000	.01313	.01336
Mental Health	.15000	.15000	.15000
Social Security	Unlimited	.09202	.09484
Tort Immunity Insurance	Unlimited	.02340	.04823
Workers' Comp. Insurance Tax	Unlimited	.01560	.03215
Unemployment Insurance Act	Unlimited	<u>.00780</u>	<u>.00804</u>
Total County Rate		<u>1.24306</u>	<u>1.26233</u>
Ambulance	.25000	<u>0.01956</u>	<u>0.02010</u>

Extension Education tax levy is a part of the total County rate. The revenues are paid directly to the Extension Education Office and are not included in the County property tax total.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 3 - Cash and Investments

Cash and Cash Equivalents and Certificates of Deposit as of August 31, 2012 consist of the following:

	<u>Primary Government</u>	<u>Component Unit</u>
Cash on Hand	\$ 10,198	\$ 250
Deposits with financial institutions	<u>11,468,399</u>	<u>19,720</u>
Sub-Total Governmental Activities	\$ 11,478,597	\$ 19,970
 Fiduciary Funds	 <u>5,297,752</u>	 <u>--</u>
Total	<u>\$ 16,776,349</u>	<u>\$ 19,970</u>

Investments Authorized by *Illinois Compiled Statutes* and the County's Investment Policy

The County is allowed to invest in securities as authorized by 30ILCS 235/2 and 235/6 of the *Illinois Compiled Statutes*. The County's investment policy is consistent with *Illinois Compiled Statutes*.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County's investment policy does not specifically address interest rate risk; however, one of the ways that the County manages its exposure to interest rate risk is by limiting its purchases of long term investments. At August 31, 2012 the County's investments were deposits in financial institutions. The deposits are all demand deposits with the exception of the following:

		<u>Maturity Date</u>
Certificate of Deposit	\$ 21,136	November 19, 2012
Certificate of Deposit	20,760	December 19, 2012
Certificate of Deposit	10,000	January 9, 2013
Certificate of Deposit	125,899	January 27, 2013
Certificate of Deposit	45,000	February 8, 2013
Certificate of Deposit	23,458	February 15, 2013
Certificate of Deposit	125,000	February 14, 2013
Certificate of Deposit	<u>55,000</u>	April 16, 2013
	<u>\$ 426,253</u>	

None of the County's investments are highly sensitive to interest rate fluctuations.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 3 - Cash and Investments (Continued)

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy requires the Treasurer to use investments approved for governmental units as set forth in the most current issue of the Illinois Compiled Statutes including Securities Exchange Commission registered and AAA rated by Fitch and Standard & Poor's mutual funds consisting of U.S. Government Treasuries. As the County's investments are all deposits with financial institutions, the investments are not subject to credit risk rating.

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Deposits with financial institutions are not subject to credit risk rating.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. *Illinois Compiled Statutes* and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. The County's investment policy leaves to the discretion of the Treasurer whether or not collateral will be required of financial institutions receiving County funds.

As of August 31, 2012, \$13,907,877 of the County's deposits with financial institutions in excess of federal depository insurance limits were held in accounts collateralized by securities held by the pledging financial institution and \$285,575 were held in uncollateralized accounts.

Illinois Funds

The County is a voluntary participant in the Illinois Funds Money Market Fund, a money market fund created in 1975 by the Illinois General Assembly to permit participants to pool their investment funds. The Illinois Funds Money Market Fund invests in U.S. Treasury bills and notes backed by the full faith and credit of the U.S. Treasury and in fully collateralized time deposits in Illinois financial institutions, in collateralized repurchase agreements, and in treasury mutual funds that invest in U.S. Treasury obligations and collateralized repurchase agreements. The time deposits are collateralized 105% over FDIC or FSLIC \$250,000 insurance with U.S. Treasury obligations and marked to market on a weekly basis to maintain sufficiency. The repurchase agreements are collateralized at 102% with U.S. Treasury obligations and the collateral is checked daily to determine sufficiency. The individual participant's maintain separate investment accounts representing a proportionate share of the pool assets and its respective collateral; therefore, no collateral is identified with each individual participant's account. The value of the County's investment in this pool is reported at cost, which approximates market. Investors are not required to maintain minimum account balances.

SHELBY COUNTY, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 3 - Cash and Investments (Continued)

The fair value of the County's position in the pool is the same as the value of the pool shares. Investors are not required to maintain minimum account balances.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. None of the County's investments are directly subject to foreign currency risk. The County's investment policy does not address foreign currency risk.

Note 4 - Notes Receivable

The County has the following two notes receivable outstanding at August 31, 2012:

	<u>Due Within One Year</u>	<u>Due Over One Year</u>	<u>Total</u>
<u>Whitetail Crossing, Inc</u>			
The terms of this loan agreement require 10 annual installments of \$7,048.77 including interest of 3% commencing on June 1, 2007 until June 1, 2016. No payments were received on this loan in fiscal year 2012.	\$ 12,333	\$ 20,272	\$ 32,605
 <u>Willow Ridge Vineyards and Winery</u>			
The original terms of this loan agreement require four annual installments of \$15,272, including interest at 3%, and a final payment of \$85,132. Payments began on May 26, 2007 with the final payment due May 26, 2011. On May 26, 2011, the terms of this loan agreement were modified requiring six annual installments of \$12,898, including interest at 3% commencing on May 26, 2012 until May 27, 2017.	<u>11,077</u> <u>\$ 23,410</u>	<u>47,999</u> <u>\$ 68,271</u>	<u>59,076</u> <u>\$ 91,681</u>

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 5 – Capital Assets

Capital assets activity for the year ended August 31, 2012 was as follows:

	<u>Balance September 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2012</u>
Primary Government				
Government activities:				
Capital assets not being depreciated:				
Land	\$ 3,303,690	\$ 72,906	\$ --	\$ 3,376,596
Work In Process	<u>211,347</u>	<u>613,415</u>	<u>211,347</u>	<u>613,415</u>
	<u>\$ 3,515,037</u>	<u>\$ 686,321</u>	<u>\$ 211,347</u>	<u>\$ 3,990,011</u>
Capital assets being depreciated:				
Buildings & Improvements	\$ 3,567,541	\$ 373,155	\$ --	\$ 3,940,696
Vehicles	2,080,856	309,782	82,870	2,307,768
Maintenance Vehicles	666,469	--	--	666,469
Infrastructure	7,224,165	--	--	7,224,165
Equipment	1,782,741	35,412	--	1,818,153
Law Enforcement Canine	<u>--</u>	<u>13,000</u>	<u>--</u>	<u>13,000</u>
Total Capital Assets Being Depreciated	<u>\$15,321,772</u>	<u>\$ 731,349</u>	<u>\$ 82,870</u>	<u>\$ 15,970,251</u>
Less: Accumulated Depreciation:				
Buildings & Improvements	\$ (1,482,207)	\$ (105,869)	\$ --	\$ (1,588,076)
Vehicles	(1,401,533)	(247,577)	(82,870)	(1,566,240)
Maintenance Vehicles	(583,123)	(36,483)	--	(619,606)
Infrastructure	(799,532)	(196,890)	--	(996,422)
Equipment	(1,580,959)	(76,149)	--	(1,657,108)
Law Enforcement Canine	<u>--</u>	<u>(67)</u>	<u>--</u>	<u>(67)</u>
Total Accumulated Depreciation	<u>\$(5,847,354)</u>	<u>\$ (663,035)</u>	<u>\$ (82,870)</u>	<u>\$ (6,427,519)</u>
Total Capital Assets being Depreciated net	<u>\$ 9,474,418</u>	<u>\$ 68,314</u>	<u>\$ --</u>	<u>\$ 9,542,732</u>
Governmental Activities Capital Assets, net	<u>\$12,989,455</u>	<u>\$ 754,635</u>	<u>\$ 211,347</u>	<u>\$13,532,743</u>

SHELBY COUNTY, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 5 – Capital Assets (Continued)

Depreciation expense was charged to the functions/programs of the Primary Government as follows:

Governmental activities:	
General Government	\$ 50,679
Public Safety	184,591
Public Works/Transportation	424,876
Health and Welfare	<u>2,889</u>
	<u>\$663,035</u>

Component Unit

Capital assets activity of Shelby County Office of Tourism for the year ended August 31, 2012 was as follows:

	Balance September 1, <u>2011</u>	<u>Increase</u>	<u>Decrease</u>	Balance August 31, <u>2012</u>
Capital assets being Depreciated:				
Equipment	\$ 4,820	\$ --	\$ --	\$ 4,820
Less: Accumulated Depreciation Equipment	\$ (4,820)	\$ --	\$ --	\$ (4,820)
Capital assets, net	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Note 6 - Short-Term Liabilities

Changes in Short Term Debt

The following is a summary of changes in Short-Term Debt of Shelby County for the year ended August 31, 2012.

	Balance September 1, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance August 31, <u>2012</u>	Due Within <u>One Year</u>
Governmental activities:					
Bank Loan #1	\$ 23,000	\$ --	\$ 23,000	\$ --	\$ --
Bank Loan #2	<u>60,000</u>	<u>--</u>	<u>60,000</u>	<u>--</u>	<u>--</u>
	<u>\$ 83,000</u>	<u>\$ --</u>	<u>\$ 83,000</u>	<u>\$ --</u>	<u>\$ --</u>

A. Bank Loan #1

The bank loan was issued to finance the construction of the T-Hangar at the airport. The note is secured by an airport certificate of deposit. One payment is due January 29, 2012 with an interest rate of 3.9%. This loan was paid in full on January 17, 2012.

SHELBY COUNTY, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 6 - Short-Term Liabilities (Continued)

B. Bank Loan #2

The unsecured bank loan was issued to finance the construction of the T-Hangar at the airport. One payment is due February 1, 2012 with an interest rate of 4.5%. This loan was paid in full on January 31, 2012.

Note 7 - Long-Term Liabilities

Changes in Long-Term Debt

The following is a summary of changes in Long-Term Debt of Shelby County for the year ended August 31, 2012.

	<u>Balance</u> <u>September 1,</u> <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>August 31,</u> <u>2012</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental activities:					
Loan	\$ <u> --</u>	\$ <u>10,356</u>	\$ <u> 340</u>	\$ <u>10,016</u>	\$ <u> 2,189</u>

The loan was obtained on June 29, 2012 to finance the purchase of a 2012 Polaris Razor four-wheeler. The note is secured by the four-wheeler and requires 48 monthly payments of \$272.55, including interest at the rate of 11.99%.

At August 31, 2012, the annual cash flow requirements of principal and interest were as follows:

<u>Year</u> <u>Ending</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,189	\$ 1,083	\$ 3,272
2014	2,466	806	3,272
2015	2,779	493	3,272
2016	<u>2,582</u>	<u>144</u>	<u>2,726</u>
	<u>\$ 10,016</u>	<u>\$ 2,526</u>	<u>\$ 12,542</u>

The debt is paid from the General Fund.

Legal Debt Margin

The County has a statutorily imposed legal general obligation bond limit of 5.75% of its total assessed valuation. That limit is approximately 18.4 million dollars leaving 18.39 million remaining.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 8 - Retirement Plans

Shelby County participates in two retirement systems; the Illinois Municipal Retirement (IMRF) and Social Security. Employees who meet prescribed annual hourly standards are members of IMRF.

A. Illinois Municipal Retirement Fund

Plan Description

The County's defined benefit pension plan for Regular employees, Elected County Officials (ECO) and Sheriff's Law Enforcement Personnel (SLEP) provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy

Regular Plan Members

As set by statute, Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2011 was 14 percent. Shelby County also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

ECO Plan

As set by statute, Elected County Official plan members are required to contribute 7.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2011 was 74.45 percent. Shelby County also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

SHELBY COUNTY, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 8 - Retirement Plans (Continued)

SLEP Plan

As set by statute, Sheriff's Law Enforcement Personnel plan members are required to contribute 7.50 percent of their annual covered salary. The statute requires employer to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2011 was 13.55 percent. Shelby County also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

The required contribution for calendar year 2011 was \$407,386 (Regular Plan), \$84,434 (ECO) and \$80,388 (SLEP).

Trend Information:

Regular Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/11	\$ 407,386	100%	\$0
12/31/10	359,473	100%	0
12/31/09	273,504	100%	0

ECO Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/11	\$ 84,434	100%	\$0
12/31/10	115,558	100%	0
12/31/09	174,990	100%	0

SHELBY COUNTY, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 8- Retirement Plans (Continued)

SLEP Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/11	\$ 80,388	100%	\$0
12/31/10	83,964	100%	0
12/31/09	38,197	100%	0

Annual Pension Cost-Regular Plan

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. Shelby County's Regular plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis

Funded Status and Funding Progress-Regular Plan

As of December 31, 2011, the most recent actuarial valuation date, the Regular plan was 69.33 percent funded. The actuarial accrued liability for benefits was \$9,369,116 and the actuarial value of assets was \$6,495,419, resulting in an underfunded actuarial accrued liability (UAAL) of \$2,873,697. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$2,909,902 and the ratio of the UAAL to the covered payroll was 99 percent.

Annual Pension Cost-ECO Plan

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the Elected County Official plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. Shelby County's Elected County Official plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 8 - Retirement Plans (Continued)

Funded Status and Funding Progress-ECO Plan

As of December 31, 2011, the most recent actuarial valuation date, the Elected County Official plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$1,205,589 and the actuarial value of assets was (\$1,283,233), resulting in an underfunded actuarial accrued liability (UAAL) of \$2,488,822. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$113,410 and the ratio of the UAAL to the covered payroll was 2195 percent.

Annual Pension Cost-SLEP Plan

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of Sheriff's Law Enforcement Personnel plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. Shelby County's Sheriff's Law Enforcement Personnel plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress-SLEP Plan

As of December 31, 2011, the most recent actuarial valuation date, the Sheriff's Law Enforcement Personnel plan was 96.49 percent funded. The actuarial accrued liability for benefits was \$2,108,724 and the actuarial value of assets was \$2,034,636, resulting in an underfunded actuarial accrued liability (UAAL) of \$74,088. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$593,268 and the ratio of the UAAL to the covered payroll was 12 percent.

The schedule of funding progress, presented following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. Social Security

All employees, including those covered by IMRF, are covered under Social Security. Shelby County paid \$301,808, the total required contribution for the year ended August 31, 2012.

SHELBY COUNTY, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 9 – Required Individual Fund Disclosures

Accounting principles generally accepted in the United States of America require disclosure, as part of the financial statements, of certain information concerning individual funds including:

A. Excess of Expenditures over Budgets in Individual Funds

The following instances of overexpending the budget were noted:

<u>Fund</u>	<u>Expenditures</u>	<u>Budgeted Amounts</u>	<u>Overexpenditure</u>
Rural Transportation	\$ 1,043,455	\$ 954,766	\$ 88,689
Pet Population	3,861	--	3,861
Ambulance	56,650	50,000	6,650
County Airport	414,044	100,229	313,815
Retirement	639,004	600,000	39,004
Social Security	295,309	295,000	309
Sheriff Trust	101,374	--	101,374
County MFT	451,817	441,247	10,570
Misc County Health	202,794	200,000	2,794

B. Deficit Fund Balances of Individual Funds

The following funds have deficit balances at August 31, 2012:

Court Security	\$ 21,771
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C. Individual Fund Interfund Receivable and Payable Balances

Individual fund interfund receivable and payable balances at August 31, 2012 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
MAJOR FUNDS:		
GENERAL FUND:		
Other than Fee Offices	\$ 95,804	\$ 220,932
Coal Rights	220,152	--
Total General Fund	<u>\$ 315,956</u>	<u>\$ 220,932</u>
COUNTY HEALTH FUND:		
Miscellaneous County Health	\$ --	\$ 3,800
Home Nursing	3,800	--
Total County Health Fund	<u>\$ 3,800</u>	<u>\$ 3,800</u>
IMRF	<u>\$ --</u>	<u>\$ 71,800</u>

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 9 - Required Individual Fund Disclosures (Continued)

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
NONMAJOR FUNDS:		
SPECIAL REVENUE FUNDS:		
Court Security	\$ --	\$ 24,004
GIS	<u>780</u>	<u>--</u>
Total Special Revenue Funds	<u>\$ 780</u>	<u>\$ 24,004</u>
Total	<u>\$ 320,536</u>	<u>\$ 320,536</u>

D. Transfers within the Reporting Entity

The composition of interfund transfers for the year ended August 31, 2012 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
MAJOR FUNDS:		
GENERAL FUND:		
Other than Fee Offices	\$ 645,048	\$ --
County Clerk	--	240,617
Circuit Clerk	--	145,898
Sheriff	--	122,898
States Attorney	--	212,879
Supervisor of Assessments	--	2,450
Capital Improvements (Coal Rights)	<u>344,715</u>	<u>--</u>
Total General Fund	<u>\$ 989,763</u>	<u>\$ 724,742</u>
COUNTY HEALTH FUND:		
County Health	<u>\$ 1,300</u>	<u>\$ --</u>
COUNTY HIGHWAY FUND:		
County Highway	\$ 316,300	\$ 7,534
County Motor Fuel Tax Fund	108,818	275,000
FASM	<u>--</u>	<u>101,284</u>
Total County Highway Fund	<u>\$ 425,118</u>	<u>\$ 383,818</u>

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 9 - Required Individual Fund Disclosures (Continued)

NONMAJOR FUNDS:

SPECIAL REVENUE FUNDS:

Sheriff's Trust	\$ 1,300	\$ --
Capital Improvement	--	344,715
Emergency Management	--	3,900
Fees to Assist Court	--	16,306
Recording	18,926	--
Drug Traffic Prevention	4,003	--
Court Security	16,013	--
GIS	90,980	--
DUI Equipment	2,300	4,300
Carriage Park	--	179
Findlay Road	--	625
Garden Acres	--	869
Total Special Revenue Funds	<u>\$ 133,522</u>	<u>\$ 370,597</u>

FIDUCIARY FUNDS:

Litigation	\$ --	\$ 40,000
Inmate Commissary	--	30,546
Total Fiduciary Funds	<u>\$ --</u>	<u>\$ 70,546</u>

Total	<u>\$ 1,549,703</u>	<u>\$ 1,549,703</u>
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The above transfers are made primarily for reimbursement of eligible expenditures and to supplement other fund resources.

Note 10 - Risk Management

The County is exposed to various risks of loss including but not limited to, general liability, property casualty, auto liability, workers compensation and public official liability. To limit exposure to these risks the County purchased commercial insurance for all coverage's except for workers' compensation.

Shelby County participates in The Illinois Public Risk Fund (IPRF), Illinois' largest self-insured pool, for workers compensation coverage. The County has pooled their workers compensation exposures with over 500 public entities and governmental agencies. Members of the pool must be public entities or governmental agencies located within the State of Illinois, are required to participate in a loss prevention and claims management program, and must have favorable loss experience and be approved by the Board of Trustees of the Fund. A Board of Trustees elected by Fund participants oversees the operation of the Fund and governs it in accordance with State of Illinois rules and guidelines. Eighty percent of each IPRF premium dollar is added to the loss fund while 20% is allocated to the purchase of excess insurance and administration costs. All investment earnings accrue to the fund, Profits are based on the underwriting surplus realized by the group and members share in the surplus based upon individual and overall member claims experience.

There has not been a significant reduction in the County's insurance coverage as of August 31, 2012. Also, there have been no settlement amounts which exceeded insurance coverage in the past three years.

SHELBY COUNTY, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 11 – Insurance

In accordance with PA91-0628, an analysis of the County's tort immunity activity is as follows:

Tort Immunity Receipts:	
Property Tax Collected	\$ 203,330
Mobile Home Tax Collected	982
Interest	100
	<u>\$ 204,412</u>
Tort Expenditures:	
Commercial Liability Insurance	\$ 112,706
Unemployment tax	50,605
Workers' Compensation Insurance	<u>80,992</u>
Total Expenditures	<u>\$ 244,303</u>
Receipts over expenditures	\$ (39,891)
Restricted at September 1, 2011	<u>984,290</u>
Restricted at August 31, 2012	<u>\$ 944,399</u>

Note 12- Due to Other Governmental Units

The Due to Other Governmental Units shown in the Primary Government column in the Statement of Net Assets-Modified Cash Basis and in the General Fund column of the Statement of Assets, Liabilities and Fund Balance - Modified Cash Basis in the amount of \$89,097 represents fines and fees collected by the County Circuit Clerk's Office. These funds are assessed by the Court on individuals, and remitted to applicable external government units in the subsequent month.

Note 13 - CEFS Agreement

Shelby County is the grant recipient of a Rural Transportation Program Section 18 Operating Assistance Grant. The grant represents federal funding from the Urban Mass Transportation Administration and is passed through the Illinois Department of Transportation to the County. There is a third party agreement between Shelby County and five other participating counties - Clay, Montgomery, Fayette, Moultrie and Douglas.

The Section 18 Operating Grant allows Fayette, Clay, Shelby, Montgomery, Moultrie and Douglas counties to provide, via CEFS Economic Opportunity Corporation (a service provider), rural public transportation service.

The Section 18 Operating Grant proceeds and related purchased transportation service expenditures are accounted for in the "Rural Transportation" Special Revenue Fund.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 14 – Other Changes in Fund Balance

The Sheriff Trust Fund was reclassified from a fiduciary fund to a special revenue fund. The \$150 reflects the beginning fund balance for this fund.

Note 15 - Commitments and Contingencies

Highway Department

The Shelby County Board approves township petitions and commits county funds on a cost-sharing basis for sundry projects. The amount committed for projects at August 31, 2012 is not reflected in the financial statements but is estimated to be \$375,754.

Lease Agreement - County Health Building

On July 10, 1996, the Shelby County Board approved the County Health Department to become a party to a 25 year lease with SCCS Enterprises, Inc. for the lease of a structure to house the operations of the County Health Department. The lease provides for a minimum annual rent of \$36,000 payable in twelve monthly installments of \$3,000. The County paid \$36,000 in rental payments to SCCS Enterprises, Inc. during the year ended August 31, 2012.

Grant Audits

The County receives state and federal grants for specific purposes that are subject to review and audit by State agencies. Such audits could result in a request for reimbursement by the State for expenditures disallowed under the terms and conditions of the appropriate agency. Management expects such disallowances, if any, will not be significant to the financial statements.

Compensated Absences

County employees are entitled to paid vacations depending on job classification, length of service and other factors. The computed amounts of compensation for future absences at August 31, 2012 was \$106,321. This liability is not included in the County's financial statements as they are prepared on the modified cash basis of accounting.

Lease Agreement – County Farm

In February, 2012 the County extended the lease agreement for the Shelby County Farmland. This lease provides for minimum annual rent of \$31,408 payable in semi-yearly installments of \$15,704. The County received \$30,426 in rent income during the year ended August 31, 2012.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 15 - Commitments and Contingencies (Continued)

Other Post Employment Benefits

The County has committed to provide eleven months of the former Sheriff and his wife's health insurance annually. The benefit is being provided in accordance with Illinois statutes regarding disability of law enforcement officers disabled in the line of duty. When the parties become Medicare eligible, the provided coverage shall be reduced to a Medicare supplement. If the former sheriff or his wife secure employment that provides health insurance, Shelby County's insurance coverage of the former Sheriff or his wife will terminate.

The benefits are not advance funded; therefore, they are expensed in the period paid. The County recognized expenditures of \$10,078 in the General fund during the year ended August 31, 2012 for this benefit. The benefit commenced in September, 2006.

Subscription Agreement

The County has a five year subscription agreement with Fike & Fike, Inc, for property tax software, training and support on a per parcel basis. The agreement commenced on September 1, 2008 and expires on August 31, 2013. During fiscal year 2012, Shelby County paid \$23,133 under terms of the agreement.

Legal Matters

The County is a defendant in two lawsuits. The defense for the County is being provided by Shelby County's insurance carrier and the State's Attorney's office. No estimate of probable outcomes is available.

Courthouse Repairs

The County approved capital improvements to the courthouse at a calculated cost of \$2,811,267. During fiscal year 2012 the county disbursed \$576,915 for the project.

Note 16 – Subsequent Events

Management evaluated subsequent events through April 10, 2013, the date which the financial statements were available to be issued, discloses the following:

The County expended an additional \$1,116,984 for the courthouse repairs from September 1, 2012 through April 5, 2013.

Supplementary Information

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 - MODIFIED CASH BASIS
 GENERAL FUND
 AUGUST 31, 2012

	Other than Fee Offices	Fee Offices						Supervisor of Assessments	(Coal Rights) Capital Improvements	Total
		County Clerk	Circuit Clerk	Sheriff	States Attorney					
ASSETS										
Cash and Cash Equivalents	\$ 2,707,379	\$ 31,891	\$ 97,871	\$ 9,561	\$ --	\$ --	\$ 295	\$ 1,135,912	\$ 3,982,909	
Certificates of Deposit	--	--	10,000	--	--	--	--	--	10,000	
Interfund Loans Receivable	95,804	--	--	--	--	--	--	220,152	315,956	
Inventory	--	3,606	--	--	--	--	--	--	3,606	
TOTAL ASSETS	\$ 2,803,183	\$ 35,497	\$ 107,871	\$ 9,561	\$ --	\$ --	\$ 295	\$ 1,356,064	\$ 4,312,471	
LIABILITIES										
Withholding Payable	\$ 110,373	--	--	--	--	--	--	--	\$ 110,373	
Interfund Loans Payable	220,932	--	--	--	--	--	--	--	220,932	
Due to Other Governmental Units	--	--	88,949	--	--	--	--	--	88,949	
TOTAL LIABILITIES	\$ 331,305	\$ --	\$ 88,949	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 420,254	
FUND BALANCES										
Fund Balances:										
Nonspendable:										
Inventory	\$ --	\$ 3,606	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 3,606	
Restricted for:										
Insurance	944,399	--	--	--	--	--	--	--	944,399	
Committed:										
Capital Improvement	--	--	--	--	--	--	--	1,329,036	1,329,036	
Unassigned	1,527,479	31,891	18,922	9,561	--	--	295	27,028	1,615,176	
TOTAL FUND BALANCES	\$ 2,471,878	\$ 35,497	\$ 18,922	\$ 9,561	\$ --	\$ --	\$ 295	\$ 1,356,064	\$ 3,892,217	
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,803,183	\$ 35,497	\$ 107,871	\$ 9,561	\$ --	\$ --	\$ 295	\$ 1,356,064	\$ 4,312,471	

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED
 AND CHANGES IN FUND BALANCE
 GENERAL FUND
 YEAR ENDED AUGUST 31, 2012

	Other than Fee Offices	County Clerk	Circuit Clerk	Sheriff	States Attorney	Supervisor of Assessments	(Coal Rights) Capital Improvements	Total
REVENUES RECEIVED:								
Property Taxes	\$ 1,475,054	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	1,475,054
Sales Taxes	600,258	--	--	--	--	--	--	600,258
Intergovernmental Revenues:								
Income Taxes	876,660	--	--	--	--	--	--	876,660
Replacement Taxes	40,199	--	--	--	--	--	--	40,199
Other State Sources	400,985	--	--	21,956	--	--	--	422,941
Federal Source	17,593	--	--	--	--	--	--	17,593
County Farm	30,426	--	--	--	--	--	--	30,426
Charges for Services	84,935	--	--	--	--	--	--	84,935
Licenses and Permits	6,035	--	--	--	--	--	--	6,035
Fees, Fines and Forfeits	27,289	251,380	155,906	99,068	212,879	2,690	--	749,212
Penalties, Interest and Costs	82,798	--	--	--	--	--	--	82,798
Sales of Real Estate Stamps	--	109,510	--	--	--	--	--	109,510
Interest	5,853	--	60	--	--	--	21,406	27,319
Miscellaneous	6,636	--	--	1,405	--	--	--	8,041
Total Revenues Received	\$ 3,654,721	\$ 360,890	\$ 155,966	\$ 122,429	\$ 212,879	\$ 2,690	\$ 21,406	\$ 4,530,981
EXPENDITURES DISBURSED:								
See Schedule at Page 55-56	\$ 4,324,329	\$ 107,066	\$ 20,970	\$ --	\$ --	\$ --	\$ 576,915	\$ 5,029,280
Revenues Received Over (Under) Expenditures Disbursed	\$ (669,608)	\$ 253,824	\$ 134,996	\$ 122,429	\$ 212,879	\$ 2,690	\$ (555,509)	\$ (499,299)
Other Financing Sources (Uses):								
Loan	10,356	--	--	--	--	--	--	10,356
Operating Transfers In	645,048	--	--	--	--	--	344,715	989,763
Operating Transfers Out	--	(240,617)	(145,898)	(122,898)	(212,879)	(2,450)	--	(724,742)
Net Change in Fund Balance	\$ (14,204)	\$ 13,207	\$ (10,902)	\$ (469)	\$ --	\$ 240	\$ (210,794)	\$ (222,922)
Fund Balance - September 1, 2011	2,486,082	22,290	29,824	10,030	--	55	1,566,858	4,115,139
Fund Balance - August 31, 2012	\$ 2,471,878	\$ 35,497	\$ 18,922	\$ 9,561	\$ --	\$ 295	\$ 1,356,064	\$ 3,892,217

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF EXPENDITURES DISBURSED
 GENERAL FUND
 YEAR ENDED AUGUST 31, 2012

	Other than Fee Offices	County Clerk	Circuit Clerk	Sheriff	States Attorney	Supervisor of Assessments	(Coal Rights) Capital Improvements	Total
EXPENDITURES DISBURSED:								
General Government:								
Operating Expenses Pertaining to the Office of:								
County Clerk	\$ 363,908	\$ 1,543	--	--	\$ --	\$ --	--	\$ 365,451
Circuit Clerk	225,672	--	20,970	--	--	--	--	246,642
Supervisor of Assessments	250,070	--	--	--	--	--	--	250,070
County Treasurer	233,225	--	--	--	--	--	--	233,225
County Coroner	60,507	--	--	--	--	--	--	60,507
Regional Superintendent of Schools	41,367	--	--	--	--	--	--	41,367
Board of Review	29,566	--	--	--	--	--	--	29,566
Fairland Assessment	27	--	--	--	--	--	--	27
Board of Appeals	522	--	--	--	--	--	--	522
Planning Commission	780	--	--	--	--	--	--	780
Zoning Administrator	22,049	--	--	--	--	--	--	22,049
Utilities	31,151	--	--	--	--	--	--	31,151
Maintenance, Repairs and Improvement	30,158	--	--	--	--	--	--	30,158
Insurance	244,303	--	--	--	--	--	--	244,303
Employee Insurance	19,934	--	--	--	--	--	--	19,934
County Board Expenses	62,897	--	--	--	--	--	--	62,897
Services, Supplies and Miscellaneous	42,743	--	--	--	--	--	--	42,743
County Farm	4,871	--	--	--	--	--	--	4,871
State Rental Housing Fee	--	34,596	--	--	--	--	--	34,596
Purchase of Real Estate Tax Stamps	--	70,927	--	--	--	--	--	70,927
Total General Government	\$ 1,663,750	\$ 107,066	\$ 20,970	\$ --	\$ --	\$ --	\$ --	\$ 1,791,786
Public Safety:								
Operating Expenses Pertaining to the Office of:								
County Sheriff	\$ 1,785,171	--	--	--	\$ --	\$ --	--	\$ 1,785,171
Rescue Squad	31,906	--	--	--	--	--	--	31,906
ESDA	27,057	--	--	--	--	--	--	27,057
911 Emergency Services	39,930	--	--	--	--	--	--	39,930
Courthouse Security	35,288	--	--	--	--	--	--	35,288
Merit Commission	5,565	--	--	--	--	--	--	5,565
Total Public Safety	\$ 1,924,917	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,924,917

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF EXPENDITURES DISBURSED - (CONTINUED)
 GENERAL FUND
 YEAR ENDED AUGUST 31, 2012

	Other than Fee Offices	County Clerk	Circuit Clerk	Sheriff	States Attorney	Supervisor of Assessments	(Coal Rights) Capital Improvements	Total
Corrections: Operating Expenses Pertaining to the Office of: Probation Office	\$ 144,593	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 144,593
Judiciary: Operating Expenses Pertaining to the Office of: States Attorney Public Defender Appointed Counsel Fee Circuit Judge Expenses	\$ 298,976	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 298,976
	143,761	--	--	--	--	--	--	143,761
	19,688	--	--	--	--	--	--	19,688
	6,411	--	--	--	--	--	--	6,411
Total Judiciary	\$ 468,836	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 468,836
Health and Welfare: Co Operating Expenses Pertaining to the Office of: Animal Control	\$ 64,500	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 64,500
Capital Outlay: General Government Public Safety	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 576,915	\$ 576,915
	57,188	--	--	--	--	--	--	57,188
Total Capital Outlay	\$ 57,188	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 576,915	\$ 634,103
Debt Service: Interest on Long Term Debt Principal on Long Term Debt	\$ 205	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 205
	340	--	--	--	--	--	--	340
Total Capital Outlay	\$ 545	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 545
TOTAL EXPENDITURES DISBURSED	\$ 4,324,329	\$ 107,066	\$ 20,970	\$ --	\$ --	\$ --	\$ 576,915	\$ 5,029,280

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES-
 MODIFIED CASH BASIS
 COUNTY HEALTH FUND - SPECIAL REVENUE MAJOR FUND
 AUGUST 31, 2012

		County Health	Miscellaneous County Health	Home Nursing	County Health WIC	Total County Health Fund
ASSETS						
Cash and Cash Equivalents	\$	185,637	\$ 128,993	\$ 748,874	\$ 13,421	\$ 1,076,925
Certificates of Deposits		125,899	--	125,000	--	250,899
Interfund Loans Receivable		--	--	3,800	--	3,800
		<u>311,536</u>	<u>128,993</u>	<u>877,674</u>	<u>13,421</u>	<u>1,331,624</u>
TOTAL ASSETS	\$		\$	\$	\$	\$
LIABILITIES						
Interfund Loans Payable	\$	--	\$ 3,800	\$ --	\$ --	\$ 3,800
FUND BALANCES						
Fund Balances:						
Restricted for:						
Health and Welfare	\$	275,996	\$ --	\$ --	\$ 13,421	\$ 289,417
Assigned		35,540	125,193	877,674	--	1,038,407
		<u>311,536</u>	<u>125,193</u>	<u>877,674</u>	<u>13,421</u>	<u>1,327,824</u>
TOTAL FUND BALANCES	\$		\$	\$	\$	\$
TOTAL LIABILITIES AND FUND BALANCES	\$	<u>311,536</u>	<u>128,993</u>	<u>877,674</u>	<u>13,421</u>	<u>1,331,624</u>

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED,
 AND CHANGES IN FUND BALANCE
 COUNTY HEALTH FUND - SPECIAL REVENUE MAJOR FUND
 YEAR ENDED AUGUST 31, 2012

	County Health	Miscellaneous County Health	Home Nursing	County Health WIC	Total County Health Fund
REVENUES RECEIVED:					
Property Taxes	\$ 326,763	\$ --	\$ --	\$ --	\$ 326,763
Intergovernmental Revenues:					
Replacement Taxes	9,210	--	--	--	9,210
Other State Sources	118,616	73,679	15,000	--	207,295
Federal Source	175	71,287	16,500	88,600	176,562
Charges for Services	16,929	3,495	53,521	--	73,945
Interest	948	313	3,448	--	4,709
Miscellaneous	--	250	2	--	252
Total Revenues Received	\$ 472,641	\$ 149,024	\$ 88,471	\$ 88,600	\$ 798,736
EXPENDITURES DISBURSED:					
Current:					
Health and Welfare:					
Personnel and Fringe Benefits	\$ 445,873	\$ 188,974	\$ --	\$ 87,790	\$ 722,637
Commodities	19,226	5,837	47,572	2,004	74,639
Contractual Services	75,948	7,983	--	2,687	86,618
Total Expenditures Disbursed	\$ 541,047	\$ 202,794	\$ 47,572	\$ 92,481	\$ 883,894
Revenues Received Over (Under) Expenditures Disbursed	\$ (68,406)	\$ (53,770)	\$ 40,899	\$ (3,881)	\$ (85,158)
Other Financing Sources (Uses):					
Operating Transfers In	1,300	--	--	--	1,300
Operating Transfers Out	--	--	--	--	--
Net Change in Fund Balance	\$ (67,106)	\$ (53,770)	\$ 40,899	\$ (3,881)	\$ (83,858)
Fund Balance - September 1, 2011	378,642	178,963	836,775	17,302	1,411,682
Fund Balance - August 31, 2012	\$ 311,536	\$ 125,193	\$ 877,674	\$ 13,421	\$ 1,327,824

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
 MODIFIED CASH BASIS
 COUNTY HIGHWAY FUND - SPECIAL REVENUE MAJOR FUND
AUGUST 31, 2012

	County Bridge	County Highway	County Motor Fuel Tax Fund	Federal Aid Secondary Matching	Total County Highway Fund
Cash and Cash Equivalents	\$ 268,910	\$ 278,163	\$ 300,747	\$ 121,623	\$ 969,443
TOTAL ASSETS	\$ 268,910	\$ 278,163	\$ 300,747	\$ 121,623	\$ 969,443
LIABILITIES	\$ --	\$ --	\$ --	\$ --	\$ --

FUND BALANCES

Fund Balances:					
Restricted for:					
Public Works/Transportation	\$ 264,854	\$ 277,819	\$ 295,002	\$ 120,143	\$ 957,818
Assigned	4,056	344	5,745	1,480	11,625
TOTAL FUND BALANCES	\$ 268,910	\$ 278,163	\$ 300,747	\$ 121,623	\$ 969,443
TOTAL LIABILITIES AND FUND BALANCES	\$ 268,910	\$ 278,163	\$ 300,747	\$ 121,623	\$ 969,443

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED
 AND CHANGES IN FUND BALANCE
 COUNTY HIGHWAY FUND - SPECIAL REVENUE MAJOR FUND
 YEAR ENDED AUGUST 31, 2012

	County Bridge	County Highway	County Motor Fuel Tax Fund	Federal Aid Secondary Matching	Total County Highway Fund
REVENUES RECEIVED:					
Property Taxes	\$ 143,088	\$ 416,252	\$ --	\$ 159,961	\$ 719,301
Intergovernmental Revenues:					
Motel Fuel Tax	--	--	364,240	--	364,240
Replacement Taxes	9,710	20,054	--	9,709	39,473
Other State Sources	8,406	--	137,214	203,990	349,610
Charges for Services	8,449	81,226	--	--	89,675
Interest	1,506	145	1,996	401	4,048
Total Revenues Received	\$ 171,159	\$ 517,677	\$ 503,450	\$ 374,061	\$ 1,566,347
EXPENDITURES DISBURSED:					
Current:					
Public Works/Transportation	--	\$ 417,086	\$ 58,331	\$ --	\$ 475,417
Personnel and Fringe Benefits	197,339	179,073	--	273,494	649,906
Commodities	--	129,731	393,486	--	523,217
Contractual Services	--	9,413	--	72,906	82,319
Capital Outlay	--	--	--	--	--
Total Expenditures Disbursed	\$ 197,339	\$ 735,303	\$ 451,817	\$ 346,400	\$ 1,730,859
Revenues Received Over (Under) Expenditures Disbursed	\$ (26,180)	\$ (217,626)	\$ 51,633	\$ 27,661	\$ (164,512)
Other Financing Sources (Uses):					
Transfers In	--	316,300	108,818	--	425,118
Transfers Out	--	(7,534)	(275,000)	(101,284)	(383,818)
Net Change in Fund Balance	\$ (26,180)	\$ 91,140	\$ (114,549)	\$ (73,623)	\$ (123,212)
Fund Balance - September 1, 2011	295,090	187,023	415,296	195,246	1,092,655
Fund Balance - August 31, 2012	\$ 268,910	\$ 278,163	\$ 300,747	\$ 121,623	\$ 969,443

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
 MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

	Special Revenue							
	Animal Control	Ambulance	Social Security	Indemnity	Rescue Squad	Capital Improvement	Probation	Emergency Management
ASSETS								
Cash and Cash Equivalents	\$ 80,039	\$ 129,882	\$ 326,239	\$ 46,919	\$ 8,613	\$	\$ 359,975	\$ 65,886
Certificates of Deposit	--	--	--	45,000	--	--	--	--
Certificates of Deposit - Restricted	--	--	--	--	--	--	--	--
Interfund Loans Receivable	--	--	--	--	--	--	--	--
TOTAL ASSETS	\$ 80,039	\$ 129,882	\$ 326,239	\$ 91,919	\$ 8,613	\$	\$ 359,975	\$ 65,886
LIABILITIES								
Interfund Loans Payable	\$	\$	\$	\$	\$	\$	\$	\$
Due to Other Governments	--	--	--	--	--	--	--	--
TOTAL LIABILITIES	\$	\$	\$	\$	\$	\$	\$	\$
FUND BALANCES								
Fund Balances:								
Restricted for:								
Indemnity	\$	\$	\$	\$ 91,251	\$	\$	\$	\$
Employees Retirement	--	--	325,351	--	--	--	--	--
Public Safety	--	--	--	--	8,532	--	358,796	65,830
Judiciary	--	--	--	--	--	--	--	--
Automation	--	--	--	--	--	--	--	--
Recording	--	--	--	--	--	--	--	--
GIS	--	--	--	--	--	--	--	--
Document Storage	--	--	--	--	--	--	--	--
Economic Development	--	--	--	--	--	--	--	--
Health and Welfare	75,902	129,440	--	--	--	--	--	--
Assigned	4,137	442	888	668	81	--	1,179	56
Unassigned	--	--	--	--	--	--	--	--
TOTAL FUND BALANCES	\$ 80,039	\$ 129,882	\$ 326,239	\$ 91,919	\$ 8,613	\$	\$ 359,975	\$ 65,886
TOTAL LIABILITIES AND FUND BALANCES	\$ 80,039	\$ 129,882	\$ 326,239	\$ 91,919	\$ 8,613	\$	\$ 359,975	\$ 65,886

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
 MODIFIED CASH BASIS - (CONTINUED)
 NON-MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

	Special Revenue							
	Fees to Assist Court	Automation	Recording	Drug Traffic Prevention	Airport	Sheriff's Trust	Court Security	GIS
ASSETS								
Cash and Cash Equivalents	\$ 54,315	\$ 86,764	\$ 116,197	\$ 10,394	\$ 65,670	\$ 29,931	\$ 2,233	\$ 192,361
Certificates of Deposit	55,000	--	--	--	65,354	--	--	--
Certificates of Deposit - Restricted	--	--	--	--	--	--	--	780
Interfund Loans Receivable	--	--	--	--	--	--	--	--
TOTAL ASSETS	\$ 109,315	\$ 86,764	\$ 116,197	\$ 10,394	\$ 131,024	\$ 29,931	\$ 2,233	\$ 193,141
LIABILITIES								
Interfund Loans Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 24,004	\$ --
Due to Other Governments	--	--	--	--	148	--	--	--
TOTAL LIABILITIES	\$ --	\$ --	\$ --	\$ --	\$ 148	\$ --	\$ 24,004	\$ --
FUND BALANCES								
Fund Balances:								
Restricted for:								
Indemnity	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Employees Retirement	--	--	--	--	--	--	--	--
Public Safety	--	--	--	10,355	--	29,931	--	--
Judiciary	108,318	--	--	--	--	--	--	--
Automation	--	86,498	--	--	--	--	--	--
Recording	--	--	115,893	--	--	--	--	192,802
GIS	--	--	--	--	--	--	--	--
Document Storage	--	--	--	--	--	--	--	--
Economic Development	--	--	--	--	--	--	--	--
Health and Welfare	--	--	--	--	--	--	--	--
Assigned	997	266	304	39	130,876	--	--	339
Unassigned	--	--	--	--	--	--	(21,771)	--
TOTAL FUND BALANCES	\$ 109,315	\$ 86,764	\$ 116,197	\$ 10,394	\$ 130,876	\$ 29,931	\$ (21,771)	\$ 193,141
TOTAL LIABILITIES AND FUND BALANCES	\$ 109,315	\$ 86,764	\$ 116,197	\$ 10,394	\$ 131,024	\$ 29,931	\$ 2,233	\$ 193,141

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
 MODIFIED CASH BASIS - (CONTINUED)
 NON-MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

	Law Library	Document Storage	Revolving Loan	Special Revenue				Pet Population	Total Special Revenue
				Victim Impact Panel	Attorney Forfeited	DUI Equipment			
Cash and Cash Equivalents	\$ 4,009	\$ 40,477	\$ 413,360	\$ 13,188	\$ 771	\$ 18,062	\$ 13,223	\$ 2,078,508	
Certificates of Deposit	--	--	--	--	--	--	--	165,354	
Certificates of Deposit - Restricted	--	--	--	--	--	--	--	--	
Interfund Loans Receivable	--	--	--	--	--	--	--	780	
TOTAL ASSETS	\$ 4,009	\$ 40,477	\$ 413,360	\$ 13,188	\$ 771	\$ 18,062	\$ 13,223	\$ 2,244,642	
LIABILITIES									
Interfund Loans Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 24,004	
Due to Other Governments	--	--	--	--	--	--	--	148	
TOTAL LIABILITIES	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 24,152	
FUND BALANCES									
Fund Balances:									
Restricted for:									
Indemnity	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 91,251	
Employees Retirement	--	--	--	--	--	--	--	325,351	
Public Safety	--	--	--	--	--	18,017	--	491,461	
Judiciary	3,991	--	--	13,149	769	--	--	126,227	
Automation	--	--	--	--	--	--	--	86,498	
Recording	--	--	--	--	--	--	--	115,893	
GIS	--	--	--	--	--	--	--	192,802	
Document Storage	--	40,352	--	--	--	--	--	40,352	
Economic Development	--	--	412,406	--	--	--	--	412,406	
Health and Welfare	--	--	--	--	--	--	13,223	218,565	
Assigned	18	125	954	39	2	45	--	141,455	
Unassigned	--	--	--	--	--	--	--	(21,771)	
TOTAL FUND BALANCES	\$ 4,009	\$ 40,477	\$ 413,360	\$ 13,188	\$ 771	\$ 18,062	\$ 13,223	\$ 2,220,490	
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,009	\$ 40,477	\$ 413,360	\$ 13,188	\$ 771	\$ 18,062	\$ 13,223	\$ 2,244,642	

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
 MODIFIED CASH BASIS - (CONTINUED)
 NON-MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

	Capital Projects			Total Nonmajor Governmental Funds
	Carriage Park	Findlay Road	Garden Acres	
ASSETS				
Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ 2,078,508
Certificates of Deposit	--	--	--	165,354
Interfund Loans Receivable	--	--	--	780
TOTAL ASSETS	\$ --	\$ --	\$ --	\$ 2,244,642
LIABILITIES				
Interfund Loans Payable	\$ --	\$ --	\$ --	\$ 24,004
Due to Other Governments	--	--	--	148
TOTAL LIABILITIES	\$ --	\$ --	\$ --	\$ 24,152
FUND BALANCES				
Fund Balances:				
Restricted for:				
Indemnity	\$ --	\$ --	\$ --	\$ 91,251
Employees Retirement	--	--	--	325,351
Public Safety	--	--	--	491,461
Judiciary	--	--	--	126,227
Automation	--	--	--	86,498
Recording	--	--	--	115,893
GIS	--	--	--	192,802
Document Storage	--	--	--	40,352
Economic Development	--	--	--	412,406
Health and Welfare	--	--	--	218,565
Assigned	--	--	--	141,455
Unassigned	--	--	--	(21,771)
TOTAL FUND BALANCES	\$ --	\$ --	\$ --	\$ 2,220,490
TOTAL LIABILITIES AND FUND BALANCES	\$ --	\$ --	\$ --	\$ 2,244,642

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED
 AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED AUGUST 31, 2012

	Special Revenue							
	Animal Control	Ambulance	Social Security	Indemnity	Rescue Squad	Capital Improvement	Probation	Emergency Management
\$ --	\$ 50,488	\$ 298,101	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Property Taxes								
Intergovernmental Revenue:								
State Sources								
Replacement Taxes								
Other State Sources								35,868
Federal Sources								
Loan Repayments								
Charges for Services				3,560			87,365	
Fines and Fees	10,815			307	10		601	56
Interest	274	217	455					
Miscellaneous	2,500				53,364			67,530
Total Revenues Received	\$ 13,589	\$ 50,705	\$ 298,556	\$ 3,867	\$ 53,374	\$ --	\$ 87,966	\$ 103,454

REVENUES RECEIVED:

EXPENDITURES DISBURSED:

Current:									
General Government	\$ --	\$ --	\$ 295,309	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Public Safety							84,793		25,670
Judiciary									
Public Works/Transportation									
Health and Welfare	3,096	56,650							
Capital Outlay	18,514				50,949				
Total Expenditures Disbursed	\$ 21,610	\$ 56,650	\$ 295,309	\$ --	\$ 50,949	\$ --	\$ 84,793	\$ 25,670	
Revenues Received Over (Under) Expenditures Disbursed	\$ (8,021)	\$ (5,945)	\$ 3,247	\$ 3,867	\$ 2,425	\$ --	\$ 3,173	\$ 77,784	
Other Financing Sources (Uses):									
Operating Transfers In									
Operating Transfers Out									(3,900)
Net Change in Fund Balance	\$ (8,021)	\$ (5,945)	\$ 3,247	\$ 3,867	\$ 2,425	\$ (344,715)	\$ 3,173	\$ 73,884	
Fund Balance - September 1, 2011	88,060	135,827	322,992	88,052	6,188	344,715	356,802	(7,998)	
Fund Balance - August 31, 2012	\$ 80,039	\$ 129,882	\$ 326,239	\$ 91,919	\$ 8,613	\$ --	\$ 359,975	\$ 65,886	

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED
 AND CHANGES IN FUND BALANCE - (CONTINUED)
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED AUGUST 31, 2012

	Special Revenue									
	Fees to Assist Court	Automation	Recording	Drug Traffic Prevention	Airport	Sheriff Trust	Court Security	GIS		
REVENUES RECEIVED:										
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ 42,307	\$ --	\$ --	\$ --	\$ --	\$ --
Intergovernmental Revenue:										
State Sources	--	--	--	--	4,401	--	--	--	--	--
Replacement Taxes	--	1,450	--	--	--	--	--	--	--	--
Other State Sources	--	--	--	--	308,381	--	--	--	--	--
Federal Sources	--	--	--	--	--	--	--	--	--	--
Loan Repayments	--	--	--	--	46,771	--	--	--	--	--
Charges for Services	20,533	11,933	--	175	--	--	37,249	--	--	202
Fines and Fees	433	128	158	17	845	--	3	--	--	2,165
Interest	--	--	--	200	64,917	133,858	--	--	--	--
Miscellaneous	--	--	--	--	--	--	--	--	--	--
Total Revenues Received	\$ 20,966	\$ 13,511	\$ 158	\$ 392	\$ 467,622	\$ 133,858	\$ 37,252	\$ --	\$ --	\$ 2,367
EXPENDITURES DISBURSED:										
Current:										
General Government	\$ --	\$ 13,338	\$ 4,078	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 21,816
Public Safety	--	--	--	8,135	--	58,166	59,734	--	--	--
Judiciary	9,420	--	--	--	--	--	--	--	--	--
Public Works/Transportation	--	--	--	--	189,738	--	--	--	--	--
Health and Welfare	--	--	--	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	224,306	43,208	--	--	--	--
Total Expenditures Disbursed	\$ 9,420	\$ 13,338	\$ 4,078	\$ 8,135	\$ 414,044	\$ 101,374	\$ 59,734	\$ --	\$ --	\$ 21,816
Revenues Received Over (Under) Expenditures Disbursed	\$ 11,546	\$ 173	\$ (3,920)	\$ (7,743)	\$ 53,578	\$ 32,484	\$ (22,482)	\$ --	\$ --	\$ (19,449)
Other Financing Sources (Uses):										
Operating Transfers In	--	--	18,926	4,003	--	1,300	16,013	--	--	90,980
Operating Transfers Out	(16,306)	--	--	--	--	(4,003)	--	--	--	--
Net Change in Fund Balance	\$ (4,760)	\$ 173	\$ 15,006	\$ (3,740)	\$ 53,578	\$ 29,781	\$ (6,469)	\$ --	\$ --	\$ 71,531
Fund Balance - September 1, 2011	114,075	86,591	101,191	14,134	77,298	150	(15,302)	--	--	121,610
Fund Balance - August 31, 2012	\$ 109,315	\$ 86,764	\$ 116,197	\$ 10,394	\$ 130,876	\$ 29,931	\$ (21,771)	\$ --	\$ --	\$ 193,141

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED
 AND CHANGES IN FUND BALANCE - (CONTINUED)
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED AUGUST 31, 2012

	Law Library	Document Storage	Revolving Loan	Special Revenue					Total Special Revenue
				Victim Impact Panel	Attorney Forfeited	DUI Equipment	Pet Population		
\$	--	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 390,896
Property Taxes	--	--	--	--	--	--	--	--	4,401
Intergovernmental Revenue:									1,450
State Sources									344,249
Replacement Taxes									10,796
Other State Sources									46,771
Federal Sources									198,774
Loan Repayments			10,796						6,414
Charges for Services	9,706	11,129	--	961			5,348		324,534
Fines and Fees	7	63	2,594	19	1	24	--		
Interest	--	--	--	--	--	--	--		
Miscellaneous	--	--	--	--	--	--	--		
\$	9,713	\$ 11,192	\$ 13,390	\$ 980	\$ 1	\$ 24	\$ 5,348	\$ 1,328,285	

Total Revenues Received

EXPENDITURES DISBURSED:

Current:										
General Government	\$	12,403	\$	--	\$	--	\$	--	\$	346,944
Public Safety						76				236,574
Judiciary	11,644	--	--	321	--	--	--	--	--	21,385
Public Works/Transportation										189,738
Health and Welfare							3,861			63,607
Capital Outlay										336,977
Total Expenditures Disbursed	\$	11,644	\$ 12,403	\$ --	\$ 321	\$ 76	\$ 3,861	\$ 1,195,225	\$	1,195,225
Revenues Received Over (Under) Expenditures Disbursed	\$	(1,931)	\$ (1,211)	\$ 13,390	\$ 659	\$ (52)	\$ 1,487	\$ 133,060	\$	133,060
Other Financing Sources (Uses):										
Operating Transfers In	--	--	--	--	--	2,300	--	--	--	133,522
Operating Transfers Out	--	--	--	--	--	--	--	--	--	(368,924)
Net Change in Fund Balance	\$	(1,931)	\$ (1,211)	\$ 13,390	\$ 659	\$ 2,248	\$ 1,487	\$ (102,342)	\$	(102,342)
Fund Balance - September 1, 2011	5,940	41,688	399,970	12,529	770	15,814	11,736	2,322,832		2,322,832
Fund Balance - August 31, 2012	\$	4,009	\$ 40,477	\$ 413,360	\$ 13,188	\$ 18,062	\$ 13,223	\$ 2,220,490	\$	2,220,490

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED
 AND CHANGES IN FUND BALANCE - (CONTINUED)
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED AUGUST 31, 2012

	Capital Projects			Total Capital Projects	Total Nonmajor Governmental Funds
	Carriage Park	Findlay Road	Garden Acres		
REVENUES RECEIVED:					
Property Taxes	\$ --	\$ --	\$ --	--	\$ 390,896
Intergovernmental Revenue:					
State Sources	--	--	--	--	4,401
Replacement Taxes	--	--	--	--	1,450
Other State Sources	--	--	--	--	344,249
Federal Sources	--	--	--	--	10,796
Loan Repayments	--	--	--	--	46,771
Charges for Services	--	--	--	--	198,774
Fines and Fees	--	1	2	3	6,417
Interest	--	--	--	--	324,534
Miscellaneous	--	--	--	--	
Total Revenues Received	\$ --	\$ 1	\$ 2	3	\$ 1,328,288
EXPENDITURES DISBURSED:					
Current:					
General Government	\$ --	\$ --	\$ --	--	\$ 346,944
Public Safety	--	--	--	--	236,574
Judiciary	--	--	--	--	21,385
Public Works/Transportation	--	--	--	--	189,738
Health and Welfare	--	--	--	--	63,607
Capital Outlay	--	--	--	--	336,977
Total Expenditures Disbursed	\$ --	\$ --	\$ --	--	\$ 1,195,225
Revenues Received Over (Under) Expenditures Disbursed	\$ --	\$ 1	\$ 2	3	\$ 133,063
Other Financing Sources (Uses):					
Operating Transfers In	(179)	(625)	(869)	(1,673)	133,522
Operating Transfers Out	--	--	--	--	(370,597)
Net Change in Fund Balance	\$ (179)	\$ (624)	\$ (867)	\$ (1,670)	\$ (104,012)
Fund Balance - September 1, 2011	179	624	867	1,670	2,324,502
Fund Balance - August 31, 2012	\$ --	\$ --	\$ --	--	\$ 2,220,490

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
 MODIFIED CASH BASIS
 AUGUST 31, 2012

	Drainage	Local Bridge Program	Township Bridge Supervisory Engineering	Township Construction	Township Motor Fuel Tax	Inmate Commissary	Circuit Clerk's Marriage Fund	Circuit Clerk's Cash Bail
Cash and Cash Equivalents	\$ 225,493	\$ 108,379	\$ 28,584	\$ 369	\$ 823,888	\$ 25,014	\$ 454	\$ 234,752
TOTAL ASSETS	\$ 225,493	\$ 108,379	\$ 28,584	\$ 369	\$ 823,888	\$ 25,014	\$ 454	\$ 234,752
LIABILITIES								
Distributions Payable	\$ 225,493	\$ 108,379	\$ 28,584	\$ 369	\$ 823,888	\$ 25,014	\$ 454	\$ 234,752
TOTAL LIABILITIES	\$ 225,493	\$ 108,379	\$ 28,584	\$ 369	\$ 823,888	\$ 25,014	\$ 454	\$ 234,752
TOTAL NET ASSETS	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
 MODIFIED CASH BASIS - (CONTINUED)
 AUGUST 31, 2012

	Circuit Clerk's Trust Fund	Property Tax Fund	Taxes In Litigation	Inheritance Tax	Minor and Unknown Heirs	County Clerk's Real Estate Redemption	Total Fiduciary Funds
Cash and Cash Equivalents	\$ 57	\$ 3,533,168	\$ 32,560	\$ 1,149	\$ 276,145	\$ 7,740	\$ 5,297,752
TOTAL ASSETS	\$ 57	\$ 3,533,168	\$ 32,560	\$ 1,149	\$ 276,145	\$ 7,740	\$ 5,297,752
LIABILITIES							
Distributions Payable	\$ 57	\$ 3,533,168	\$ 32,560	\$ 1,149	\$ 276,145	\$ 7,740	\$ 5,297,752
TOTAL LIABILITIES	\$ 57	\$ 3,533,168	\$ 32,560	\$ 1,149	\$ 276,145	\$ 7,740	\$ 5,297,752
NET ASSETS	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS-MODIFIED CASH BASIS
 YEAR ENDED AUGUST 31, 2012

	Balance September 1, 2011	Additions	Deductions	Balance August 31, 2012
Drainage:				
Assets:				
Cash Deposits	\$ 238,325	\$ 64,299	\$ 77,131	\$ 225,493
Liabilities:				
Distributions Payable	\$ 238,325	\$ 64,299	\$ 77,131	\$ 225,493
Local Bridge Program:				
Assets:				
Cash Deposits	\$ 51,626	\$ 333,456	\$ 276,703	\$ 108,379
Liabilities:				
Distributions Payable	\$ 51,626	\$ 333,456	\$ 276,703	\$ 108,379
Township Bridge Supervisory Engineering:				
Assets:				
Cash Deposits	\$ 13,877	\$ 187,177	\$ 172,470	\$ 28,584
Liabilities:				
Distributions Payable	\$ 13,877	\$ 187,177	\$ 172,470	\$ 28,584
Township Construction:				
Assets:				
Cash Deposits	\$ 369	\$ 345,879	\$ 345,879	\$ 369
Liabilities:				
Distributions Payable	\$ 369	\$ 345,879	\$ 345,879	\$ 369
Township Motor Fuel Tax:				
Assets:				
Cash Deposits	\$ 1,431,638	\$ 1,857,903	\$ 2,465,653	\$ 823,888
Liabilities:				
Distributions Payable	\$ 1,431,638	\$ 1,857,903	\$ 2,465,653	\$ 823,888
Inmate Commissary:				
Assets:				
Cash Deposits	\$ 15,324	\$ 482,579	\$ 472,889	\$ 25,014
Liabilities:				
Distributions Payable	\$ 15,324	\$ 482,579	\$ 472,889	\$ 25,014
Circuit Clerk's Marriage Fund				
Assets:				
Cash Deposits	\$ 232	\$ 222	\$ --	\$ 454
Liabilities:				
Distributions Payable	\$ 232	\$ 222	\$ --	\$ 454
Circuit Clerk's Cash Bail				
Assets:				
Cash Deposits	\$ 148,332	\$ 114,987	\$ 28,567	\$ 234,752
Liabilities:				
Distributions Payable	\$ 148,332	\$ 114,987	\$ 28,567	\$ 234,752

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS-MODIFIED CASH BASIS (CONTINUED)
 YEAR ENDED AUGUST 31, 2012

	Balance September 1, 2011	Additions	Deductions	Balance August 31, 2012
Circuit Clerk's Trust Fund				
Assets:				
Cash Deposits	\$ 57	\$ --	\$ --	\$ 57
Liabilities:				
Distributions Payable	\$ 57	\$ --	\$ --	\$ 57
Property Taxes:				
Assets:				
Cash Deposits	\$ 5,068,572	\$ 23,683,641	\$ 25,219,045	\$ 3,533,168
Liabilities:				
Distributions Payable	\$ 5,068,572	\$ 23,683,641	\$ 25,219,045	\$ 3,533,168
Litigation:				
Assets:				
Cash Deposits	\$ 72,211	\$ 349	\$ 40,000	\$ 32,560
Liabilities:				
Distributions Payable	\$ 72,211	\$ 349	\$ 40,000	\$ 32,560
Estate Tax:				
Assets:				
Cash Deposits	\$ 1,147	\$ 2	\$ --	\$ 1,149
Liabilities:				
Distributions Payable	\$ 1,147	\$ 2	\$ --	\$ 1,149
Minor and Unknown Heirs:				
Assets:				
Cash Deposits	\$ 280,224	\$ 410	\$ 4,489	\$ 276,145
Liabilities:				
Distributions Payable	\$ 280,224	\$ 410	\$ 4,489	\$ 276,145
County Clerk Real Estate:				
Assets:				
Cash Deposits	\$ 17,180	\$ 240,267	\$ 249,707	\$ 7,740
Liabilities:				
Distributions Payable	\$ 17,180	\$ 240,267	\$ 249,707	\$ 7,740
Total Agency Funds:				
Assets:				
Cash Deposits	\$ 7,339,114	\$ 27,311,171	\$ 29,352,533	\$ 5,297,752
Total Assets	<u>\$ 7,339,114</u>	<u>\$ 27,311,171</u>	<u>\$ 29,352,533</u>	<u>\$ 5,297,752</u>
Liabilities:				
Distributions Payable	\$ 7,339,114	\$ 27,311,171	\$ 29,352,533	\$ 5,297,752
Total Liabilities	<u>\$ 7,339,114</u>	<u>\$ 27,311,171</u>	<u>\$ 29,352,533</u>	<u>\$ 5,297,752</u>

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS - CEFS
SECTION 5311 ANNUAL FINANCIAL REPORT
OPERATING PERIOD JULY 1, 2011 TO JUNE 30, 2012
CONTRACT NUMBER IL-18-X028

<u>Line</u>	<u>Item</u>	<u>Revenue</u>
401.01	Passenger Fare / Donations	\$ 18,394
409.00	Local Cash Grants	142,075
411.00	State Cash Grants	602,100
431.00	Contributed Cash	3,672
Total Revenue		<u>\$ 766,241</u>

<u>Expenses</u>		Actual Administrative Expenses	Actual Operating Expenses	Total
501.00	Labor	\$ 145,555	\$ 404,037	\$ 549,592
502.00	Fringe Benefits	31,789	93,969	125,758
503.00	Services	23,257	95,427	118,684
504.01	Fuel and Oil	--	148,470	148,470
504.02	Tires and Tubes	--	5,748	5,748
504.03	Inventory Purchases	62	139	201
504.99	Other Materials	16,457	1,389	17,846
505.00	Utilities	20,619	--	20,619
506.00	Casualty and Liability	27,763	799	28,562
509.00	Miscellaneous	20,287	13,729	34,016
512.00	Lease and Rentals	22,208	--	22,208
Total Direct Expense		<u>\$ 307,997</u>	<u>\$ 763,707</u>	<u>\$ 1,071,704</u>
Total Indirect Expense		22,484	55,750	78,234
Total Expense		<u>\$ 330,481</u>	<u>\$ 819,457</u>	<u>\$ 1,149,938</u>

Section 5311 Grant Reimbursement

	Administrative Expenses	Operating Expenses	Total	Grant Total
Expenses:	\$ 330,481	\$ 819,457	\$ 1,149,938	
Less: Ineligible Expense	--	--	--	
Net Eligible Expenses	<u>\$ 330,481</u>	<u>\$ 819,457</u>	<u>\$ 1,149,938</u>	
Less: Total Operating Revenues	--	18,394	18,394	
Section 5311 Operating Deficit	330,481	\$ 801,063	\$ 1,131,544	
Section 5311 Reimbursement	X 80%	X 50%		
Eligible Reimbursement Per Percentages	\$ 264,385	\$ 400,532		\$ 664,917
Funding Limits Per Contract				383,697
Maximum Section 5311 Reimbursement			<u>383,697</u>	383,697
Less: IDOT Payments - Section 5311				383,697
Reimbursement to Grantee				<u>\$ --</u>
Amount Under Paid				--
Grantee Local Match Requirement			<u>\$ 747,847</u>	

Grantee Match Sources

Local Cash Grants	\$ 142,075
State Cash Grants	602,100
Contributed Cash	3,672
Total Grantee Match Sources	<u>\$ 747,847</u>

Reference should be made to the auditor's report regarding this information.

Other Information

SHELBY COUNTY, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34), which established new requirements and a new reporting model for the annual financial reports of governments. The objective of the MD&A section is to enhance the understandability and usefulness of the basic financial statements. The MD&A should be read as an addendum to other information presented in the financial statements such as the Notes to the Financial Statements.

The financial statements incorporate the Shelby County Office of Tourism as a discretely presented component unit per GASB Statement No. 14. The Shelby County Airport Commission is included as a unit of the County. The Shelby County Airport Commission is considered a non-major governmental fund of the County.

Condensed financial statements shown in the MD&A are presented for the primary government only, and exclude the component unit. Therefore, the primary government referred to in the MD&A statements for Governmental activities is comprised of the County and the Airport Commission.

FINANCIAL HIGHLIGHTS

- The County's share of state income tax decreased 11.8% from the prior year. Twelve payments were received and reported by the county in fiscal year 2012, while fourteen payments were received and recorded in fiscal year 2011.
- Fines, Fees and Forfeits increased 14.3% from the prior years. The County and State increased various fines and fees.
- Shelby County was the recipient of several grants and reimbursements during fiscal year 2012:
 - The Rural Transportation program was the recipient of three vehicles valued at \$152,923.
 - The Emergency Management office received a Technology Grant of \$16,392 from the Illinois Law Enforcement Alarm System
- Construction of five additional hangars at the Shelby County Airport was completed during fiscal year 2013.
- The County began capital improvements to the courthouse. There was work in process at August 31, 2012 to the new front entrance, geo-thermal and HVAC.
- The County Highway Department was awarded its largest dollar contract for the Neoga Road project. The project will be funded with 80% federal funds and 20% state funds from TARP (Truck Access Road Project).
- The Sheriff department received benevolent funds which are to be used to offset the expenses of acquiring two K-9 dogs and to purchase firearms.
- The County Dive Team received benevolent funds to purchase a new vehicle.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's basic financial statements include 1) government-wide financial statements, 2) governmental and fiduciary fund financial statements, and 3) notes to the financial statements. The basic financial statements also contain required and other supplementary information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The two government-wide statements are prepared on the modified cash basis of accounting and are explained below. Any internal activities within activity type in the government-wide financial statements have been eliminated or reclassified.

The Statement of Net Assets – Modified Cash Basis includes the County's total assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the County is improving or deteriorating. A condensed version of this statement for Governmental activities is presented in the MD&A.

The Statement of Activities – Modified Cash Basis reports how the County's net assets changed during the fiscal year. An important purpose of the design of the statement of activities is to show the financial reliance of the County's distinct activities or functions on revenues provided by the County's taxpayers.

Both government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues. Governmental activities of the County include general government, public safety, corrections, judiciary, public works/transportation, and health and welfare.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about significant funds available for appropriation. Fund accounting ensures compliance with finance-related legal requirements. The County has the following two types of funds:

Governmental Funds – Most of the County's basic services are included in governmental funds. The fund statement focuses on (1) cash and financial assets that can readily be converted to cash flow and (2) the balances remaining at year-end that are available for spending. The governmental funds financial statements provide a detailed short-term view. The General Fund is the main operating account of the County and the largest of the governmental funds. Fund income is comprised of various sources for non-dedicated purposes. Other major governmental funds include the County Health Fund, the County Highway Fund, the Municipal Retirement Fund, the Mental Health Fund and the Rural Transportation Fund. Remaining governmental funds, which include special revenue funds and capital projects funds, are considered non-major governmental funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The County's fiduciary funds consist of agency funds, which are used to account for monies received, held and disbursed, as required by statute.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

On the following condensed statement, net assets are calculated as total assets less total liabilities. Assets are distinguished as capital assets and the remainder as current and other assets. Liabilities are classified as long-term (average maturity of greater than one year) and the remainder as other liabilities. Per generally accepted accounting principles, net assets are subdivided into three categories; net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County reported \$7,242,408 and \$986,991 of restricted net assets as of August 31, 2012 and 2011, respectively. Net assets may serve over time as a useful indicator of a government's financial position. The Governmental net assets were \$24,897,141 and \$24,854,328 as of August 31, 2012 and 2011, respectively.

Following is a separate Summary of Net Assets – modified cash basis as of August 31, 2012 and 2011 for Governmental Activities:

Summary of Net Assets – Modified Cash Basis Governmental Activities August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Current and other assets	\$11,573,884	\$12,100,246
Capital assets, net of accumulated depreciation	<u>13,532,743</u>	<u>12,989,455</u>
Total Assets	<u>\$25,106,627</u>	<u>\$25,089,701</u>
Short-term liabilities	<u>\$ 209,486</u>	<u>\$ 235,373</u>
Total Liabilities	<u>\$ 209,486</u>	<u>\$ 235,373</u>
Net Assets:		
Invested in capital assets, net of related debt	\$13,532,743	\$12,906,455
Restricted for Insurance	944,399	984,290
Restricted for Inventory	3,606	2,701
Restricted for Employees' Retirement	1,842,664	--
Restricted for Public Safety	491,461	--
Restricted for Public Works and Transportation	957,818	--
Restricted for Economic Development	504,087	--
Restricted for Health and Welfare	1,845,350	--
Restricted for Other Purposes	653,023	--
Unrestricted	<u>4,121,990</u>	<u>10,960,882</u>
Total Net Assets	<u>\$24,897,141</u>	<u>\$24,854,328</u>

Fifty-four percent of the County's Government-wide total net assets reflect investment in capital assets such as land, buildings, machinery, and equipment, less any related outstanding debt used to acquire those assets as of August 31, 2012 compare to 52% as of August 31, 2011. The County uses these capital assets in operations and, consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets may be used to meet the County's ongoing obligations. As of August 31, 2012 and 2011, the County had positive balances in all categories of net assets for the governmental activities. Net assets increased \$42,813 for governmental activities. The County's overall financial position improved during fiscal year 2012.

The following statement is a condensed version of the Changes in Net Assets – modified cash basis for Governmental Activities:

Changes in Net Assets – Modified Cash Basis
Year Ended August 31, 2012 and 2011

Receipts:	<u>2012</u>	<u>2011</u>
Program Receipts:		
Charges for services	\$ 1,435,620	\$ 1,192,131
Operating grants and contributions	2,254,774	3,183,903
Capital grants and contributions	635,352	1,096,784
General Receipts:		
Property taxes	3,978,566	3,939,879
Sales and other taxes	1,971,940	2,089,152
Unrestricted investment earnings	49,995	68,141
Other receipts	<u>265,786</u>	<u>150,262</u>
Total Receipts	<u>\$10,592,033</u>	<u>\$ 11,720,252</u>
Disbursements:		
General government	\$ 2,838,223	\$ 2,835,542
Public safety	2,336,271	1,886,436
Corrections	144,593	151,332
Judiciary	490,221	454,225
Public works/transportation	3,306,609	3,771,616
Health and welfare	1,433,248	1,446,595
Interest on long-term debt	<u>205</u>	<u>--</u>
Total Disbursements	<u>\$10,549,370</u>	<u>\$10,545,746</u>
Change in net assets	\$ 42,663	\$ 1,174,506
Net assets – September 1,	24,854,328	23,679,822
Adjustment to Net Assets	<u>150</u>	<u>--</u>
Net assets – August 31,	<u>\$24,897,141</u>	<u>\$24,854,328</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County's Governmental Funds provide information on near-term inflows, outflows, and balances of spendable resources. The unreserved fund balance indicates the net resources available for spending at the end of the fiscal year. It is a particularly useful indicator of net resources. When coupled with future resources, these resources shape the programs and the disbursements in future years. Per the Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balance, the County's Governmental Funds reported a combined fund balance of \$11,282,733 and \$11,762,396 as of August 31, 2012 and 2011, respectively. Of these amounts, \$7,147,121 is restricted due to external limitations on its use, such as by debt covenants, legal restrictions, or intention of grantors, donors, or trustees. A total of \$3,606 of fund balance is considered unspendable because it has been used for advances, inventory, and prepaid items. Committed fund balances total \$1,329,036 and represent amounts that have been committed by formal action of the County Board. A total of \$1,209,565 has been assigned meaning there are limitations resulting from its intended use, such as construction of capital assets, payment of debt service, and for other purposes. The remaining \$1,593,405 is unassigned and can be used for any lawful purpose.

The fund balance for all Governmental Funds at the fiscal years ended August 31, 2012 and 2011 had a negative net change of \$479,813 and a positive change of \$380,282, respectively.

Per the Statement of Revenues Received, Expenditures Disbursed and Change in Fund Balance, total Governmental receipts for the fiscal years 2012 and 2011 were \$10,379,360 and \$10,647,647, respectively and total disbursements were \$10,940,075 and \$10,267,365, respectively.

GENERAL FUND

The County Board concentrates its financial oversight on the General Fund because it is the core operating fund and allows the most discretion in allocations. At the end of the current fiscal year, unassigned fund balance of the general fund is \$1,615,176, while total fund balance is \$3,892,217. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total fund expenditures and other financing sources. Unassigned fund balances represents 34 percent of total general fund expenditures and other financing sources, while total fund balance represented 82 percent of that same amount. For the year ended August 31, 2012, receipts of \$4,530,981 less disbursements of \$5,029,280 resulted in an decrease in fund balance of \$498,299. After the net transfers of \$265,021 and loan proceeds of \$10,356, the result was a net decrease in the General Fund fund balance of \$222,922. For the year ended August 31, 2011, receipts of \$4,244,331 less disbursements of \$4,043,919 and net transfers of (\$193,090) resulted in a increase in fund balance of \$7,322.

The largest receipt sources for the General Fund are property taxes, sales taxes, and income taxes which account for 65 and 69 percent of receipts for the years ended August 31, 2012 and 2011. General government and public safety are the primary operations of the general fund. Approximately 74 and 83 percent of the General Fund's disbursements are for general government and public safety activities for the years ended August 31, 2012 and 2011.

COUNTY HEALTH FUND

The largest source of revenues received for the County Health Fund are property taxes, federal and state grant receipts from State of Illinois agencies which account for 89 and 89 percent of receipts for the years ended August 31, 2012 and 2011, respectively. The County Health Fund's basic purpose is the protection and improvement of the public health in the County.

COUNTY HIGHWAY FUND

The largest source of revenues received for the County Highway Fund are property taxes, federal and state grants and Motor Fuel Tax which accounts for 94 and 93 percent of receipts for the years ended August 31, 2012 and 2011, respectively. The County Highway Fund accounts for the maintenance and construction of roads and bridges in the County.

MUNICIPAL RETIREMENT

The largest source of revenues received for the Municipal Retirement Fund is property taxes which accounts for 96 and 97 percent of receipts for the years ended August 31, 2012 and 2011, respectively.

MENTAL HEALTH FUND

The largest source of revenues received for the Mental Health Fund is property taxes which accounts for 95 and 94 percent of receipts for the years ended August 31, 2012 and 2011, respectively. The Mental Health Fund's basic purpose is to provide for the community health facilities and services for the mentally challenged in the County.

RURAL TRANSPORTATION

The largest sources of revenues received for the Rural Transportation Fund are federal and state grants which account for 100 percent of receipts for the years ended August 31, 2012 and 2011. The Rural Transportation Fund provides public transportation for the residents of the county.

BUDGETARY HIGHLIGHTS

The County prepares an estimate of revenues and a budget for the General Fund and all of the Special Revenue Funds using the modified cash basis of accounting. The County's Fiduciary Funds are not required to prepare budgets. The General Fund's actual receipts were more than budgeted amounts by \$548,481 and actual disbursements were less than budgeted amounts by \$625,467, resulting in a positive budget variance of \$1,173,948. The other Information section contains the Budgetary Comparison Schedule – Modified Cash Basis for the General Fund, County Health Fund, County Highway Fund, Municipal Retirement Fund, Mental Health Fund, and Rural Transportation Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The County's investments in capital assets as of August 31, 2012 and 2011 (net of accumulated depreciation), are summarized below for Governmental-Type Activities:

**Capital Assets
Governmental Activities
(Net of Depreciation)
August 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Land	\$ 3,376,596	\$ 3,303,690
Work in Process	613,415	211,347
Buildings and Improvements	2,352,620	2,085,334
Vehicles	741,528	679,323
Maintenance Vehicles	46,863	83,346
Infrastructure	6,227,743	6,424,633
Equipment	161,045	201,782
Law Enforcement & Canine	<u>12,933</u>	<u>--</u>
Total Capital Assets, net of depreciation	<u>\$13,532,743</u>	<u>\$12,989,455</u>

During fiscal years 2012 and 2011, total capital assets for the County had a net increase (including additions, decreases, and depreciation) of \$543,288 and \$818,404, respectively. These increases reflect the current additions for vehicles, equipment, building and highway infrastructure and other miscellaneous equipment. The County recorded \$663,035 and \$644,156 of depreciation expense for the fiscal years 2012 and 2011, respectively and the amounts of accumulated depreciation are \$6,427,519 and \$5,847,354 as of August 31, 2012 and 2011, respectively.

More detailed information is presented in Note 5 to the financial statements.

DEBT

The County has a statutorily imposed legal general obligation bond limit of 5.75% of its total assessed valuation. That limit is approximately 18.4 million dollars, and is substantially greater than current outstanding debt principal.

The following is a summary of the County's gross outstanding short-term debt as of August 31, 2012 and 2011:

**Outstanding Short-Term Debt
Governmental Activities
August 31, 2012 and 2011**

<u>Debt Description</u>	<u>2012</u>	<u>2011</u>
Bank Loans	<u>\$ --</u>	<u>\$ 83,000</u>

**Outstanding Long-Term Debt
Governmental Activities
August 31, 2012 and 2011**

<u>Debt Description</u>	<u>2012</u>	<u>2011</u>
Bank Loans	<u>\$ 10,016</u>	<u>\$ --</u>

More detailed information about the County's long-term debt is presented in Note 7 to the financial statements.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and pass through agencies with a general overview of the County's finances and to show the County's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Ms. Debra Page, Shelby County Treasurer, Shelby County Courthouse, Shelbyville, Illinois, 62565.

SHELBY COUNTY, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 GENERAL FUND
 YEAR ENDED AUGUST 31, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES RECEIVED:				
Property Taxes	\$ 1,204,300	\$ 1,204,300	\$ 1,475,054	\$ 270,754
Sales Taxes	560,000	560,000	600,258	40,258
Intergovernmental Revenue:				
State Sources:				
Income Taxes	800,000	800,000	876,660	76,660
Replacement Tax	34,000	34,000	40,199	6,199
Other State Sources	280,000	280,000	422,941	142,941
Federal Sources	90,000	90,000	17,593	(72,407)
County Farm	28,700	28,700	30,426	1,726
Charges for Services	110,000	110,000	84,935	(25,065)
Licenses and Permits	8,000	8,000	6,035	(1,965)
Fines, Fees and Forfeits	717,000	717,000	749,212	32,212
Penalties, Interest and Costs	--	--	82,798	
Sales of Real Estate Stamps	76,500	76,500	109,510	33,010
Interest	61,500	61,500	27,319	(34,181)
Miscellaneous	12,500	12,500	8,041	(4,459)
Total Revenues Received	\$ 3,982,500	\$ 3,982,500	\$ 4,530,981	\$ 548,481

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES DISBURSED:				
Current:				
General Government	\$ 1,673,631	\$ 1,824,821	\$ 1,791,786	\$ 33,035
Public Safety	1,898,849	1,942,349	1,924,917	17,432
Corrections	174,785	174,785	144,593	30,192
Judiciary	498,431	508,307	468,836	39,471
Health and Welfare	64,485	64,485	64,500	(15)
Capital Outlay	140,000	1,140,000	634,103	505,897
Debt Service	--	--	205	(205)
Interest on Long Term Debt	--	--	340	(340)
Principal on Long Term Debt	--	--	--	--
Total Expenditures Disbursed	\$ 4,450,181	\$ 5,654,747	\$ 5,029,280	\$ 625,467
Revenues Received Over (Under) Expenditures Disbursed	\$ (467,681)	\$ (1,672,247)	\$ (498,299)	\$ 1,173,948
Other Financing Sources (Uses):				
Loan Proceeds	--	--	10,356	10,356
Operating Transfers In	--	--	989,763	989,763
Operating Transfers Out	--	--	(724,742)	(724,742)
Net Change in Fund Balance	\$ (467,681)	\$ (1,672,247)	\$ (222,922)	\$ 1,449,325
Fund Balance - September 1, 2011			4,115,139	
Fund Balance - August 31, 2012			\$ 3,892,217	

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 SCHEDULE OF APPROPRIATIONS AND EXPENDITURES DISBURSED
 GENERAL FUND
 YEAR ENDED AUGUST 31, 2012

	Budget		Disbursements	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES DISBURSED:				
General Government:				
Operating Expenses Pertaining to the Office of:				
County Clerk	\$ 367,221	\$ 376,131	\$ 365,451	\$ 10,680
Circuit Clerk	248,855	260,024	246,642	13,382
Supervisor of Assessments	263,703	270,687	250,070	20,617
County Treasurer	223,801	237,428	233,225	4,203
County Coroner	63,590	63,590	60,507	3,083
Regional Superintendent of Schools	41,668	41,668	41,367	301
Board of Review	34,150	34,150	29,566	4,584
Farmland Assessment	150	150	27	123
Board of Appeals	2,825	2,825	522	2,303
Planning Commission	2,450	2,450	780	1,670
Zoning Administrator	24,293	24,293	22,049	2,244
Utilities	45,200	45,200	31,151	14,049
Maintenance, Repairs and Improvement	40,000	40,000	30,158	9,842
Insurance	153,000	253,000	244,303	8,697
Employee Insurance	7,000	17,000	19,934	(2,934)
County Board Expenses	71,975	71,975	62,897	9,078
Services, Supplies and Miscellaneous	77,150	77,650	42,743	34,907
County Farm	6,600	6,600	4,871	1,729
State Rental Housing Fee	--	--	34,596	(34,596)
Purchase of Real Estate Tax Stamps	--	--	70,927	(70,927)
Total General Government	\$ 1,673,631	\$ 1,824,821	\$ 1,791,786	\$ 33,035
Public Safety:				
Operating Expenses Pertaining to the Office of:				
County Sheriff	\$ 1,765,514	\$ 1,809,014	\$ 1,785,171	\$ 23,843
Rescue Squad	20,500	20,500	31,906	(11,406)
ESDA	31,042	31,042	27,057	3,985
911 Emergency Services	40,000	40,000	39,930	70
Courthouse Security	31,040	31,040	35,288	(4,248)
Merit Commission	10,753	10,753	5,565	5,188
Total Public Safety	\$ 1,898,849	\$ 1,942,349	\$ 1,924,917	\$ 17,432

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 SCHEDULE OF APPROPRIATIONS AND EXPENDITURES DISBURSED - (CONTINUED)
 GENERAL FUND
 YEAR ENDED AUGUST 31, 2012

	Budget		Disbursements	Variance with Final Budget Positive (Negative)
	Original	Final		
Corrections:				
Operating Expenses Pertaining to the Office of: Probation Office	\$ 174,785	\$ 174,785	\$ 144,593	\$ 30,192
Judiciary:				
Operating Expenses Pertaining to the Office of:				
States Attorney	\$ 305,961	\$ 311,266	\$ 298,976	\$ 12,290
Public Defender	143,470	148,041	143,761	4,280
Appointed Counsel Fee	30,000	30,000	19,688	10,312
Circuit Judge Expenses	19,000	19,000	6,411	12,589
Total Judiciary	\$ 498,431	\$ 508,307	\$ 468,836	\$ 39,471
Health and Welfare:				
Operating Expenses Pertaining to the Office of: Animal Control	\$ 64,485	\$ 64,485	\$ 64,500	\$ (15)
Capital Outlay:				
General Government	\$ 140,000	\$ 1,140,000	\$ 576,915	\$ 563,085
Public Safety	--	--	57,188	(57,188)
Total Capital Outlay	\$ 140,000	\$ 1,140,000	\$ 634,103	\$ 505,897
Debt Service:				
Interest on Long Term Debt	\$ --	\$ --	\$ 205	\$ (205)
Principal on Long Term Debt	--	--	340	(340)
Total Capital Outlay	\$ --	\$ --	\$ 545	\$ (545)
TOTAL EXPENDITURES DISBURSED	\$ 4,450,181	\$ 5,654,747	\$ 5,029,280	\$ 625,467

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 COUNTY HEALTH FUND - SPECIAL REVENUE MAJOR FUND
 YEAR ENDED AUGUST 31, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES RECEIVED:				
Property Taxes	\$ 349,576	\$ 349,576	\$ 326,763	\$ (22,813)
Intergovernmental Revenue:				
State Sources:				
Replacement Tax	9,853	9,853	9,210	(643)
Other State Sources	221,767	221,767	207,295	(14,472)
Federal Sources	188,889	188,889	176,562	(12,327)
Charges for Services	79,107	79,107	73,945	(5,162)
Interest	5,038	5,038	4,709	(329)
Miscellaneous	270	270	252	(18)
Total Revenues Received	<u>\$ 854,500</u>	<u>\$ 854,500</u>	<u>\$ 798,736</u>	<u>\$ (55,764)</u>
EXPENDITURES DISBURSED:				
Current:				
Health and Welfare	\$ 1,127,539	\$ 1,140,309	\$ 883,894	\$ 256,415
Total Expenditures Disbursed	<u>\$ 1,127,539</u>	<u>\$ 1,140,309</u>	<u>\$ 883,894</u>	<u>\$ 256,415</u>
Revenues Received Over (Under) Expenditures Disbursed	\$ (273,039)	\$ (285,809)	\$ (85,158)	\$ 200,651
Other Financing Sources (Uses):				
Transfers In	--	--	1,300	1,300
Transfers Out	--	--	--	--
Net Change in Fund Balance	<u>\$ (273,039)</u>	<u>\$ (285,809)</u>	\$ (83,858)	<u>\$ 201,951</u>
Fund Balance - September 1, 2011			<u>1,411,682</u>	
Fund Balance - August 31, 2012			<u>\$ 1,327,824</u>	

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 COUNTY HIGHWAY FUND - SPECIAL REVENUE MAJOR FUND
 YEAR ENDED AUGUST 31, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES RECEIVED:				
Property Taxes	\$ 643,843	\$ 643,843	\$ 719,301	\$ 75,458
Intergovernmental Revenue:				
State Sources:				
Motor Fuel Tax	564,000	564,000	364,240	(199,760)
Replacement Taxes	35,332	35,332	39,473	4,141
Other State Sources	312,934	312,934	349,610	36,676
Charges for Services	80,268	80,268	89,675	9,407
Interest	3,623	3,623	4,048	425
Total Revenues Received	\$ 1,640,000	\$ 1,640,000	\$ 1,566,347	\$ (73,653)
EXPENDITURES DISBURSED:				
Current:				
Public Works/Transportation	\$ 1,705,370	\$ 1,745,370	\$ 1,648,540	\$ 96,830
Capital Outlay	62,500	62,500	82,319	(19,819)
Total Expenditures Disbursed	\$ 1,767,870	\$ 1,807,870	\$ 1,730,859	\$ 77,011
Revenues Received Over (Under) Expenditures Disbursed	\$ (127,870)	\$ (167,870)	\$ (164,512)	\$ 3,358
Other Financing Sources (Uses):				
Transfers In	--	--	425,118	425,118
Transfers Out	--	--	(383,818)	(383,818)
Net Change in Fund Balance	\$ (127,870)	\$ (167,870)	\$ (123,212)	\$ 44,658
Fund Balance - September 1, 2011			1,092,655	
Fund Balance - August 31, 2012			\$ 969,443	

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 MUNICIPAL RETIREMENT FUND - SPECIAL REVENUE MAJOR FUND
YEAR ENDED AUGUST 31, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES RECEIVED:				
Property Taxes	\$ 578,516	\$ 578,516	\$ 586,663	\$ 8,147
Intergovernmental Revenue:				
State Sources:				
Replacement Taxes	19,127	19,127	19,396	269
Interest	2,357	2,357	2,390	33
Total Revenues Received	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 608,449</u>	<u>\$ 8,449</u>
EXPENDITURES DISBURSED:				
Current:				
General Government	\$ 400,000	\$ 600,000	\$ 639,004	\$ (39,004)
Total Expenditures Disbursed	<u>\$ 400,000</u>	<u>\$ 600,000</u>	<u>\$ 639,004</u>	<u>\$ (39,004)</u>
Net Change in Fund Balance	<u>\$ 200,000</u>	<u>\$ --</u>	\$ (30,555)	<u>\$ (30,555)</u>
Fund Balance - September 1, 2011			<u>1,552,261</u>	
Fund Balance - August 31, 2012			<u>\$ 1,521,706</u>	

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 MENTAL HEALTH FUND - SPECIAL REVENUE MAJOR FUND
YEAR ENDED AUGUST 31, 2012

	Original (Final) Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES RECEIVED:			
Property Taxes	\$ 444,497	\$ 479,889	\$ 35,392
Intergovernmental Revenue:			
State Sources:			
Replacement Taxes	16,768	18,103	1,335
Interest	4,735	5,112	377
	<u>\$ 466,000</u>	<u>\$ 503,104</u>	<u>\$ 37,104</u>
EXPENDITURES DISBURSED:			
Current:			
Health and Welfare	\$ 498,870	\$ 418,358	\$ 80,512
	<u>\$ 498,870</u>	<u>\$ 418,358</u>	<u>\$ 80,512</u>
Net Change in Fund Balance	<u>\$ (32,870)</u>	<u>\$ 84,746</u>	<u>\$ 117,616</u>
Fund Balance - September 1, 2011		<u>1,266,307</u>	
Fund Balance - August 31, 2012		<u>\$ 1,351,053</u>	

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 RURAL TRANSPORTATION FUND - SPECIAL REVENUE MAJOR FUND
YEAR ENDED AUGUST 31, 2012

	Original (Final) Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES RECEIVED:			
Intergovernmental Revenue:			
Other State Sources	\$ 800,000	\$ 602,100	\$ (197,900)
Federal Sources	--	441,355	441,355
Total Revenues Received	<u>\$ 800,000</u>	<u>\$ 1,043,455</u>	<u>\$ 243,455</u>
EXPENDITURES DISBURSED:			
Current:			
Public Works/Transportation	\$ 954,766	\$ 1,043,455	\$ (88,689)
Total Expenditures Disbursed	<u>\$ 954,766</u>	<u>\$ 1,043,455</u>	<u>\$ (88,689)</u>
Net Change in Fund Balance	<u>\$ (154,766)</u>	\$ --	<u>\$ 154,766</u>
Fund Balance - September 1, 2011		--	
Fund Balance - August 31, 2012		<u>\$ --</u>	

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 NOTE TO SUPPLEMENTARY INFORMATION
AUGUST 31, 2012

Note – Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on the modified cash basis of accounting for all governmental funds. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The Board holds public hearings and a final budget must be prepared and adopted no later than November 30.

The appropriated budget is prepared by fund. Budgetary control over expenditures is exercised by the County Board. The legal level of budgetary control is at the fund level.

B. Excess of Expenditures Disbursed Over Appropriations in Budgeted Major Funds

	<u>Expenditures</u>	<u>Budgeted Amounts</u>	<u>Overexpenditure</u>
Rural Transportation	\$ 1,043,455	\$ 954,766	\$ 88,689
Retirement	639,004	600,000	39,004
Misc County Health	202,794	200,000	2,794
County MFT	451,817	441,247	10,570

SHELBY COUNTY, ILLINOIS
 SUPPLEMENTARY INFORMATION
 IMRF SCHEDULE OF FUNDING PROGRESS
YEAR ENDED AUGUST 31, 2012

The following information was provided by the Illinois Municipal Retirement Fund as it pertains to the County's retirement plan:

Schedule of Funding Progress

A. Regular Employees' Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	6,495,419	9,369,116	2,873,697	69.33%	2,909,902	98.76%
12/31/10	6,353,600	9,025,201	2,671,601	70.40%	2,737,799	97.58%
12/31/09	6,016,175	8,740,113	2,723,938	68.83%	2,488,660	109.45%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$6,181,768. On a market basis, the funded ratio would be 65.98%.

B. ECO Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	(1,283,233)	1,205,589	2,488,822	0.00%	113,410	2,194.53%
12/31/10	(1,366,921)	1,121,735	2,488,656	0.00%	179,021	1,390.15%
12/31/09	(1,318,273)	1,317,661	2,635,934	0.00%	268,471	981.83%

On a market value basis, the actuarial value of assets as of December 31, 2011 is (\$1,352,552). On a market basis, the funded ratio would be 0.00%.

C. SLEP Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	2,034,636	2,108,724	74,088	96.49%	593,268	12.49%
12/31/10	1,969,127	2,025,047	55,920	97.24%	570,021	9.81%
12/31/09	1,708,086	1,780,193	72,107	95.95%	555,997	12.97%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$1,967,162. On a market basis, the funded ratio would be 93.29%.

Reference should be made to the auditor's report regarding this information.

Single Audit

SHELBY COUNTY, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>U.S. Department of Homeland Security</u>			
Passed through Illinois Emergency Management Agency Emergency Management Performance Grant		211EMASHELB	\$ 13,561
Emergency Management Performance Grant		210EMNBSHEL	18,102
Emergency Management Performance Grant		2HMEPPSHEL11	<u>1,374</u>
Total Emergency Management Performance Grant	97.042		<u>\$ 33,037</u>
Passed through Illinois Law Enforcement Alarm System EOC Technology Grant	97.067		<u>\$ 16,392</u>
Total U.S. Department of Homeland Security			<u>\$ 49,429</u>
<u>U.S. Department of Justice</u>			
ARRA - Community Oriented Policing Services Technology Program	16.710	2009CKWX0277	<u>\$ 150</u>
<u>U.S. Department of Transportation</u>			
Passed through Illinois Department of Transportation (M) Airport Improvement Projects	20.106	2HO-3850 17-0093-B9	<u>\$ 308,381</u>
Passed through Illinois Department of Transportation Highway Planning & Construction - Non-Cash	20.205	09-00271-00 RS	<u>\$ 450,470</u>
Passed through Illinois Department of Transportation (M) Public Transportation - Non-Cash		IL-18-X027	\$ 152,923
(M) ARRA Public Transportation for Unurbanized Area		IL-86-X001	57,658
(M) Public Transportation		IL-18X028	<u>383,697</u>
Total Public Transportation	20.509		<u>\$ 594,278</u>
Total U.S. Department of Transportation			<u>\$ 1,353,129</u>
<u>U.S. Department of Environmental Protection Agency</u>			
Passed through Illinois Department of Public Health Public Water System Supervision - Water Wells	66.432	4740	<u>\$ 175</u>
<u>U.S. Department of Health & Human Services</u>			
Passed through Illinois Department of Healthcare and Family Services Medicaid Matching - Administrative Outreach	93.778	FY10	<u>\$ 68,287</u>
Passed through Illinois Department of Healthcare and Family Services Child Support/Computer Interface	93.563		<u>\$ 3,881</u>
Passed through Illinois Department of Human Services Title XX Block Grant - Teen Parents	93.667	011GQ00454	<u>\$ 3,000</u>
Passed through Illinois Department of Public Health Diabetes Program		FY12 - 3510	\$ 11,500
Diabetes Program		FY13 - 3510	<u>4,010</u>
Total Diabetes Program	93.283		<u>\$ 15,510</u>
Passed through Illinois Department of Public Health Health Protection - Immunization - Non-Cash	93.268	000283	<u>\$ 131,776</u>
Total U.S. Department of Health and Human Services			<u>\$ 222,454</u>
<u>U.S. Department of Agriculture</u>			
Passed through the Illinois Department of Human Services			
Supplemental Nutrition Program for Women Infants and Children		FCSRE01093	\$ 16,558
Supplemental Nutrition Program for Women Infants and Children		12GM454000	74,404
WIC Special Supplemental Nutrition Program - Non-Cash		FY13	36,271
WIC Special Supplemental Nutrition Program - Non-Cash		FY11	<u>238,064</u>
Total Women, Infants and Children Program	10.557		<u>\$ 365,297</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,990,634</u>

(M) denotes major program.

Reference should be made to the auditor's report regarding this information.

SHELBY COUNTY, ILLINOIS
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2012

Note 1 – Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is a summary of the activity of the County's federal award programs presented on the modified cash basis of accounting. Expenditures are recognized and recorded upon the disbursement of cash. The information in 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 basic financial statements.

Note 2 – Nonmonetary Assistance

Nonmonetary assistance for road and bridge construction and vehicles are reported in the schedule at the fair market value of these items received. Nonmonetary assistance for immunization vaccines, and food supplements are reported in the schedule at the fair market value of these items received and disbursed.

Note 3 – Subrecipients

Of the federal expenditures presented in the schedule, Shelby County provided federal awards to the subrecipient as follows:

<u>Program Title/Subrecipient</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Public Transportation		
CEFS Economic Opportunity Corporation	20.509	<u>\$383,697</u>
ARRA Public Transportation		
CEFS Economic Opportunity Corporation	20.509	<u>\$57,658</u>
Emergency Management Performance Grant	97.042	
Oconee Fire District		\$ 4,631
Shelbyville Fire District		5,990
Moweaqua Fire District		2,153
Findlay Fire District		<u>2,221</u>
Total		<u>\$14,995</u>

Note 4 – Insurance Provided by Federal Agencies

The County did not receive any insurance coverage provided by a federal agency during the fiscal year ending August 31, 2012.

SHELBY COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a qualified opinion on the financial statements of Shelby County, Illinois due to the financial statements being presented on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and due to the omission of disclosures required by Governmental Accounting Standards Board Statement 45.
2. Two significant deficiencies disclosed during the audit of the financial statements of Shelby County are reported in the Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements performed on accordance with *Government Auditing Standards*. One condition is reported as a material weakness.
3. One instance of noncompliance material to the financial statements of Shelby County was disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs is reported in the Report on Compliance with Requirements applicable to each Major Program and Internal Control over Compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Shelby County expresses an unqualified opinion.
6. There were no audit findings relative to the major programs for Shelby County.
7. The programs tested as major programs include:

<u>Name</u>	<u>CFDA No.</u>
Airport Improvement Projects	20.106
Public Transportation	20.509
ARRA Public Transportation	20.509
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Shelby County was determined to be a low-risk auditee.

B. FINDINGS — FINANCIAL STATEMENT AUDITS

Significant Deficiency

1. Identification of Federal Revenue

Condition: Federal funds are not separately identified in the general ledger.

Criteria: Receipts and disbursements of federal funds are required to be separately identified in the general ledger

Cause: While funding from federal sources is recognized at the fee office or department level, the source of funds is often not communicated when these funds are turned over to the County Treasurer's office.

Effect: Federal funds are commingled with other revenue sources for financial reporting purposes.

Recommendation: We recommend that in its cash receipts processing procedures, the County implement the use of source codes to identify funds as state, federal or other sources and that federal sources be coded to separate general ledger accounts identifying the source of the federal revenue.

Response: The County Treasurer's office will implement a procedure to identify federal funds in the general ledger.

Material Weakness

2. Full Disclosure Financial Statements

Condition: The County prepares interim financial reports using software specifically designed for governmental reporting. These interim reports are reviewed by county management. For yearend reporting purposes, the County relies on the auditor to prepare drafts of full disclosure statements (including footnotes) in accordance with Government Accounting Standards Board Statements #34. The County currently lacks significant expertise to prepare yearend full disclosure financial statements without significant assistance from the auditor.

Criteria: In accordance with prescribed definitions in the Statement of Auditing Standards #112, it is a strong indication of a material weakness in internal control over financial reporting if an entity lacks significant controls over the period end financial reporting process. The standard provides guidance regarding the extent to which the auditor may be involved in drafting an entity's financial statements.

Cause: The County has not retained an individual to specifically monitor standards promulgated by the American Institute of Certified Public Accountants as they relate to full disclosure financial reporting. Preparation of full disclosure yearend financial statements is not an assigned function for County accounting staff.

Effect: Lack of sufficient expertise for full disclosure yearend financial statement preparation could result in controls not being effective in preventing or detecting material misstatements particularly in the related footnotes to the financial statements.

Recommendation: We recommend that the County provide training opportunities for its accounting staff that would enable them to become more familiar with general disclosure requirements. This training should include, but is not limited to the usage of a "standards compliant" disclosure checklist, which provides guidance to the financial statement's contents and whether a necessary disclosure has been omitted.

Response: Management is currently confident of the abilities of the accounting staff to prepare interim financial statements. It is unclear what level of training may be needed to reach an appropriate level of expertise to prepare full disclosure year-end financial statements. Management will reevaluate year-end reporting controls annually and pursue additional training when it is considered cost beneficial.

Material Noncompliance

3. Expenditures exceeded the budgeted amounts

Conditions: The County did not operate within the legal confines of its budget. Expenditures materially exceeded the budgeted amounts in the Rural Transportation, County Airport, Municipal Retirement, and Sheriff Trust Funds.

Criteria: The County is required by *Illinois Compiled Statutes* to operate within the legal confines of its budget.

Cause:

Rural Transportation Fund Overexpenditure

The overexpenditure in the Rural Transportation Fund was caused by the timing of the receipt of grant funds. Rural transportation grant monies are received by the County and immediately passed through to the Service Provider. More funds were received and passed through than budgeted.

County Airport Fund Overexpenditure

Capital expenditures financed by grant funds were not included in the County Airport operating budget.

Municipal Retirement Fund Overexpenditure

Budgeted expenditures were based on calendar year 2011 employer contribution rates. The budget was not adjusted for increased employer contribution rates for the IMRF Elected County Officials Plan that were effective January, 2012.

Sheriff Trust Fund Overexpenditure

Prior to fiscal year 2012, the Sheriff Trust Fund was considered to be a fiduciary fund and was not required to be budgeted; however, in fiscal year 2012, the Sheriff Trust Fund was used to account for grant proceeds and related expenditures requiring this fund to be recognized as a special revenue fund. No budget was prepared for the Sheriff Trust Fund for fiscal year 2012.

Effect: Because the County did not operate within the legal confines of its budget, expenditures in excess of the budget constituted unauthorized spending.

Recommendation: Shelby County should monitor the individual fund disbursements and amend the annual budget as necessary.

Response: The County concurs with the recommendation.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Our tests did not reveal any findings or questioned costs relative to major federal award programs.

Debra S. Page
Shelby County Treasurer
PO Box 326
Shelbyville, IL 62565
217/774-3841 Fax 217/774-5291

CORRECTIVE ACTION PLAN

April 10, 2013

Illinois Department of Transportation
310 South Michigan Avenue, Suite 1608
Chicago, IL 60604

Shelby County respectfully submits the following corrective action plan for the year ended August 31, 2012.

Name and address of independent public accounting firm:

Mose, Yockey, Brown & Kull, LLC CPA's
230 North Morgan
P. O. Box 317
Shelbyville, IL 62565

Audit Period: Year ended August 31, 2012

The findings from the Fiscal Year 2012 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

FINDINGS – FINANCIAL STATEMENT AUDITS

Significant Deficiency

B-1 Identification of Federal Revenue

Recommendation: We recommend that in its cash receipts processing procedures, the County implement the use of source codes to identify funds as state, federal or other sources and that federal sources be coded to separate general ledger accounts identifying the source of the federal revenue.

Response: The County Treasurer's office will implement a procedure to identify federal funds in the general ledger.

Material Weakness

B-2 Full Disclosure Financial Statements

Recommendation: The County should provide training opportunities for its accounting staff that would enable them to become more familiar with general disclosure requirements. This training should include, but is not limited to the usage of a "standards compliant" disclosure checklist, which provides guidance to the financial statement's contents and whether a necessary disclosure has been omitted.

Action Taken: Management will reevaluate yearend reporting controls annually and pursue additional training when it is considered cost beneficial.

Material Noncompliance

B-3 Expenditures exceeded the budgeted amounts

Recommendation: Shelby County should monitor the individual fund disbursements and amend the annual budget as necessary.

Action Taken: The County concurs with the recommendation.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

The auditor's tests did not reveal any findings or questioned costs relative to major federal award programs.

If the Illinois Department of Transportation has questions regarding this plan, please call Shelby County.

Sincerely,



Debra Page
County Treasurer

SHELBY COUNTY, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2012

This schedule is not applicable because the County did not have any findings related to federal financial awards for the fiscal year ended August 31, 2011.