

**SHELBY COUNTY, ILLINOIS
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2006**

**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@bmmhnet.com



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 basic financial statements of the governmental activities, the aggregate 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, 2006, 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.

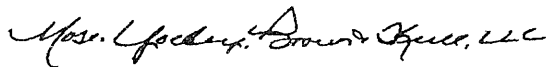
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, Illinois, as of August 31, 2006, 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 January 5, 2007, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 7 through 13 and budgetary comparison information on pages 44 through 47, are not required parts of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shelby County, Illinois', basic financial statements. The combining fund financial statements and the Section 5311 Annual Financial Report 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 basic financial statements of Shelby County, Illinois. The combining fund financial statements, the Section 5311 Annual Financial Report, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

The IMRF Schedule of Funding Progress included with this report is not a required part of the financial statements but is required supplementary information. The Schedule has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.



Mose, Yockey Brown & Kull, LLC
Certified Public Accountants

January 5, 2007

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



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

WILLIAM R. MOSE, CPA

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 accompanying financial statements of the governmental activities, the aggregate 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, 2006, which collectively comprise the Shelby County, Illinois' basic financial statements and have issued our report thereon dated January 5, 2007. 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

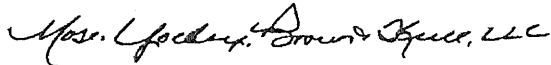
In planning and performing our audit, we considered Shelby County, Illinois' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial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

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item B-1.

We also noted certain additional matters that we reported to management of Shelby County, Illinois, in a separate letter dated January 5, 2007.

This report is intended solely for the information 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
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January 5, 2007

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Fax: 217.774.9589
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

County Board Members
Shelby County
Shelbyville, Illinois

Compliance

We have audited the compliance of Shelby County, Illinois with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended August 31, 2006. Shelby County, Illinois' major federal program is 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 its major federal program is the responsibility of the Shelby County, Illinois' Board. 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 on Shelby County, Illinois' compliance with those requirements.

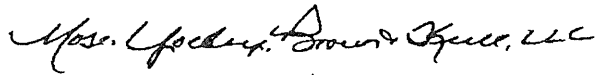
In our opinion, Shelby County, Illinois, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended August 31, 2006.

Internal Control Over Compliance

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

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

This report 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

January 5, 2007

Required Supplementary Information
(Part 1 of 2)

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

- Shelby County has been a party to litigation with two power companies, Reliant Energy and Holland Energy, concerning their assessed valuations. During the fiscal year ended August 31, 2006 the County transferred an additional \$506,275 of property tax monies to the Taxes in Litigation Fiduciary Fund for potential repayments. Subsequent to August 31, 2006, the County agreed to final settlements, totaling \$1,939,673, with the power companies.
- Substantial renovations to the Shelby County Courtroom A were made during fiscal year 2006. These improvements totaled approximately \$194,000 and were funded by fees collected in the Fees to Assist Court Special Revenue Fund.
- Help America Vote Act (HAVA) federal funds totaling \$163,208 were used to fund federally mandated upgrades in the County's election equipment.
- A \$12 million decrease in the County's assessed valuation from tax year 2003 to tax year 2004 has caused a decline in property tax receipts in the General Fund of approximately \$170,000 (12%) from fiscal year 2005 to 2006. The decrease in assessed valuation is attributable to the devaluation of farm ground and increased exemptions. The effect of the reduced power plant assessed valuations is expected to decrease the assessed valuation in future years by a material amount.
- The General Fund's operating expenses remained level from fiscal year 2005 to fiscal year 2006. The General Fund's operating expenses for fiscal years ending August 31, 2006 and 2005 were \$3,443,000 and \$3,447,480, respectively.

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 of 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 and the County Highway 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 had \$250,123 and \$206,862 of restricted net assets as of August 31, 2006 and 2005, respectively. Net assets may serve over time as a useful indicator of a government's financial position. The Governmental net assets were \$15,230,717 and \$14,874,672 as of August 31, 2006 and 2005, respectively.

Following is a separate Summary of Net Assets – modified cash basis as of August 31, 2006 and 2005 for Governmental Activities:

Summary of Net Assets – Modified Cash Basis Governmental Activities August 31, 2006 and 2005

	2006	2005
Current and other assets	\$ 7,668,409	\$ 7,531,795
Capital assets, net of accumulated depreciation	<u>7,807,355</u>	<u>7,788,041</u>
Total Assets	<u>\$15,475,764</u>	<u>\$15,319,836</u>
Long-term liabilities outstanding	\$ 99,359	\$ 365,821
Other Liabilities	<u>145,688</u>	<u>79,343</u>
Total Liabilities	<u>\$ 245,047</u>	<u>\$ 445,164</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 7,707,996	\$ 7,438,708
Restricted for Insurance	245,865	206,862
Restricted for Rescue Squad	4,258	--
Unrestricted	<u>7,272,598</u>	<u>7,229,102</u>
Total Net Assets	<u>\$15,230,717</u>	<u>\$14,874,672</u>

Fifty-one and Fifty-two 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, 2006 and 2005, respectively. 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, 2006 and 2005, the County had positive balances in all categories of net assets for the governmental activities. Net assets increased \$356,045 for governmental activities. The County's overall financial position improved during fiscal year 2006.

While approximately \$1.2 million in property taxes have been transferred to the Taxes in Litigation Fiduciary Fund for potential repayment to Holland and Reliant Energy, management estimates that the other county funds face potential repayments of an estimated \$885,000. The Taxes in Litigation Fund is an agency fund; therefore, the amounts transferred to this fund are not included as assets and liabilities on the Statement of Net Assets. However, the amounts remaining in the other county funds are included in assets but are not reported as liabilities in the Statement of Net Assets as this statement is prepared in accordance with the modified cash basis of accounting.

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, 2006 and 2005

Receipts:	<u>2006</u>	<u>2005</u>
Program Receipts:		
Charges for services	\$ 1,255,006	\$ 1,181,123
Operating grants and contributions	1,315,455	1,129,102
Capital grants and contributions	--	400,664
General Receipts:		
Property taxes	3,700,875	3,629,012
Sales and other taxes	1,985,057	1,795,081
Unrestricted investment earnings	201,231	80,555
Other receipts	<u>37,232</u>	<u>39,055</u>
Total Receipts	<u>\$ 8,494,856</u>	<u>\$ 8,254,592</u>
Disbursements:		
General government	\$ 2,955,400	\$ 2,166,938
Public safety	1,385,313	1,613,710
Corrections	69,741	116,086
Judiciary	364,632	442,775
Public works/transportation	1,758,985	1,721,308
Health and welfare	1,091,076	1,386,088
Interest on long-term debt	<u>7,389</u>	<u>27,053</u>
Total Disbursements	<u>\$ 7,632,536</u>	<u>\$ 7,473,958</u>
Change in net assets before transfers and special items	\$ 862,320	\$ 780,634
Special Item-Sale of Coal Rights	--	2,133,327
Transfers	<u>(506,275)</u>	<u>(512,433)</u>
Change in net assets	\$ 356,045	\$ 2,401,528
Net assets – September 1,	<u>14,874,672</u>	<u>12,473,144</u>
Net assets – August 31,	<u>\$15,230,717</u>	<u>\$14,874,672</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 \$7,149,851 and \$7,269,582 as of August 31, 2006 and 2005, respectively. Of these amounts, \$245,865 and \$206,862 are reserved for insurance, \$4,258 and \$0 are reserved for rescue squad and \$655,341 and \$677,745 are reserved for future capital improvement projects and \$2,070,910 and \$2,075,983 are designated for future capital improvement projects as of August 31, 2006 and 2005, respectively. Of the total Governmental Funds fund balance, \$4,173,477 and \$4,308,992 are unreserved and undesignated and were available for appropriations as of August 31, 2006 and 2005, respectively.

The fund balance for all Governmental Funds at the fiscal years ended August 31, 2006 and 2005 had a negative net change of \$119,731 and a positive net change of \$1,449,158, respectively. The total fund balance decrease for the General Fund was \$653 and was largely attributable to \$312,598 of real estate taxes being transferred to the Taxes in Litigation Fiduciary Fund for the potential repayment to Holland Energy and Reliant Energy as a result of their tax assessment protests for prior tax years. The total fund balance increase for the General Fund in fiscal year 2005 of \$1,214,077 was due to the sale of the coal rights to BPI. The remainder of the Governmental Funds had a decrease in fund balance of \$119,078 and an increase in fund balance of \$235,081 for the years ended August 31, 2006 and 2005, respectively.

Per the Statement of Revenues Received, Expenditures Disbursed and Change in Fund Balance, total Governmental receipts for the fiscal years 2006 and 2005 were \$8,494,856 and \$7,861,250, respectively and total disbursements were \$7,918,312 and \$8,034,526, respectively. The County also had total net transfers out of Governmental Funds to Fiduciary Funds in the amount of \$506,275 and \$512,433 for the years ended August 31, 2006 and 2005, 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 fiscal year 2006 and 2005, the unreserved and undesignated fund balances in the General Fund were \$755,811 and \$794,652, respectively; the reserved portions for insurance commitments were \$245,865 and \$206,862, respectively, the reserved portions for rescue squad were \$4,258 and \$0, respectively and the designated portions were \$2,070,910 and \$2,075,983 for capital improvements, respectively. The unreserved and undesignated fund balance represents 21 and 19 percent of the General Fund's total disbursements for the years ended August 31, 2006 and 2005, respectively. For the year ended August 31, 2006, receipts of \$4,123,874 less disbursements of \$3,658,303 resulted in an increase in fund balance of \$465,571. After the net transfers of (\$466,224), the result was a net decrease in the General Fund balance of \$653. For the year ended August 31, 2005, receipts of \$3,835,462 less disbursements of \$4,198,217 resulted in a decrease in fund balance of \$362,755. After proceeds from the coal rights and net transfers out of \$1,576,832, the result was a net increase in the General Fund balance of \$1,214,077.

The largest receipt sources for the General Fund are property taxes, sales taxes, and income taxes which account for 66 and 70 percent of receipts for the years ended August 31, 2006 and 2005, respectively. General government and public safety are the primary operations of the general fund. Approximately 82 and 72 percent of the General Fund's disbursements are for general government and public safety activities for the years ended August 31, 2006 and 2005.

COUNTY HEALTH FUND

The largest receipt source for the County Health Fund is federal and state grant receipts from State of Illinois agencies which accounts for 41 and 52 percent of receipts for the years ended August 31, 2006 and 2005, 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 receipt source for the County Highway Fund is Motor Fuel Tax and other transportation grants from the Illinois Department of Transportation which accounts for 45 and 43 percent of receipts for the years ended August 31, 2006 and 2005, respectively. The County Highway Fund accounts for the maintenance and construction of roads and bridges in the County.

MENTAL HEALTH FUND

The largest receipt source for the Mental Health Fund is property taxes which accounts for 95 and 94 percent of receipts for the years ended August 31, 2006 and 2005, respectively. The Mental Health Fund's basic purpose is to provide mental health services for the citizenry of Shelby County.

BUGETARY 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 \$622,129 and actual disbursements were less than budgeted amounts by \$275,560, resulting in a positive budget variance of \$897,689. The required Supplementary Information section contains the Budgetary Comparison Schedule – Modified Cash Basis for the General Fund, County Health Fund, County Highway Fund and Mental Health Fund on pages 44 through 47.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The County's investments in capital assets as of August 31, 2006 and 2005 (net of accumulated depreciation), are summarized below for Governmental-Type Activities:

	Capital Assets Governmental Activities (Net of Depreciation) August 31, 2006 and 2005	
	<u>2006</u>	<u>2005</u>
Land	\$ 3,303,690	\$ 3,303,690
Work in Process	194,000	--
Buildings and Improvements	1,966,663	1,967,736
Vehicles	286,879	410,038
Maintenance Vehicles	172,656	172,559
Infrastructure	1,336,681	1,368,070
Equipment	<u>546,786</u>	<u>565,948</u>
Total Capital Assets, net of depreciation	<u>\$ 7,807,355</u>	<u>\$ 7,788,041</u>

During fiscal years 2006 and 2005, total capital assets for the County had a net increase (including additions, decreases, and depreciation) of \$19,314 and \$213,598, respectively. These increases reflect the current spending for courtroom renovations, voting machines, a new roof for the detention center, vehicles and other miscellaneous equipment. The County recorded \$486,042 and \$489,051 of depreciation expense for the fiscal years 2006 and 2005, respectively and the amounts of accumulated depreciation are \$3,153,277 and \$2,667,235 as of August 31, 2006 and 2005, respectively. More detailed information is presented in Note 5 to the financial statements.

LONG TERM 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 million dollars, and is substantially greater than current outstanding debt principal.

The following is a summary of the County's gross outstanding long-term debt as of August 31, 2006 and 2005:

Outstanding Long-Term Debt Governmental Activities August 31, 2006 and 2005

<u>Debt Description</u>	<u>2006</u>	<u>2005</u>
Special Service Area Bonds	\$ 12,500	\$ 16,500
Lease Purchase Agreements	<u>86,859</u>	<u>349,321</u>
Total County Outstanding Debt	<u>\$ 99,359</u>	<u>\$ 365,821</u>

More detailed information about the County's long-term debt is presented in Note 6 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. Twilla Weakly, Shelby County Treasurer, Shelby County Courthouse, Shelbyville, Illinois, 62565.

Basic Financial Statements

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

SHELBY COUNTY, ILLINOIS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
AUGUST 31, 2006

	Primary Government Governmental Activities	Component Unit
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 6,887,335	\$ 19,048
Certificates of Deposit	403,026	--
Notes Receivable		
Due within one year	188,731	--
Inventory	5,178	--
Total Current Assets	\$ 7,484,270	\$ 19,048
Noncurrent Assets:		
Notes Receivable		
Due in more than one year	\$ 184,139	\$ --
Capital Assets		
Land	3,303,690	--
Work in Process	194,000	--
Buildings	2,988,506	--
Vehicles	1,214,720	--
Maintenance Vehicles	385,597	--
Equipment	1,453,819	4,820
Infrastructure	1,420,300	--
Less: Accumulated Depreciation	(3,153,277)	(2,754)
Total Noncurrent Assets	\$ 7,991,494	\$ 2,066
TOTAL ASSETS	\$ 15,475,764	\$ 21,114
LIABILITIES:		
Current Liabilities:		
Withholding Payable	\$ 52,580	\$ 1,295
Due to Other Governmental Units	93,108	--
Current Portion of Long-term Debt	90,859	--
Total Current Liabilities	\$ 236,547	\$ 1,295
Noncurrent Liabilities		
Special Assessment Debt with Governmental Commitment	\$ 8,500	\$ --
Total Noncurrent Liabilities	\$ 8,500	\$ --
TOTAL LIABILITIES	\$ 245,047	\$ 1,295
NET ASSETS		
Investment in Capital Assets, Net of Related Debt	\$ 7,707,996	\$ 2,066
Restricted for:		
Insurance	245,865	--
Rescue Squad	4,258	--
Unrestricted	7,272,598	17,753
TOTAL NET ASSETS	\$ 15,230,717	\$ 19,819

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

SHELBY COUNTY, ILLINOIS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED AUGUST 31, 2006

Activities	Disbursements	PROGRAM RECEIPTS			Net (Disbursements) Receipts and Changes in Net Assets	
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Primary
						Governmental Activities
Primary Government:						
Governmental Activities						
General Government	\$ 2,955,400	\$ 394,069	\$ 99,968	\$ 163,208	\$ (2,298,155)	
Public Safety	1,385,313	254,518	51,948	--	(1,078,847)	
Corrections	69,741	--	41,475	--	(28,266)	
Judiciary	364,632	390,902	123,422	--	149,692	
Public Works/Transportation	1,758,985	93,286	469,166	--	(1,196,533)	
Health and Welfare	1,091,076	122,231	366,268	--	(602,577)	
Interest on long-term debt	7,389	--	--	--	(7,389)	
Total Governmental Activities	\$ 7,632,536	\$ 1,255,006	\$ 1,152,247	\$ 163,208	\$ (5,062,075)	
TOTAL PRIMARY GOVERNMENT	\$ 7,632,536	\$ 1,255,006	\$ 1,152,247	\$ 163,208	\$ (5,062,075)	
Component Unit:						
Shelby County Tourism	\$ 109,470	\$ 18,697	--	--	\$ (90,773)	
General Receipts:						
Taxes - Property				\$ 3,700,875	\$ --	
Taxes - Sales				591,176	--	
Taxes - Income				832,085	--	
Taxes - Motor Fuel				442,233	--	
Taxes - Replacement & Other				119,563	86,359	
Unrestricted Interest				201,231	105	
Sale of Fixed Asset				--	--	
Miscellaneous				37,232	--	
Transfers				(506,275)	--	
Total General Receipts and Transfers				\$ 5,418,120	\$ 86,464	
Change in Net Assets				\$ 356,045	(4,309)	
Net Assets - September 1, 2005				14,874,672	24,128	
Net Assets - August 31, 2006				\$ 15,230,717	\$ 19,819	

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

Fund Financial Statements

SHELBY COUNTY, ILLINOIS
 STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
 MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 AUGUST 31, 2006

	General Fund	County Health Fund	County Highway Fund	Mental Health Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 2,903,134	\$ 971,281	\$ 941,385	\$ 828,170	\$ 1,243,365	\$ 6,887,335
Certificates of Deposit	10,000	234,637	--	--	158,389	403,026
Interfund Loans Receivable	525,237	3,884	--	--	780	529,901
Inventory	5,178	--	--	--	--	5,178
TOTAL ASSETS	\$ 3,443,549	\$ 1,209,802	\$ 941,385	\$ 828,170	\$ 1,402,534	\$ 7,825,440
LIABILITIES						
Withholding Payable	\$ 52,580	\$ --	\$ --	\$ --	\$ --	\$ 52,580
Interfund Loans Payable	221,017	3,800	--	--	305,084	529,901
Due to Other Governmental Units	93,108	--	--	--	--	93,108
TOTAL LIABILITIES	\$ 366,705	\$ 3,800	\$ --	\$ --	\$ 305,084	\$ 675,589
FUND BALANCE						
Fund Balance:						
Reserved:						
Reserved for Insurance	\$ 245,865	\$ --	\$ --	\$ --	\$ --	\$ 245,865
Reserved for Future Projects	--	--	655,341	--	--	655,341
Reserved for Rescue Squad	4,258	--	--	--	--	4,258
Unreserved - Designated for Capital Improvements	2,070,910	--	--	--	--	2,070,910
Unreserved - Undesignated reported in:						
General Fund	755,811	--	--	--	--	755,811
Special Revenue Funds	--	1,206,002	286,044	828,170	1,095,903	3,416,119
Capital Projects Funds	--	--	--	--	1,547	1,547
TOTAL FUND BALANCE	\$ 3,076,844	\$ 1,206,002	\$ 941,385	\$ 828,170	\$ 1,097,450	\$ 7,149,851
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,443,549	\$ 1,209,802	\$ 941,385	\$ 828,170	\$ 1,402,534	\$ 7,825,440

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, 2006

Total Fund Balance for Governmental Funds	\$	7,149,851
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.		372,870
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the funds:		
Land		3,303,690
Other Capital Assets		4,503,665
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, they are not reported in the funds.		<u>(99,359)</u>
Net Assets of Governmental Activities	\$	<u><u>15,230,717</u></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, 2006

	General Fund	County Health Fund	County Highway Fund	Mental Health Fund	Other Governmental Funds	Total Governmental Funds
REVENUES RECEIVED:						
Property Taxes	\$ 1,298,373	\$ 388,116	\$ 625,988	\$ 626,990	\$ 761,408	\$ 3,700,875
Sales Taxes	591,176	--	--	--	--	591,176
Intergovernmental Revenue:						
State Sources:						
Income Taxes	832,085	--	--	--	--	832,085
Motor Fuel Taxes	--	--	442,233	--	--	442,233
Replacement Tax	36,750	8,420	36,088	16,550	21,755	119,563
Other State Sources	210,488	287,930	196,935	--	95,484	790,837
Federal Sources	170,569	78,338	--	--	275,711	524,618
County Farm	21,525	--	--	--	--	21,525
Loan Repayments	--	--	--	--	--	--
Charges for Services	57,702	110,658	79,936	--	13,350	261,646
Licenses and Permits	7,102	--	--	--	--	7,102
Fines, Fees and Forfeits	682,869	--	--	--	182,615	865,484
Sales of Real Estate Stamps	99,249	--	--	--	--	99,249
Interest	103,663	23,198	24,654	18,925	30,791	201,231
Miscellaneous Revenues	12,323	40	211	--	24,658	37,232
Total Revenues Received	\$ 4,123,874	\$ 896,700	\$ 1,406,045	\$ 662,465	\$ 1,405,772	\$ 8,494,856
EXPENDITURES DISBURSED:						
Current:						
General Government	\$ 1,875,928	--	--	--	\$ 876,138	\$ 2,752,066
Public Safety	1,122,940	--	--	--	131,773	1,254,713
Corrections	68,197	--	--	--	--	68,197
Judiciary	332,513	--	--	--	32,119	364,632
Public Works/Transportation	--	--	1,248,284	--	364,082	1,612,366
Health and Welfare	43,422	714,723	--	292,737	36,249	1,087,131
Debt Service	47,035	--	98,602	--	128,214	273,851
Capital Outlay	168,268	--	40,709	--	296,379	505,356
Total Expenditures Disbursed	\$ 3,658,303	\$ 714,723	\$ 1,387,595	\$ 292,737	\$ 1,864,954	\$ 7,918,312
Revenues Received Over (Under) Expenditures Disbursed	\$ 465,571	\$ 181,977	\$ 18,450	\$ 369,728	\$ (459,182)	\$ 576,544
Other Financing Sources (Uses):						
Promissory Note Proceeds	--	--	--	--	(190,000)	(190,000)
Operating Transfers In	561,677	--	300,000	--	153,626	1,015,303
Operating Transfers Out	(1,027,901)	--	(300,000)	--	(193,677)	(1,521,578)
Net Change in Fund Balance	\$ (653)	\$ 181,977	\$ 18,450	\$ 369,728	\$ (689,233)	\$ (119,731)
Fund Balance - September 1, 2005	3,077,497	1,024,025	922,935	456,442	1,786,683	7,259,582
Fund Balance - August 31, 2006	\$ 3,076,844	\$ 1,206,002	\$ 941,385	\$ 828,170	\$ 1,097,450	\$ 7,149,851

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, 2006

Net Change in Fund Balance - Total Governmental Funds	\$	(119,731)
The Change in Net Assets reported for governmental activities in the Statement of Activities - modified cash basis is different because:		
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 (\$505,356) exceeded depreciation (\$486,042) in the current period.		19,314
Issuance of new Notes Receivable is recorded as an other financing use in the governmental funds, but the payments increase Notes Receivable in the Statement of Net Assets - modified cash basis. However, principal payments reduce Notes Receivable and do not affect the Statement of Activities - modified cash basis.		190,000
The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. Principal reductions were \$266,462 and debt proceeds were \$0.		<u>266,462</u>
Change in Net Assets of Governmental Activities	\$	<u><u>356,045</u></u>

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, 2006

	Agency Funds
ASSETS	
Cash and Cash Equivalents	5,229,939
TOTAL ASSETS	\$ 5,229,939
 LIABILITIES	
Trust Funds due Others	\$ 5,229,939
TOTAL LIABILITIES	\$ 5,229,939
TOTAL NET ASSETS	\$ --

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, 2006

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 definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

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 Unit

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.

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 SCOT assets. The SCOT does not issue separate financial statements.

B. Related Organizations

The county's officials are also responsible for appointing the members of the boards of other organizations, but the county's accountability for these organizations does not extend beyond making the appointments.

C. Jointly Governed Organizations

Shelby County, in conjunction with the counties of Clark, Coles, Cumberland, Edgar and Moultrie has entered into an intergovernmental agreement for the purposes of conducting solid waste planning activities on a regional basis.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

D. Government-Wide and Fund Financial Statements

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. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

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) 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*.

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.

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

The County reports the following major governmental funds:

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 *Mental Health Fund* is used to account for receipts and disbursements of taxes collected to provide mental health services to the citizenry of Shelby County.

Additionally, the County reports the following fund types:

Agency Funds report assets and liabilities arising from collection of monies on behalf of the County and other governments and entities.

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. The County does not have any business-type activities and enterprise funds as of August 31, 2006.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

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, 2006

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.

The budget was adopted on September 14, 2005.

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 with 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.

J. Receivables and Payables

Activity 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.

SHELBY COUNTY, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

K. Notes Receivable

The County has three notes receivable. The first is Eagle Creek Resort. The terms of this loan agreement requires 59 monthly installments of \$5,303.28 including interest of 5.0% and a final payment of the unpaid principal balance plus accrued interest on October 1, 2007. The second note receivable is due from Whitetail Crossing, Inc. The terms of this loan agreement requires 10 annual installments of \$7,048.77 including interest of 3% commencing on June 1, 2007 until June 1, 2016. The third note receivable is due from Willow Ridge Vineyards and Winery. The terms of this loan agreement requires four annual installments of \$15,272 and a final payment of \$85,132 including interest of 3% commencing on May 26, 2007 until May 26, 2011. These 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 purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Property, plant, and equipment of the County, as well as the component unit, is 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

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.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. At August 31, 2006, the County had restricted net assets of \$245,865 for insurance and \$4,258 for the rescue squad.

P. 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.

Total interfund Operating Transfers In of \$1,015,303 do not equal Operating Transfers Out of \$1,521,578 on the Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balance - Governmental Funds due to \$506,275 of transfers to Agency Funds from other funds.

The above transfers are made primarily for reimbursement of eligible expenditures and to supplement other funds resources.

Q. 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. There has not been a significant reduction in the County's insurance coverage as of August 31, 2006. 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, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

R. 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.

Note 2 - Property Taxes

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 2005 and 2006 attached as an enforceable lien on property as of January 1, 2004 and 2005, respectively. These taxes were required to be levied by the County prior to the last Tuesday in December. The 2004 and 2005 levies were adopted by the County in September, 2004 and September, 2005. Property taxes were due from property owners in two installments in August and October. The property tax receipts for the year ending August 31, 2006, as shown in the financial statements, consist of three distributions from the 2004 levy. Property taxes are distributed from September through February.

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.

	2005 <u>Maximum</u>	<u>2005 Levy</u>	<u>2004 Levy</u>
Assessed Valuation		<u>\$241,692,929</u>	<u>\$311,870,046</u>
Property Tax Rates:			
Extension Education	.05000	.02909	.02255
County	.27000	.27000	.27000
County Highway	.10000	.10000	.10000
County Bridge	.05000	.05000	.05000
Federal Aid	.05000	.05000	.05000
County Health	.12400	.12400	.12400
Municipal Retirement	Unlimited	.20688	.13200
Airport	.25000	.01885	.01602
Mental Health	.15000	.15000	.15000
Social Security	Unlimited	.11379	.07766
Tort Immunity Insurance	Unlimited	.08275	.04970
Workers' Comp. Insurance Tax	Unlimited	.07241	.04349
Unemployment Insurance Act	Unlimited	.00621	.00466
Bonded Debt	Unlimited	--	.03258
Prior Year Adjustment	Unlimited	--	<u>.05032</u>
Total County Rate		<u><u>1.27398</u></u>	<u><u>1.17298</u></u>

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 3 - Special Tax Levies, Reserved Equity and Designated Equity

Unemployment Insurance

Cash receipts and the related cash disbursements of this restricted tax levy are accounted for in the General Fund. A portion, \$71,367, of the General Fund's equity represents the excess of cumulative receipts over cumulative disbursements which is restricted for future unemployment tax disbursements in accordance with the Illinois Compiled Statutes.

Liability Insurance

Cash receipts and the related cash disbursements of this restricted tax levy are accounted for in the General Fund. Cumulative cash disbursements have exceeded cumulative cash receipts from this tax levy and there is no restriction of fund equity for future liability insurance disbursements.

Workers' Compensation Insurance

Cash receipts and the related cash disbursements of this restricted tax levy are accounted for in the General Fund. A portion, \$174,498, of the General Fund's equity represents the excess of cumulative receipts over cumulative disbursements which is restricted for future workers' compensation tax disbursements in accordance with the Illinois Compiled Statutes.

Rescue Squad

Cash donations have exceeded cash disbursements for rescue squad expenses. A portion \$4,258, of the General Fund's equity represents restricted donations.

Future Projects

This reflects tentative plans for Motor Fuel Tax monies.

Capital Improvements

This reflects the balance designated by the County Board for future capital improvement projects.

SHELBY COUNTY, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 4 - Cash and Investments

Cash and investments as of August 31, 2006 consist of the following:

	<u>Primary Government</u>	<u>Component Unit</u>
Petty Cash	\$ 7,348	\$ 250
Deposits with financial institutions	<u>7,283,013</u>	<u>18,798</u>
Sub-Total Governmental Activities	\$ 7,290,361	\$ 19,048
Fiduciary Funds	<u>5,229,939</u>	<u>--</u>
Total	<u>\$ 12,520,300</u>	<u>\$ 19,048</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. 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, 2006 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	\$ 6,712	September 12, 2006
Certificate of Deposit	14,158	September 20, 2006
Certificate of Deposit	20,237	October 11, 2006
Certificate of Deposit	10,142	October 13, 2006
Certificate of Deposit	1,000,000	October 14, 2006
Certificate of Deposit	10,142	October 17, 2006
Certificate of Deposit	15,000	October 23, 2006
Certificate of Deposit	55,000	October 24, 2006
Certificate of Deposit	10,839	October 26, 2006
Certificate of Deposit	10,000	December 5, 2006
Certificate of Deposit	10,000	January 17, 2007
Certificate of Deposit	109,637	February 4, 2007
Certificate of Deposit	20,347	February 15, 2007
Certificate of Deposit	20,439	February 15, 2007
Certificate of Deposit	45,000	February 16, 2007
Certificate of Deposit	5,746	February 20, 2007
Certificate of Deposit	125,000	February 22, 2007
Certificate of Deposit	15,000	March 20, 2007
Certificate of Deposit	14,011	April 8, 2007
Certificate of Deposit	14,397	September 8, 2007
Certificate of Deposit	<u>13,449</u>	September 27, 2009
	<u>\$1,545,256</u>	

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 4 - Cash and Investments (Continued)

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

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. 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.

As of August 31, 2006, \$1,234,057 of the County's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 5 – Capital Assets

Capital assets activity for the year ended August 31, 2006 was as follows:

	<u>Balance</u> <u>September 1,</u> <u>2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>August 31,</u> <u>2006</u>
Primary Government				
Government activities:				
Capital assets not being depreciated:				
Land	\$ 3,303,690	\$ --	\$ --	\$3,303,690
Work In Process	<u>--</u>	<u>194,000</u>	<u>--</u>	<u>194,000</u>
	<u>\$ 3,303,690</u>	<u>\$ 194,000</u>	<u>\$ --</u>	<u>\$3,497,690</u>
Capital assets being depreciated:				
Buildings & Improvements	\$ 2,913,086	\$ 75,420	\$ --	\$ 2,988,506
Vehicles	1,209,660	5,060	--	1,214,720
Maintenance Vehicles	344,888	40,709	--	385,597
Infrastructure	1,420,300	--	--	1,420,300
Equipment	<u>1,263,652</u>	<u>190,167</u>	<u>--</u>	<u>1,453,819</u>
Total Capital Assets Being Depreciated	<u>\$ 7,151,586</u>	<u>\$ 311,356</u>	<u>\$ --</u>	<u>\$ 7,462,942</u>
Less: Accumulated Depreciation:				
Buildings & Improvements	\$ (945,350)	\$ (76,493)	\$ --	\$ (1,021,843)
Vehicles	(799,622)	(128,219)	--	(927,841)
Maintenance Vehicles	(172,329)	(40,612)	--	(212,941)
Infrastructure	(52,230)	(31,389)	--	(83,619)
Equipment	<u>(697,704)</u>	<u>(209,329)</u>	<u>--</u>	<u>(907,033)</u>
Total Accumulated Depreciation	<u>\$(2,667,235)</u>	<u>\$ (486,042)</u>	<u>\$ --</u>	<u>\$ (3,153,277)</u>
Total Capital Assets being Depreciated net	<u>\$ 4,484,351</u>	<u>\$ (174,686)</u>	<u>\$ --</u>	<u>\$ 4,309,665</u>
Governmental Activities Capital Assets, net	<u>\$ 7,788,041</u>	<u>\$ 19,314</u>	<u>\$ --</u>	<u>\$ 7,807,355</u>

Depreciation expenses were charged to the functions/programs of the Primary Government as follows:

Governmental activities:	
General Government	\$203,334
Public Safety	130,600
Corrections	1,544
Public Works/Transportation	146,619
Health and Welfare	<u>3,945</u>
	<u>\$486,042</u>

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 5 – Capital Assets (Continued)

Capital assets activity of Shelby County Office of Tourism for the year ended August 31, 2006 was as follows:

	Balance September 1, <u>2005</u>	Increase	Decrease	Balance August 31, <u>2006</u>
Capital assets being Depreciated:				
Equipment	\$ 4,820	\$ --	\$ --	\$ 4,820
Less: Accumulated Depreciation Equipment	\$ (2,066)	\$ (688)	\$ --	\$ (2,754)
Capital assets, net	<u>\$ 2,754</u>	<u>\$ (688)</u>	<u>\$ --</u>	<u>\$ 2,066</u>

Note 6 - Long-Term Liabilities

The following is a summary of changes in Long-Term Debt of Shelby County for the year ended August 31, 2006.

	Balance September 1, <u>2005</u>	Additions	Reductions	Balance August 31, <u>2006</u>	Due Within One Year
Governmental activities:					
Fidlar Doubleday Election Software	\$ 8,154	\$ --	\$ 8,154	\$ --	\$ --
Devnet Real Estate Package	48,600	--	38,880	9,720	9,720
Geographic Information System	200,553	--	123,414	77,139	77,139
Excavator	29,683	--	29,683	--	--
2004 International Dump Truck	62,331	--	62,331	--	--
Garden Acres Subdivision Special Service Area Bonds	<u>16,500</u>	<u>--</u>	<u>4,000</u>	<u>12,500</u>	<u>4,000</u>
	<u>\$ 365,821</u>	<u>\$ --</u>	<u>\$ 266,462</u>	<u>\$ 99,359</u>	<u>\$ 90,859</u>

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 6 - Long-Term Liabilities (Continued)

A. Equipment Lease Agreements

Shelby County has entered into the following equipment lease agreements.

Election Software and Service Contract

This original agreement dated October 10, 2001 with Fidler Doubleday Company provides for sixteen quarterly payments of \$8,154.69 commencing November, 2002 for election software supplies and support and computer hardware upgrade. This obligation was paid in full as of August 31, 2006.

Real Estate Tax Hardware and Software Agreement

This original agreement dated February 1, 2003 with Devnet, Inc provides for quarterly payments of \$9,720 commencing on February 1, 2003 and ending on November 1, 2006 for the purchase of real estate tax billing and collection hardware and software. As of August 31, 2006, there is one quarterly payment remaining.

Geographic Information System

This original agreement in the amount of \$493,659 dated March 12, 2003 with Bruce Harris & Associates provides for quarterly payments of \$30,854 plus support services commencing on April 1, 2003 for the creation and implementation of a Geographic Information System. As of August 31, 2006, there are two quarterly payments remaining.

The Shelby County Highway Department has entered into the following equipment lease agreements:

Excavator

The agreement, approved November 1, 1999 provides for seven annual payments of \$16,363 including 6.4% interest due November 1 of each year for the lease/purchase of a 1997 Caterpillar 320BL Excavator. The County has an option to purchase the equipment before the expiration of the lease. The County exercised the option to purchase and there are no lease payments remaining at August 31, 2006.

2004 International Dump Truck

The agreement approved March 26, 2004 provides for four annual payments of \$22,760 including 4.64% interest due October 1 of each year for the lease/purchase of a 2004 International Dump Truck. The County has the option to purchase the truck before the expiration of the lease. The County exercised the option to purchase and there are no lease payments remaining at August 31, 2006.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 6 - Long-Term Liabilities (Continued)

B. Special Service Area Bonds

On February 10, 1999, the Shelby County Board adopted Ordinance 99-2, authorizing the issuance of \$36,000 Garden Acres Subdivision Special Service Area Bonds for the purpose of financing the repair and construction of platted roads and streets in the special service area. The bonds are dated February 15, 1999 and are due in annual installments of \$3,000 to \$4,500 through December 1, 2008 and have a stated interest rate of 4.85%. The bonds are obligations of Shelby County payable solely from ad valorem taxes levied without limitation upon all the taxable property in the Special Service Area.

C. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2006 are as follows:

Fiscal Year Ending <u>August 31,</u>	Governmental Activities			
	Capital Lease Obligations		Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 86,859	\$ --	\$ 4,000	\$ 605
2008	--	--	4,000	412
2009	--	--	4,500	218
Total	\$ 86,859	\$ --	\$ 12,500	\$ 1,235

D. 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 million dollars and is substantially greater than the current outstanding debt principal.

Note 7 - 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

The County's defined benefit pension plan, Illinois Municipal Retirement (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent multiple employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 7 - Retirement Plans (Continued)

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. Elected County Officials (ECO) members' are required to contribute 7.50 percent of their annual covered salary. Sheriff's Law Enforcement Personnel (SLEP) members are required to contribute 6.50 percent of their annual covered salary. The member rate is established by state statute. The County is required to contribute at an actuarially determined rate. The County rate for calendar year 2005 was 8.92 percent of payroll for IMRF, 12.26 percent of payroll for SLEP members and 48.68 percent for ECO members. The County contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The remaining amortization periods at December 31, 2005 were 27 years for all members.

SLEP Plan

For December 31, 2005, the County's annual pension cost of \$55,869 was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.0% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 experience study.

ECO Plan

For December 31, 2005, the County's annual pension cost of \$212,001 was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.0% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 experience study.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 7 - Retirement Plans (continued)

Other County Employees' Plan

For December 31, 2005, the County's annual pension cost of \$175,495 was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.0% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increase of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 experience study.

Trend Information

SLEP Plan

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 55,869	100%	\$0
12/31/04	43,744	100%	0
12/31/03	4,074	100%	0
12/31/02	3,724	100%	0
12/31/01	3,810	100%	0
12/31/00	3,492	100%	0
12/31/99	3,770	100%	0
12/31/98	25,868	100%	0
12/31/97	22,951	100%	0
12/31/96	18,906	100%	0

ECO Plan

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 212,001	100%	\$0
12/31/04	197,781	100%	0
12/31/03	175,780	100%	0
12/31/02	174,690	100%	0
12/31/01	158,534	100%	0
12/31/00	148,338	100%	0
12/31/99	115,340	100%	0
12/31/98	49,789	100%	0
12/31/97	15,479	100%	0
12/31/96	0	100%	0

SHELBY COUNTY, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 7 - Retirement Plans (continued)

Other County Employees' Plan

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 175,495	100%	\$0
12/31/04	143,648	100%	0
12/31/03	80,508	100%	0
12/31/02	89,516	100%	0
12/31/01	122,858	100%	0
12/31/00	136,455	100%	0
12/31/99	148,515	100%	0
12/31/98	138,664	100%	0
12/31/97	158,465	100%	0
12/31/96	159,421	100%	0

B. Social Security

All employees, including those covered by IMRF, are covered under Social Security. Shelby County paid \$229,456, the total required contribution for the year ended August 31, 2006.

Note 8 - 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>
Indemnity	\$ 2,798	\$ 0	\$ 2,798
County Airport	91,851	45,555	46,296
Capital Improvement	202,697	84,000	118,697
Revolving Loan	9,852	0	9,852
DUI Equipment	16,967	4,000	12,967

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 8 - Required Individual Fund Disclosures (Continued)

B. Deficit Fund Balances of Individual Funds

The following funds had deficit fund balances at August 31, 2006:

<u>Fund</u>	<u>Amount</u>
Municipal Retirement	\$ 235,671
Social Security	\$ 33,748
GIS	\$ 30,442

C. Individual Fund Interfund Receivable and Payable Balances

Individual fund interfund receivable and payable balances at August 31, 2006 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
MAJOR FUNDS:		
GENERAL FUND:		
Other than Fee Offices	\$ 305,085	\$ 221,017
Coal Rights	220,152	--
Total General Fund	<u>\$ 525,237</u>	<u>\$ 221,017</u>
COUNTY HEALTH FUND:		
Miscellaneous County Health	\$ --	\$ 3,800
Home Nursing	3,884	--
Total County Health Fund	<u>\$ 3,884</u>	<u>\$ 3,800</u>
NONMAJOR FUNDS:		
SPECIAL REVENUE FUNDS:		
Municipal Retirement	\$ --	\$ 237,611
Social Security	--	34,473
GIS	780	33,000
Total Special Revenue Funds	<u>\$ 780</u>	<u>\$ 305,084</u>
 Total	 <u>\$ 529,901</u>	 <u>\$ 529,901</u>

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 8 - Required Individual Fund Disclosures (Continued)

D. Transfer within the Reporting Entity

The composition of interfund transfers for the year ended August 31, 2006 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
MAJOR FUNDS:		
GENERAL FUND:		
Other than Fee Offices	\$ 561,677	\$ 312,598
County Clerk	--	193,531
Circuit Clerk	--	144,288
Sheriff	--	81,567
States Attorney	--	207,817
Supervisor of Assessments	--	4,100
Coal Rights	--	84,000
Total General Fund	<u>\$ 561,677</u>	<u>\$ 1,027,901</u>
COUNTY HIGHWAY FUND:		
County Highway	\$ 300,000	\$ --
County Motor Fuel Tax Fund	--	300,000
Total County Highway Fund	<u>\$ 300,000</u>	<u>\$ 300,000</u>
NONMAJOR FUNDS:		
SPECIAL REVENUE FUNDS:		
Ambulance	\$ --	\$ 15,509
Municipal Retirement	--	112,173
Social Security	--	65,995
Capital Improvement	84,000	--
Recording	20,307	--
Drug Traffic Prevention	1,160	--
GIS	45,490	--
DUI Equipment	2,669	--
Total Special Revenue Funds	<u>\$ 153,626</u>	<u>\$ 193,677</u>
FIDUCIARY FUND:		
Taxes in Litigation	\$ 506,275	\$ --
 Total	 <u>\$ 1,521,578</u>	 <u>\$ 1,521,578</u>

The above transfers are made primarily for reimbursement of eligible expenditures and to supplement other fund resources.

SHELBY COUNTY, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 8 - Required Individual Fund Disclosures (Continued)

The composition of transfers between governmental funds and fiduciary funds for the year ended August 31, 2006 is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Fund:		
General	\$ --	\$ 312,598
Ambulance	--	15,509
Municipal Retirement	--	112,173
Social Security	--	65,995
Fiduciary Fund		
Taxes in Litigation	506,275	--
Total	\$ 506,275	\$ 506,275

The above transfer was made primarily to set aside a portion of real estate taxes paid by Reliant Energy & Holland Energy for the potential repayment based on the tax assessment appeal.

Note 9 – Insurance

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

Tort Immunity Receipts:	
Property Tax Collected	\$ 304,768
Mobile Home Tax Collected	1,114
Interest	388
	\$ 306,270
Tort Expenditures:	
Commercial Liability Insurance	\$ 155,560
Unemployment tax	14,437
Workers' Compensation Insurance	97,270
Total Expenditures	\$ 267,267
Receipts over expenditures	\$ 39,003
Restricted at September 1, 2005	206,862
Restricted at August 31, 2006	\$ 245,865

Note 10 - Due to Other Governmental Units

The Due to Other Governmental Units shown in the General Fund column of the Statement of Assets, Liabilities and Fund Balance - Modified Cash Basis in the amount of \$93,108 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.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 11 - 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.

Note 12 - Commitments and Contingencies

Airport Operator's Agreement

On June 7th, 1994, the Shelby County Airport and Landing Fields Commission entered into an "Airport Operator's Agreement" with B & M Aviation, Inc. for the operation and management of Shelby County Airport. This was for a two year term, expiring in June 1996, requiring a monthly rent of \$1,500. The Shelby County Airport continued to operate under the terms of the expired agreement through August 31, 2005.

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, 2006 is not reflected in the financial statements but is estimated to be \$471,000.

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, 2006.

Litigation

Various claims and lawsuits are pending against the County. The potential loss, if any, on all claims and lawsuits cannot be reasonably estimated and therefore is not disclosed in the County's financial statements.

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.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 12 - Commitments and Contingencies (Continued)

Compensated Absences

Employees of the District 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, 2006 was \$17,041. 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

On February 28, 2001 the County entered into a one year lease agreement with Jim Hampton to lease the Shelby County Farmland. This lease provides for minimum annual rent of \$21,525 payable in semi-yearly installments of \$10,762.50. The County received \$21,525 in rent income from Jim Hampton during the year ended August 31, 2006.

Reliant Energy and Holland Energy Assessment Appeals

Reliant Energy and Holland Energy filed appeals with the State of Illinois Property Tax Appeal Board concerning their 2001, 2002, and 2003 assessed valuations.

The County has transferred a total of \$1,230,284 of the General, Ambulance, Municipal Retirement, and Social Security Fund's property taxes to the Taxes In Litigation Fiduciary Fund for the potential repayment based on the outcome of the appeals.

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. No expenditures were recognized during the year ended August 31, 2006. The benefit will commence in September, 2006.

Courtroom Renovation Project

Substantial renovations to the Shelby County Courtroom A were made during fiscal year 2006. These improvements totaled approximately \$194,000 at August 31, 2006 and were funded by fees collected in the Fees to Assist Court Special Revenue Fund. The remodeled Courtroom was not placed in service at August 31, 2006; therefore, the improvements are listed as "Work in Process" in the depreciation schedule presented in Note 5 to the financial statements. Management estimates that \$32,000 in additional expenditures will be required to complete the project.

SHELBY COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2006

Note 12 - Commitments and Contingencies (Continued)

Illinois Counties Insurance Trust

On August 9, 2006 the County Board approved the payment of \$81,606 to the Illinois Counties Insurance Trust (the County's prior insurance provider) in accordance with terms of the insurance trust agreement. No funds had been disbursed in satisfaction of this obligation at August 31, 2006.

Note 13 - Subsequent Events

Equipment Purchase

On October 11, 2006 the Shelby County Board authorized the Road and Bridge Committee to act on the purchase of a 2005 Caterpillar Wheel Loader for \$89,048.

Property Tax Litigation

On October 26, 2006, the Appellate Court of Illinois Fifth District entered an Order which approved the Reliant Energy Settlement Agreement. As a result, on November 17, 2006, Shelby County refunded \$970,837 in tax monies to Reliant Energy.

In December, 2006, a settlement agreement by and between Holland Energy, LLC, the Shelby County Board of Review and Shelby County was approved by all parties. As a result, prior to January 31, 2007, Shelby County will refund \$968,836 in tax monies to Holland Energy.

A breakdown of the repayments by levy follows:

<u>Levy</u>	<u>Reliant Payback</u>	<u>Holland Payback</u>	<u>Total</u>
Corporate	\$ 226,545	\$ 227,368	\$ 453,913
Bonds	43,438	38,298	81,736
IMRF	113,614	108,494	222,108
County Highway	83,907	84,210	168,117
County Bridge	41,954	42,105	84,059
Mental Health	110,163	121,080	231,243
Federal Aid Secondary Matching	41,954	42,105	84,059
County Health	104,044	104,421	208,465
Liability Insurance	36,318	39,230	75,548
Social Security	74,498	70,359	144,857
Extension Education	20,085	19,379	39,464
Unemployment	3,906	4,203	8,109
Workers Compensation	39,200	38,470	77,670
Airport	15,081	13,808	28,889
Ambulance	16,130	15,306	31,436
	<u>\$ 970,837</u>	<u>\$ 968,836</u>	<u>\$ 1,939,673</u>

Required Supplementary Information
(Part 2 of 2)

SHELBY COUNTY, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 GENERAL FUND
YEAR ENDED AUGUST 31, 2006

	Original (Final) Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES RECEIVED:			
Property Taxes	\$ 1,253,720	\$ 1,298,373	\$ 44,653
Sales Taxes	485,000	591,176	106,176
Intergovernmental Revenue:			
State Sources:			
Income Taxes	670,000	832,085	162,085
Replacement Tax	28,400	36,750	8,350
Other State Sources	212,000	210,488	(1,512)
Federal Sources			
County Farm	10,000	170,569	160,569
Charges for Services	22,000	21,525	(475)
Licenses and Permits	41,000	57,702	16,702
Fines, Fees and Forfeits	4,000	7,102	3,102
Sales of Real Estate Stamps	625,000	682,869	57,869
Interest	92,000	99,249	7,249
Coal Option	22,000	103,663	81,663
Miscellaneous Revenues	31,625	--	(31,625)
	5,000	12,323	7,323
Total Revenues Received	<u>\$ 3,501,745</u>	<u>\$ 4,123,874</u>	<u>\$ 622,129</u>
EXPENDITURES DISBURSED:			
Current:			
General Government	\$ 2,063,599	\$ 1,875,928	\$ 187,671
Public Safety	1,145,395	1,122,940	22,455
Corrections	117,996	68,197	49,799
Judiciary	347,648	332,513	15,135
Health and Welfare	43,225	43,422	(197)
Debt Service	--	47,035	(47,035)
Capital Outlay	216,000	168,268	47,732
Total Expenditures Disbursed	<u>\$ 3,933,863</u>	<u>\$ 3,658,303</u>	<u>\$ 275,560</u>
Revenues Received Over (Under) Expenditures Disbursed	\$ (432,118)	\$ 465,571	\$ 897,689
Other Financing Sources (Uses):			
Operating Transfers In	--	561,677	561,677
Operating Transfers Out	--	(1,027,901)	(1,027,901)
Net Change in Fund Balance	<u>\$ (432,118)</u>	<u>\$ (653)</u>	<u>\$ 431,465</u>
Fund Balance - September 1, 2005		<u>3,077,497</u>	
Fund Balance - August 31, 2006		<u>\$ 3,076,844</u>	

Reference should be made to the accountant'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, 2006

	Original (Final) Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES RECEIVED:			
Property Taxes	\$ 371,514	\$ 388,116	\$ 16,602
Intergovernmental Revenue:			
State Sources:			
Replacement Tax	8,580	8,420	(160)
Other State Sources	250,815	287,930	37,115
Federal Sources	97,812	78,338	(19,474)
Charges for Services	106,932	110,658	3,726
Interest	22,308	23,198	890
Miscellaneous Revenues	39	40	1
Total Revenues Received	\$ 858,000	\$ 896,700	\$ 38,700
EXPENDITURES DISBURSED:			
Current:			
Health and Welfare	931,193	714,723	216,470
Net Change in Fund Balance	<u>\$ (73,193)</u>	\$ 181,977	<u>\$ 255,170</u>
Fund Balance - September 1, 2005		<u>1,024,025</u>	
Fund Balance - August 31, 2006		<u>\$ 1,206,002</u>	

Reference should be made to the accountant'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, 2006

	Original (Final) Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES RECEIVED:			
Property Taxes	\$ 587,796	\$ 625,988	\$ 38,192
Intergovernmental Revenue:			
State Sources:			
Motor Fuel Tax	414,744	442,233	27,489
Replacement Taxes	33,924	36,088	2,164
Other State Sources	184,932	196,935	12,003
Charges for Services	75,108	79,936	4,828
Interest	23,232	24,654	1,422
Miscellaneous Revenues	264	211	(53)
	\$ 1,320,000	\$ 1,406,045	\$ 86,045
EXPENDITURES DISBURSED:			
Current:			
Public Works/Transportation	\$ 1,439,413	\$ 1,248,284	\$ 191,129
Debt Service	--	98,602	(98,602)
Capital Outlay	104,760	40,709	64,051
	\$ 1,544,173	\$ 1,387,595	\$ 156,578
Revenues Received Over (Under) Expenditures Disbursed	\$ (224,173)	\$ 18,450	\$ 242,623
Other Financing Sources (Uses):			
Transfers In	--	300,000	300,000
Transfers Out	--	(300,000)	(300,000)
	\$ (224,173)	\$ 18,450	\$ 242,623
Fund Balance - September 1, 2005		922,935	
Fund Balance - August 31, 2006		\$ 941,385	

Reference should be made to the accountant'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, 2006

	Original (Final) Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES RECEIVED:			
Property Taxes	\$ 591,309	\$ 626,990	\$ 35,681
Intergovernmental Revenue:			
State Sources:			
Replacement Taxes	15,620	16,550	930
Interest	17,869	18,925	1,056
Total Revenues Received	\$ 624,798	\$ 662,465	\$ 37,667
EXPENDITURES DISBURSED:			
Current:			
Health and Welfare	\$ 491,870	\$ 292,737	\$ 199,133
Capital Outlay	7,000	--	7,000
Total Expenditures Disbursed	\$ 498,870	\$ 292,737	\$ 206,133
Net Change in Fund Balance	\$ 125,928	\$ 369,728	\$ 243,800
Fund Balance - September 1, 2005		458,442	
Fund Balance - August 31, 2006		\$ 828,170	

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

SHELBY COUNTY, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 IMRF SCHEDULE OF FUNDING PROGRESS
YEAR ENDED AUGUST 31, 2006

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. 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)
12/31/05	1,772,702	1,677,940	(94,762)	105.65%	455,703	0.00%
12/31/04	1,552,440	1,552,116	(324)	100.02%	473,933	0.00%
12/31/03	1,422,805	1,310,850	(111,955)	108.54%	433,375	0.00%
12/31/02	1,420,101	1,142,403	(277,698)	124.31%	409,247	0.00%
12/31/01	1,412,921	959,942	(452,979)	147.19%	381,027	0.00%
12/31/00	1,285,668	824,737	(460,931)	155.89%	342,350	0.00%
12/31/99	1,134,665	745,320	(389,345)	152.24%	366,055	0.00%
12/31/98	1,093,884	630,629	(463,255)	173.46%	364,332	0.00%
12/31/97	879,030	498,260	(380,770)	176.42%	340,910	0.00%
12/31/96	910,105	618,862	(291,243)	147.06%	356,726	0.00%

On a market basis the actuarial value of assets as of December 31, 2005 is \$1,791,786. On a market basis, the funded ratio would be 106.78%.

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)
12/31/05	87,934	2,277,286	2,189,352	3.86%	413,701	529.21%
12/31/04	(110,994)	2,281,331	2,392,325	0.00%	404,752	591.06%
12/31/03	11,681	2,177,915	2,166,234	0.54%	393,164	550.97%
12/31/02	(195,930)	1,866,075	2,062,005	0.00%	372,388	553.72%
12/31/01	(152,955)	1,663,360	1,816,315	0.00%	369,114	492.07%
12/31/00	(279,902)	1,350,815	1,630,717	0.00%	341,401	477.65%
12/31/99	106,420	1,255,925	1,149,505	8.47%	303,928	378.22%
12/31/98	(364,006)	581,443	945,449	0.00%	248,947	379.78%
12/31/97	(322,101)	460,401	782,502	0.00%	208,290	375.68%
12/31/96	0	0	0	0.00%	0	N/A

On a market basis the actuarial value of assets as of December 31, 2005 is \$102,945. On a market basis, the funded ratio would be 4.52%.

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

SHELBY COUNTY, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 IMRF SCHEDULE OF FUNDING PROGRESS (Continued)
YEAR ENDED AUGUST 31, 2006

C. Other County 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)
12/31/05	5,483,333	6,108,535	625,202	89.77%	1,967,434	31.78%
12/31/04	5,177,953	5,882,950	704,997	88.02%	1,981,350	35.58%
12/31/03	5,480,520	5,567,792	82,272	98.43%	1,789,069	4.88%
12/31/02	5,544,866	5,287,624	(257,242)	104.86%	1,751,783	0.00%
12/31/01	5,351,480	4,726,617	(624,863)	113.22%	1,662,493	0.00%
12/31/00	4,731,814	4,262,002	(469,812)	111.02%	1,594,097	0.00%
12/31/99	4,022,812	3,909,768	(113,044)	102.89%	1,485,154	0.00%
12/31/98	3,260,126	3,417,363	157,237	95.40%	1,390,813	11.31%
12/31/97	3,323,197	4,092,179	768,982	81.21%	1,294,194	59.42%
12/31/96	2,818,458	3,265,389	446,931	86.31%	1,480,153	30.19%

On a market value basis the actuarial value of assets as of December 31, 2005 is \$5,560,711. On a market basis, the funded ratio would be 91.03%.

Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2005 are based on the 2002-2004 Experience Study.

The principal changes were:

- The 1994 Group Annuity Mortality implemented.
- For Regular members, fewer normal and more early retirements are expected to occur.

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

SHELBY COUNTY, ILLINOIS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2006

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

No major funds have excess of expenditures disbursed over appropriations.

Other Supplementary Information

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
 - MODIFIED CASH BASIS
 GENERAL FUND
 AUGUST 31, 2006

	Fee Offices							Total
	Other than Fee Offices	County Clerk	Circuit Clerk	Sheriff	States Attorney	Supervisor of Assessments	Coal Rights	
ASSETS								
Cash and Cash Equivalents	\$ 841,377	\$ 19,006	\$ 180,998	\$ 10,919	\$ --	\$ 76	\$ 1,850,758	\$ 2,903,134
Certificates of Deposit	--	--	10,000	--	--	--	--	10,000
Interfund Loans Receivable	305,085	--	--	--	--	--	220,152	525,237
Inventory	--	5,178	--	--	--	--	--	5,178
TOTAL ASSETS	\$ 1,146,462	\$ 24,184	\$ 190,998	\$ 10,919	\$ --	\$ 76	\$ 2,070,910	\$ 3,443,549
LIABILITIES								
Withholding Payable	\$ 52,580	--	\$ --	--	\$ --	--	--	\$ 52,580
Interfund Loans Payable	221,017	--	--	--	--	--	--	221,017
Due to Other Governmental Units	--	--	93,108	--	--	--	--	93,108
TOTAL LIABILITIES	\$ 273,597	\$ --	\$ 93,108	\$ --	\$ --	\$ --	\$ --	\$ 366,705
FUND BALANCE								
Fund Balance:								
Reserved:								
Reserved for Insurance	\$ 245,865	--	\$ --	--	\$ --	--	--	\$ 245,865
Reserved for Rescue Squad	4,258	--	--	--	--	--	--	4,258
Unreserved:								
Designated for Capital Improvement	--	--	--	--	--	--	2,070,910	2,070,910
Undesignated	622,742	24,184	97,890	10,919	--	76	--	755,811
TOTAL FUND BALANCE	\$ 872,865	\$ 24,184	\$ 97,890	\$ 10,919	\$ --	\$ 76	\$ 2,070,910	\$ 3,076,844
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,146,462	\$ 24,184	\$ 190,998	\$ 10,919	\$ --	\$ 76	\$ 2,070,910	\$ 3,443,549

Reference should be made to the accountant'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, 2006

	Other than Fee Offices	County Clerk	Circuit Clerk	Sheriff	States Attorney	Supervisor of Assessments	Coal Rights	Total
REVENUES RECEIVED:								
Property Taxes	\$ 1,298,373	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,298,373
Sales Taxes	591,176	--	--	--	--	--	--	591,176
Intergovernmental Revenues:								
Income Taxes	832,085	--	--	--	--	--	--	832,085
Replacement Taxes	36,750	--	--	--	--	--	--	36,750
Other State Sources	210,488	--	--	--	--	--	--	210,488
Federal Source	170,569	--	--	--	--	--	--	170,569
County Farm	21,525	--	--	--	--	--	--	21,525
Charges for Services	57,702	--	--	--	--	--	--	57,702
Licenses and Permits	7,102	--	--	--	--	--	--	7,102
Fees, Fines and Forfeits	34,185	196,795	152,281	87,996	207,817	3,795	--	682,869
Sales of Real Estate Stamps	--	99,249	--	--	--	--	--	99,249
Interest	23,793	--	943	--	--	--	78,927	103,663
Miscellaneous Receipts	9,322	--	--	3,001	--	--	--	12,323
Total Revenues Received	\$ 3,293,070	\$ 296,044	\$ 153,224	\$ 90,997	\$ 207,817	\$ 3,795	\$ 78,927	\$ 4,123,874
EXPENDITURES DISBURSED:								
See Schedule at Page 52	\$ 3,541,348	\$ 103,796	\$ 2,858	\$ 10,301	\$ --	\$ --	\$ --	\$ 3,658,303
Revenues Received Over (Under) Expenditures Disbursed	\$ (248,278)	\$ 192,248	\$ 150,366	\$ 80,696	\$ 207,817	\$ 3,795	\$ 78,927	\$ 465,571
Other Financing Sources (Uses):								
Operating Transfers In	561,677	--	--	--	--	--	--	561,677
Operating Transfers Out	(312,598)	(193,531)	(144,288)	(81,567)	(207,817)	(4,100)	(84,000)	(1,027,901)
Net Change in Fund Balance	\$ 801	\$ (1,283)	\$ 6,078	\$ (871)	\$ --	\$ (305)	\$ (5,073)	\$ (653)
Fund Balance - September 1, 2005	872,064	25,467	91,812	11,790	--	381	2,075,983	3,077,497
Fund Balance - August 31, 2006	\$ 872,865	\$ 24,184	\$ 97,890	\$ 10,919	\$ --	\$ 76	\$ 2,070,910	\$ 3,076,844

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

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF EXPENDITURES DISBURSED
 GENERAL FUND
 YEAR ENDED AUGUST 31, 2006

	Other than Fee Offices	County Clerk	Circuit Clerk	Sheriff	States Attorney	Supervisor of Assessments	Coal Rights	Total
EXPENDITURES DISBURSED:								
General Government:								
Operating Expenses Pertaining to the Office of:								
County Clerk	\$ 282,924	438	\$ 2,858					283,362
Circuit Clerk	175,113							177,971
Supervisor of Assessments	158,299							158,299
County Treasurer	155,080							155,080
County Coroner	43,077							43,077
Regional Superintendent of Schools	36,648							36,648
Farmiland Assessment Board of Review	30							30
Board of Appeals	31,945							31,945
Planning Commission	1,194							1,194
Zoning Administrator	1,861							1,861
Community & Economic Development	26,532							26,532
Utilities	11,363							11,363
Maintenance, Repairs and Improvement	54,600							54,600
Insurance and Taxes	21,548							21,548
Employee Insurance	272,814							272,814
County Board Expenses	226,443							226,443
Services, Supplies and Miscellaneous	54,000							54,000
State Rental Housing Fee	215,803							215,803
Purchase of Real Estate Tax Stamps	--	37,197						37,197
	--	66,161						66,161
Total General Government	\$ 1,769,274	\$ 103,796	\$ 2,858	\$ --	\$ --	\$ --	\$ --	\$ 1,875,928
Public Safety:								
Operating Expenses Pertaining to the Office of:								
County Sheriff	\$ 1,064,208			\$ 10,301				1,074,509
Rescue Squad	20,797							20,797
ESDA	967							967
911 Emergency Services	24,767							24,767
Merit Commission	1,900							1,900
Total Public Safety	\$ 1,112,639	\$ --	\$ --	\$ 10,301	\$ --	\$ --	\$ --	\$ 1,122,940

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

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF EXPENDITURES DISBURSED - (CONTINUED)
 GENERAL FUND
 YEAR ENDED AUGUST 31, 2006

	Other than Fee Offices	County Clerk	Circuit Clerk	Sheriff	States Attorney	Supervisor of Assessments	Coal Rights	Total
Corrections: Operating Expenses Pertaining to the Office of: Probation Office	\$ 68,197	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 68,197
Judiciary: Operating Expenses Pertaining to the Office of: States Attorney	\$ 223,945	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 223,945
Public Defender	82,860	--	--	--	--	--	--	82,860
Appointed Counsel Fee	19,955	--	--	--	--	--	--	19,955
Circuit Judge Expenses	5,753	--	--	--	--	--	--	5,753
Total Judiciary	\$ 332,513	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 332,513
Health and Welfare: Operating Expenses Pertaining to the Office of: Animal Control	\$ 43,422	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 43,422
Debt Service:	\$ 47,035	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 47,035
Capital Outlay: Rescue Squad Voting Equipment	\$ 5,060	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 5,060
	163,208	--	--	--	--	--	--	163,208
Total Capital Outlay	\$ 168,268	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 168,268
TOTAL EXPENDITURES DISBURSED	\$ 3,541,348	\$ 103,796	\$ 2,858	\$ 10,301	\$ --	\$ --	\$ --	\$ 3,658,303

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

SHELBY COUNTY, ILLINOIS
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES DISBURSED
GENERAL FUND
YEAR ENDED AUGUST 31, 2006

	Original Budget	Disbursements	Variance with Final Budget Positive (Negative)
EXPENDITURES DISBURSED:			
General Government:			
Operating Expenses Pertaining to the Office of:			
County Clerk	\$ 336,735	\$ 283,362	\$ 53,373
Circuit Clerk	199,914	177,971	21,943
Supervisor of Assessments	211,240	158,299	52,941
County Treasurer	174,516	155,080	19,436
County Coroner	49,487	43,077	6,410
Regional Superintendent of Schools	45,810	36,648	9,162
Farmland Assessment	150	30	120
Board of Review	33,300	31,945	1,355
Board of Appeals	1,425	1,194	231
Planning Commission	2,525	1,861	664
Zoning Administrator	31,255	26,532	4,723
Community & Economic Development	15,000	11,363	3,637
Utilities	52,300	54,600	(2,300)
Maintenance, Repairs and Improvement	32,000	21,548	10,452
Insurance and Taxes	356,000	272,814	83,186
Employee Insurance	264,311	226,443	37,868
County Farm	4,800	--	4,800
County Board Expenses	58,500	54,000	4,500
Services, Supplies and Miscellaneous	194,331	215,803	(21,472)
State Rental Housing Fee	--	37,197	(37,197)
Purchase of Real Estate Tax Stamps	--	66,161	(66,161)
Total General Government	\$ 2,063,599	\$ 1,875,928	\$ 187,671
Public Safety:			
Operating Expenses Pertaining to the Office of:			
County Sheriff	\$ 1,095,770	\$ 1,074,509	\$ 21,261
Rescue Squad	12,000	20,797	(8,797)
ESDA	2,000	967	1,033
911 Emergency Services	25,000	24,767	233
Merit Commission	10,625	1,900	8,725
Total Public Safety	\$ 1,145,395	\$ 1,122,940	\$ 22,455

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

SHELBY COUNTY, ILLINOIS
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES DISBURSED - (CONTINUED)
GENERAL FUND
YEAR ENDED AUGUST 31, 2006

	Original Budget	Disbursements	Variance with Final Budget Positive (Negative)
Corrections:			
Operating Expenses Pertaining to the Office of: Probation Office	\$ 117,996	\$ 68,197	\$ 49,799
Judiciary:			
Operating Expenses Pertaining to the Office of:			
States Attorney	\$ 222,536	\$ 223,945	\$ (1,409)
Public Defender	80,872	82,860	(1,988)
Appointed Counsel Fee	30,000	19,955	10,045
Circuit Judge Expenses	14,240	5,753	8,487
Total Judiciary	\$ 347,648	\$ 332,513	\$ 15,135
Health and Welfare:			
Operating Expenses Pertaining to the Office of: Animal Control	\$ 43,225	\$ 43,422	\$ (197)
Debt Service:	\$ --	\$ 47,035	\$ (47,035)
Capital Outlay:			
Public Safety	\$ 212,000	\$ 5,060	\$ 206,940
General and Administrative	4,000	163,208	(159,208)
Total Capital Outlay	\$ 216,000	\$ 168,268	\$ 47,732
TOTAL EXPENDITURES DISBURSED	\$ 3,933,863	\$ 3,658,303	\$ 275,560

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

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
 MODIFIED CASH BASIS
 COUNTY HEALTH FUND - SPECIAL REVENUE MAJOR FUND
AUGUST 31, 2006

	County Health	Miscellaneous County Health	Home Nursing	County Health WIC	Total County Health Fund
Cash and Cash Equivalents	\$ 264,690	\$ 112,273	\$ 571,424	\$ 22,894	\$ 971,281
Certificates of Deposits	109,637	--	125,000	--	234,637
Interfund Loans Receivable	--	--	3,884	--	3,884
TOTAL ASSETS	\$ 374,327	\$ 112,273	\$ 700,308	\$ 22,894	\$ 1,209,802
LIABILITIES					
Interfund Loans Payable	\$ --	\$ 3,800	\$ --	\$ --	\$ 3,800
FUND BALANCE					
Fund Balance:					
Unreserved:					
Undesignated	\$ 374,327	\$ 108,473	\$ 700,308	\$ 22,894	\$ 1,206,002
TOTAL FUND BALANCE	\$ 374,327	\$ 108,473	\$ 700,308	\$ 22,894	\$ 1,206,002
TOTAL LIABILITIES AND FUND BALANCE	\$ 374,327	\$ 112,273	\$ 700,308	\$ 22,894	\$ 1,209,802

Reference should be made to the accountant'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, 2006

REVENUES RECEIVED:	County Health	Miscellaneous County Health	Home Nursing	County Health WIC	Total County Health Fund
Property Taxes	\$ 388,116	\$ --	\$ --	\$ --	\$ 388,116
Intergovernmental Revenues:					
Replacement Taxes	8,420	--	--	--	8,420
Other State Sources	95,003	166,327	26,600	--	287,930
Federal Source	538	800	8,100	68,900	78,338
Charges for Services	15,373	14,420	80,865	--	110,658
Interest	5,106	1,812	16,280	--	23,198
Miscellaneous Receipts	40	--	--	--	40
Total Revenues Received	\$ 512,596	\$ 183,359	\$ 131,845	\$ 68,900	\$ 896,700
EXPENDITURES DISBURSED:					
Current:					
Health and Welfare:					
Personnel and Fringe Benefits	\$ 346,113	\$ 139,499	\$ --	\$ 62,798	\$ 548,410
Commodities	17,229	8,831	47,564	2,202	75,826
Contractual Services	76,598	12,077	475	1,337	90,487
Total Expenditures Disbursed	\$ 439,940	\$ 160,407	\$ 48,039	\$ 66,337	\$ 714,723
Net Change in Fund Balance	\$ 72,656	\$ 22,952	\$ 83,806	\$ 2,563	\$ 181,977
Fund Balance - September 1, 2005	301,671	85,521	616,502	20,331	1,024,025
Fund Balance - August 31, 2006	<u>\$ 374,327</u>	<u>\$ 108,473</u>	<u>\$ 700,308</u>	<u>\$ 22,894</u>	<u>\$ 1,206,002</u>

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

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
 MODIFIED CASH BASIS
 COUNTY HIGHWAY FUND - SPECIAL REVENUE MAJOR FUND
AUGUST 31, 2006

	County Bridge	County Highway	County Motor Fuel Tax Fund	Federal Aid Secondary Matching	Total County Highway Fund
ASSETS					
Cash and Cash Equivalents	\$ 205,296	\$ 80,748	\$ 410,102	\$ 245,239	\$ 941,385
TOTAL ASSETS	<u>\$ 205,296</u>	<u>\$ 80,748</u>	<u>\$ 410,102</u>	<u>\$ 245,239</u>	<u>\$ 941,385</u>
LIABILITIES					
	\$ --	\$ --	\$ --	\$ --	\$ --
FUND BALANCE					
Fund Balance:					
Reserved:					
Reserved for Future Projects	\$ --	\$ --	\$ 410,102	\$ 245,239	\$ 655,341
Unreserved:					
Undesignated	205,296	80,748	--	--	286,044
TOTAL FUND BALANCE	<u>\$ 205,296</u>	<u>\$ 80,748</u>	<u>\$ 410,102</u>	<u>\$ 245,239</u>	<u>\$ 941,385</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 205,296</u>	<u>\$ 80,748</u>	<u>\$ 410,102</u>	<u>\$ 245,239</u>	<u>\$ 941,385</u>

Reference should be made to the accountant'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, 2006

	County Bridge	County Highway	County Motor Fuel Tax Fund	Federal Aid Secondary Matching	Total County Highway Fund
REVENUES RECEIVED:					
Property Taxes	\$ 156,496	\$ 312,996	--	\$ 156,496	\$ 625,988
Intergovernmental Revenues:					
Motor Fuel Tax	--	--	442,233	--	442,233
Replacement Taxes	8,877	18,334	--	8,877	36,088
Other State Sources	35,758	--	134,470	26,707	196,935
Charges for Services	--	79,936	--	--	79,936
Interest	4,458	524	12,623	7,049	24,654
Miscellaneous Receipts	--	211	--	--	211
Total Revenues Received	\$ 205,589	\$ 412,001	\$ 589,326	\$ 199,129	\$ 1,406,045
EXPENDITURES DISBURSED:					
Current:					
Public Works/Transportation			47,040	--	409,259
Personnel and Fringe Benefits		362,219	--	218,553	438,019
Commodities	191,752	27,714	--	--	401,006
Contractual Services	--	155,740	245,266	--	98,602
Debt Service	--	98,602	--	--	40,709
Capital Outlay	--	40,709	--	--	1,387,595
Total Expenditures Disbursed	\$ 191,752	\$ 684,984	\$ 292,306	\$ 218,553	\$ 18,450
Revenues Received Over (Under) Expenditures Disbursed	\$ 13,837	\$ (272,983)	\$ 297,020	\$ (19,424)	\$ 18,450
Other Financing Sources (Uses):					
Transfers In	--	300,000	--	--	300,000
Transfers Out	--	--	(300,000)	--	(300,000)
Net Change in Fund Balance	\$ 13,837	\$ 27,017	\$ (2,980)	\$ (19,424)	\$ 18,450
Fund Balance - September 1, 2005	191,459	53,731	413,082	264,663	922,935
Fund Balance - August 31, 2006	\$ 205,296	\$ 80,748	\$ 410,102	\$ 245,239	\$ 941,385

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

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
 MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2006

	Special Revenue							
	Animal Control	Ambulance	Municipal Retirement	Social Security	Indemnity	Rescue Squad	Capital Improvement	Probation
ASSETS								
Cash and Cash Equivalents	\$ 50,949	\$ 75,367	\$ 1,940	\$ 725	\$ 48,166	\$ 6,443	\$ 60,984	\$ 164,870
Certificates of Deposit	--	--	--	--	45,000	--	--	--
Interfund Loans Receivable	--	--	--	--	--	--	--	--
TOTAL ASSETS	\$ 50,949	\$ 75,367	\$ 1,940	\$ 725	\$ 93,166	\$ 6,443	\$ 60,984	\$ 164,870
LIABILITIES								
Interfund Loans Payable	\$ --	\$ --	\$ 237,611	\$ 34,473	\$ --	\$ --	\$ --	\$ --
FUND BALANCE								
Fund Balance:								
Unreserved - Undesignated	\$ 50,949	\$ 75,367	\$ (235,671)	\$ (33,748)	\$ 93,166	\$ 6,443	\$ 60,984	\$ 164,870
TOTAL FUND BALANCE	\$ 50,949	\$ 75,367	\$ (235,671)	\$ (33,748)	\$ 93,166	\$ 6,443	\$ 60,984	\$ 164,870
TOTAL LIABILITIES AND FUND BALANCE	\$ 50,949	\$ 75,367	\$ 1,940	\$ 725	\$ 93,166	\$ 6,443	\$ 60,984	\$ 164,870

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

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
 MODIFIED CASH BASIS - (CONTINUED)
 NON-MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2006

	Special Revenue							
	Fees to Assist Court	Automation	Recording	Drug Traffic Prevention	Airport	Rural Transportation	Court Security	GIS
ASSETS								
Cash and Cash Equivalents	\$ 154,166	\$ 92,438	\$ 55,406	\$ 12,129	\$ 124,121	\$ --	\$ 18,876	\$ 1,778
Certificates of Deposit	--	--	--	--	113,389	--	--	--
Interfund Loans Receivable	--	--	--	--	--	--	--	780
TOTAL ASSETS	\$ 154,166	\$ 92,438	\$ 55,406	\$ 12,129	\$ 237,510	\$ --	\$ 18,876	\$ 2,558
LIABILITIES								
Interfund Loans Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 33,000
FUND BALANCE								
Fund Balance: Undesignated	\$ 154,166	\$ 92,438	\$ 55,406	\$ 12,129	\$ 237,510	\$ --	\$ 18,876	\$ (30,442)
TOTAL FUND BALANCE	\$ 154,166	\$ 92,438	\$ 55,406	\$ 12,129	\$ 237,510	\$ --	\$ 18,876	\$ (30,442)
TOTAL LIABILITIES AND FUND BALANCE	\$ 154,166	\$ 92,438	\$ 55,406	\$ 12,129	\$ 237,510	\$ --	\$ 18,876	\$ 2,558

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

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
 MODIFIED CASH BASIS - (CONTINUED)
 NON-MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2006

	Special Revenue							Total Special Revenue
	Law Library	Document Storage	Revolving Loan	Victim Impact Panel	Attorney Forfeited	DUI Equipment		
ASSETS								
Cash and Cash Equivalents	\$ 4,740	\$ 66,647	\$ 282,569	\$ 8,928	\$ 736	\$ 9,840	\$ 1,241,818	
Certificates of Deposit	--	--	--	--	--	--	158,389	
Interfund Loans Receivable	--	--	--	--	--	--	780	
TOTAL ASSETS	\$ 4,740	\$ 66,647	\$ 282,569	\$ 8,928	\$ 736	\$ 9,840	\$ 1,400,987	
LIABILITIES								
Interfund Loans Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 305,084	
FUND BALANCE								
Fund Balance:								
Unreserved - Undesignated	\$ 4,740	\$ 66,647	\$ 282,569	\$ 8,928	\$ 736	\$ 9,840	\$ 1,095,903	
TOTAL FUND BALANCE	\$ 4,740	\$ 66,647	\$ 282,569	\$ 8,928	\$ 736	\$ 9,840	\$ 1,095,903	
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,740	\$ 66,647	\$ 282,569	\$ 8,928	\$ 736	\$ 9,840	\$ 1,400,987	

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

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
 MODIFIED CASH BASIS - (CONTINUED)
 NON-MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2006

	Capital Projects			Garden Acres	Total Capital Projects	Total Nonmajor Governmental Funds
	Carriage Park	Findlay Road				
ASSETS						
Cash and Cash Equivalents	\$ 179	\$ 607	\$ 761	\$ 1,547	\$ 1,243,365	
Certificates of Deposit	--	--	--	--	158,389	
Interfund Loans Receivable	--	--	--	--	780	
TOTAL ASSETS	\$ 179	\$ 607	\$ 761	\$ 1,547	\$ 1,402,534	
LIABILITIES						
Interfund Loans Payable	\$ --	\$ --	\$ --	\$ --	\$ 305,084	
FUND BALANCE						
Fund Balance:						
Unreserved - Undesignated	\$ 179	\$ 607	\$ 761	\$ 1,547	\$ 1,097,450	
TOTAL FUND BALANCE	\$ 179	\$ 607	\$ 761	\$ 1,547	\$ 1,097,450	
TOTAL LIABILITIES AND FUND BALANCE	\$ 179	\$ 607	\$ 761	\$ 1,547	\$ 1,402,534	

Reference should be made to the accountant'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, 2006

	Special Revenue									
	Animal Control	Ambulance	Municipal Retirement	Social Security	Indemnity	Rescue Squad	Capital Improvement	Probation		
REVENUES RECEIVED:										
Property Taxes	\$ --	\$ 50,184	\$ 413,155	\$ 243,071	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Intergovernmental Revenue:										
State Sources										
Replacement Taxes	--	--	17,732	--	--	--	--	--	--	--
Other State Sources	--	--	--	--	--	--	--	--	--	--
Federal Sources	--	--	--	--	--	--	--	--	--	--
Loan Repayments	--	--	--	--	--	--	--	--	--	--
Charges for Services	--	--	--	--	--	--	--	--	--	--
Fines and Fees	11,573	--	--	--	3,300	--	--	--	64,683	--
Interest	705	763	161	270	2,054	33	10,763	--	2,068	--
Miscellaneous Revenues	--	--	--	--	--	50	--	--	--	--
Total Revenues Received	\$ 12,278	\$ 50,937	\$ 431,048	\$ 243,341	\$ 5,354	\$ 83	\$ 10,763	\$ --	\$ 66,751	\$ --
EXPENDITURES DISBURSED:										
Current:										
General Government	\$ --	\$ --	\$ 475,861	\$ 226,774	\$ 2,798	\$ --	\$ 123,369	\$ --	\$ --	\$ --
Public Safety	--	--	--	--	--	500	--	--	70,897	--
Judiciary	--	--	--	--	--	--	--	--	--	--
Public Works/Transportation	--	--	--	--	--	--	--	--	--	--
Health and Welfare	2,049	34,200	--	--	--	--	--	--	--	--
Debt Service	--	--	--	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	79,328	--	--	--
Total Expenditures Disbursed	\$ 2,049	\$ 34,200	\$ 475,861	\$ 226,774	\$ 2,798	\$ 500	\$ 202,697	\$ --	\$ 70,897	\$ --
Revenues Received Over (Under) Expenditures Disbursed	\$ 10,229	\$ 16,737	\$ (44,813)	\$ 16,567	\$ 2,556	\$ (417)	\$ (191,934)	\$ --	\$ (4,146)	\$ --
Other Financing Sources (Uses):										
Promissory Note Proceeds	--	--	--	--	--	--	--	--	--	--
Operating Transfers In	--	--	--	--	--	--	84,000	--	--	--
Operating Transfers Out	--	(15,509)	(112,173)	(65,995)	--	--	--	--	--	--
Net Change in Fund Balance	\$ 10,229	\$ 1,228	\$ (156,986)	\$ (49,428)	\$ 2,556	\$ (417)	\$ (107,934)	\$ --	\$ (4,146)	\$ --
Fund Balance - September 1, 2005	40,720	74,139	(78,685)	15,680	90,610	6,860	168,918	--	169,016	--
Fund Balance - August 31, 2006	\$ 50,949	\$ 75,367	\$ (235,671)	\$ (33,748)	\$ 93,166	\$ 6,443	\$ 60,984	\$ --	\$ 164,870	\$ --

Reference should be made to the accountant'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, 2006

	Special Revenue							
	Fees to Assist Court	Automation	Recording	Drug Traffic Prevention	Airport	Rural Transportation	Court Security	GIS
REVENUES RECEIVED:								
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ 50,144	\$ --	\$ --	\$ --
Intergovernmental Revenue:								
State Sources								
Replacement Taxes	--	--	--	--	4,023	--	--	--
Other State Sources	--	--	--	--	--	272,231	--	80,000
Federal Sources	--	3,480	--	--	--	--	--	--
Loan Repayments	--	--	--	--	--	--	--	--
Charges for Services	--	--	--	--	13,350	--	--	--
Fines and Fees	23,928	14,369	--	1,815	--	--	42,327	--
Interest	4,377	452	241	57	5,451	--	140	65
Miscellaneous Revenues	--	--	--	4,958	18,510	--	--	780
Total Revenues Received	\$ 28,305	\$ 18,301	\$ 241	\$ 6,830	\$ 91,478	\$ 272,231	\$ 42,467	\$ 80,845
EXPENDITURES DISBURSED:								
Current:								
General Government	\$ --	\$ 18,721	\$ 6,635	\$ --	\$ --	\$ --	\$ --	\$ --
Public Safety	--	--	--	7,814	--	--	51,079	--
Judiciary	23,583	--	--	--	--	--	--	--
Public Works/Transportation	--	--	--	--	91,851	272,231	--	--
Health and Welfare	--	--	--	--	--	--	--	--
Debt Service	--	--	--	--	--	--	--	123,414
Capital Outlay	201,567	--	--	--	--	--	--	--
Total Expenditures Disbursed	\$ 225,150	\$ 18,721	\$ 6,635	\$ 7,814	\$ 91,851	\$ 272,231	\$ 51,079	\$ 123,414
Revenues Received Over (Under) Expenditures Disbursed	\$ (196,845)	\$ (420)	\$ (6,394)	\$ (984)	\$ (373)	\$ --	\$ (8,612)	\$ (42,569)
Other Financing Sources (Uses):								
Promissory Note Proceeds	--	--	--	--	--	--	--	--
Operating Transfers In	--	--	20,307	1,160	--	--	--	45,490
Operating Transfers Out	--	--	--	--	--	--	--	--
Net Change in Fund Balance	\$ (196,845)	\$ (420)	\$ 13,913	\$ 176	\$ (373)	\$ --	\$ (8,612)	\$ 2,921
Fund Balance - September 1, 2005	351,011	92,858	41,493	11,953	237,883	--	27,488	(33,363)
Fund Balance - August 31, 2006	\$ 154,166	\$ 92,438	\$ 55,406	\$ 12,129	\$ 237,510	\$ --	\$ 18,876	\$ (30,442)

Reference should be made to the accountant'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, 2006

	Special Revenue							Total Special Revenue
	Law Library	Document Storage	Revolving Loan	Victim Impact Panel	Attorney Forfeited	DUI Equipment		
REVENUES RECEIVED:								
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 756,554
Intergovernmental Revenue:								
State Sources								
Replacement Taxes	--	--	--	--	--	--	--	21,755
Other State Sources	--	--	--	--	--	15,484	--	95,484
Federal Sources	--	--	--	--	--	--	--	275,711
Loan Repayments	--	--	--	--	--	--	--	--
Charges for Services	--	--	--	1,430	--	--	--	13,350
Fines and Fees	5,446	13,744	--	42	--	--	--	182,615
Interest	31	334	2,727	--	2	51	--	30,777
Miscellaneous Revenues	--	--	--	--	360	--	--	24,658
Total Revenues Received	\$ 5,477	\$ 14,078	\$ 2,727	\$ 1,472	\$ 362	\$ 15,535	\$	\$ 1,400,904
EXPENDITURES DISBURSED:								
Current:								
General Government	\$ --	\$ 12,128	\$ 9,852	\$ --	\$ --	\$ --	\$ --	\$ 876,138
Public Safety	--	--	--	--	--	1,483	--	131,773
Judiciary	8,031	--	--	505	--	--	--	32,119
Public Works/Transportation	--	--	--	--	--	--	--	364,082
Health and Welfare	--	--	--	--	--	--	--	36,249
Debt Service	--	--	--	--	--	--	--	123,414
Capital Outlay	--	--	--	--	--	15,484	--	296,379
Total Expenditures Disbursed	\$ 8,031	\$ 12,128	\$ 9,852	\$ 505	\$ --	\$ 16,967	\$	\$ 1,860,154
Revenues Received Over (Under) Expenditures Disbursed	\$ (2,554)	\$ 1,950	\$ (7,125)	\$ 967	\$ 362	\$ (1,432)	\$	\$ (459,250)
Other Financing Sources (Uses):								
Promissory Note Proceeds	--	--	(190,000)	--	--	--	--	(190,000)
Operating Transfers In	--	--	--	--	--	2,669	--	153,626
Operating Transfers Out	--	--	--	--	--	--	--	(193,677)
Net Change in Fund Balance	\$ (2,554)	\$ 1,950	\$ (197,125)	\$ 967	\$ 362	\$ 1,237	\$	\$ (689,301)
Fund Balance - September 1, 2005	7,294	64,697	479,694	7,961	374	8,603		1,785,204
Fund Balance - August 31, 2006	\$ 4,740	\$ 66,647	\$ 282,569	\$ 8,928	\$ 736	\$ 9,840	\$	\$ 1,095,903

Reference should be made to the accountant'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, 2006

	Capital Projects			Total Capital Projects	Total Nonmajor Governmental Funds
	Cariage Park	Findlay Road	Garden Acres		
REVENUES RECEIVED:					
Property Taxes	\$ --	\$ --	\$ 4,854	\$ 4,854	\$ 761,408
Intergovernmental Revenue:					
State Sources	--	--	--	--	21,755
Replacement Taxes	--	--	--	--	95,484
Other State Sources	--	--	--	--	275,711
Federal Sources	--	--	--	--	--
Loan Repayments	--	--	--	--	13,350
Charges for Services	--	--	--	--	182,615
Fines and Fees	--	5	9	14	30,791
Interest	--	--	--	--	24,658
Miscellaneous Revenues	--	--	--	--	--
Total Revenues Received	\$ --	\$ 5	\$ 4,863	\$ 4,868	\$ 1,405,772
EXPENDITURES DISBURSED:					
Current:					
General Government	\$ --	\$ --	\$ --	\$ --	\$ 876,138
Public Safety	--	--	--	--	131,773
Judiciary	--	--	--	--	32,119
Public Works/Transportation	--	--	--	--	364,082
Health and Welfare	--	--	--	--	36,249
Debt Service	--	--	4,800	4,800	128,214
Capital Outlay	--	--	--	--	296,379
Total Expenditures Disbursed	\$ --	\$ --	\$ 4,800	\$ 4,800	\$ 1,864,954
Revenues Received Over (Under) Expenditures Disbursed	\$ --	\$ 5	\$ 63	\$ 68	\$ (459,182)
Other Financing Sources (Uses):					
Promissory Note Proceeds	--	--	--	--	(190,000)
Operating Transfers In	--	--	--	--	153,626
Operating Transfers Out	--	--	--	--	(193,677)
Net Change in Fund Balance	\$ --	\$ 5	\$ 63	\$ 68	\$ (689,233)
Fund Balance - September 1, 2005	179	602	688	1,479	1,786,683
Fund Balance - August 31, 2006	\$ 179	\$ 607	\$ 761	\$ 1,547	\$ 1,097,450

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

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
 MODIFIED CASH BASIS
 AUGUST 31, 2006

	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	\$ 153,387	\$ 297,254	\$ 4,667	\$ 731	\$ 946,459	\$ 9,777	\$ 915	\$ 102,712
TOTAL ASSETS	\$ 153,387	\$ 297,254	\$ 4,667	\$ 731	\$ 946,459	\$ 9,777	\$ 915	\$ 102,712
LIABILITIES								
Trust Funds due Others	\$ 153,387	\$ 297,254	\$ 4,667	\$ 731	\$ 946,459	\$ 9,777	\$ 915	\$ 102,712
TOTAL LIABILITIES	\$ 153,387	\$ 297,254	\$ 4,667	\$ 731	\$ 946,459	\$ 9,777	\$ 915	\$ 102,712
TOTAL NET ASSETS	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---

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

SHELBY COUNTY, ILLINOIS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
 MODIFIED CASH BASIS - (CONTINUED)
 AUGUST 31, 2006

	Circuit Clerk's Trust Fund	Property Tax Fund	Taxes In Litigation	Inheritance Tax	Minor and Unknown Heirs	County Clerk's Real Estate Redemption	Sheriff's Trust Fund	Total Fiduciary Funds
Cash and Cash Equivalents	\$ --	\$ 2,343,257	\$ 1,306,396	\$ 1,097	\$ 60,537	\$ 2,750	\$ --	\$ 5,229,939
TOTAL ASSETS	\$ --	\$ 2,343,257	\$ 1,306,396	\$ 1,097	\$ 60,537	\$ 2,750	\$ --	\$ 5,229,939
LIABILITIES								
Trust Funds due Others	\$ --	\$ 2,343,257	\$ 1,306,396	\$ 1,097	\$ 60,537	\$ 2,750	\$ --	\$ 5,229,939
TOTAL LIABILITIES	\$ --	\$ 2,343,257	\$ 1,306,396	\$ 1,097	\$ 60,537	\$ 2,750	\$ --	\$ 5,229,939
NET ASSETS	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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

SHELBY COUNTY, ILLINOIS - CEFS
SECTION 5311 ANNUAL FINANCIAL REPORT
OPERATING PERIOD JULY 1, 2005 TO JUNE 30, 2006
CONTRACT NUMBER IL-18-X022

Line Item	<u>Revenue</u>	
401.01	Passenger Fare / Donations	\$ 18,642
402.00	Special Transit Fares	149,858
409.00	Local Cash Grants	24,049
431.00	Contributed Cash	<u>12,138</u>
Total Revenue		<u>\$ 204,687</u>

<u>Expenses</u>		Actual Administrative Expenses	Actual Operating Expenses	Total
501.00	Labor	\$ 74,299	\$ 171,736	\$ 246,035
502.00	Fringe Benefits	16,083	50,224	66,307
503.00	Services	7,612	34,798	42,410
504.01	Fuel and Oil	--	49,162	49,162
504.02	Tires and Tubes	--	348	348
504.99	Other Materials	3,129	482	3,611
505.00	Utilities	3,447	1,953	5,400
506.00	Casualty and Liability	23,450	606	24,056
509.00	Miscellaneous	4,802	6,697	11,499
512.00	Lease and Rentals	--	--	--
Total Direct Expense		\$ 132,822	\$ 316,006	\$ 448,828
Total Indirect Expense		<u>7,770</u>	<u>18,489</u>	<u>26,259</u>
Total Expense		<u>\$ 140,592</u>	<u>\$ 334,495</u>	<u>\$ 475,087</u>

Section 5311 Grant Reimbursement

	Administrative Expenses	Operating Expenses	Total	Grant Total
Expenses:	\$ 140,592	\$ 334,495	\$ 475,087	
Less: Ineligible Expense	<u>--</u>	<u>--</u>	<u>--</u>	
Net Eligible Expenses	\$ 140,592	\$ 334,495	\$ 475,087	
Less: Total Operating Revenues	<u>--</u>	<u>18,642</u>	<u>18,642</u>	
Section 5311 Operating Deficit	140,592	\$ 315,853	\$ 456,445	
Section 5311 Reimbursement	<u>X 80%</u>	<u>X 50%</u>		
Eligible Reimbursement Per Percentages	\$ 112,474	\$ 157,926		\$ 270,400
Funding Limits Per Contract				295,505
Maximum Section 5311 Reimbursement			<u>270,400</u>	270,400
Less: IDOT Payments - Section 5311				
Reimbursement to Grantee				<u>270,400</u>
Amount Under Paid				<u>\$ 25,105</u>
Grantee Local Match Requirement			<u>\$ 186,045</u>	

Grantee Match Sources

Special Transit Fares	\$ 149,858
Local Cash Grants	24,049
Contributed Cash	<u>12,138</u>
Total Grantee Local Match	<u>\$ 186,045</u>

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

Single Audit

SHELBY COUNTY, ILLINOIS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2006

Federal Grantor/Pass -through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>U.S. Department of Transportation</u>			
Passed through Illinois Department of Transportation (M) Public Transportation		RPT-05-019	70,040
(M) Public Transportation		RPT-06-019	<u>202,191</u>
Total US Department of Transportation	20.509		<u>\$ 272,231</u>
<u>U.S. Department of General Service Administration</u>			
Passed through Illinois State Board of Elections Business Services - Help America Vote Act	39.001		<u>\$ 5,613</u>
<u>U.S. Department of Environment Quality</u>			
Passed through Illinois Department of Public Health Performance Partnership Grants - Groundwater Testing	66.605	4740	<u>\$ 438</u>
<u>U.S. Department of Election Assistance Commission</u>			
Passed through Illinois State Board of Elections Help America Vote Act - Accessibility Equipment	90.401		<u>\$ 164,598</u>
<u>U.S. Department of Health & Human Services</u>			
Passed through Illinois Department of Public Health Medical Assistance Program	93.994	3040	<u>\$ 100</u>
Passed through Illinois Department of Human Services Diabetes Program		11G6454000	<u>\$ 1,830</u>
Diabetes Program		11G7454000	<u>733</u>
Total Diabetes Program	93.988		<u>\$ 2,563</u>
Passed through Illinois Department of Healthcare and Family Services Child Support/Computer Interface	93.563		<u>\$ 3,838</u>
Passed through Illinois Department of Human Services Title XX Block Grant - Teen Parents	93.667	11G6454000	<u>\$ 5,000</u>
Passed through Illinois Department of Public Health Federal Bioterrorism Preparedness	93.283	210	<u>\$ 800</u>
Passed through Illinois Department of Public Health Health Protection	93.268	000283	<u>\$ 69,856</u>
Total U.S. Department of Health and Human Services			<u>\$ 82,157</u>
<u>U.S. Department of Agriculture</u>			
Passed through the Illinois Department of Human Services			
WIC Administration		11G6454000	<u>\$ 56,297</u>
WIC Administration		11G7454000	<u>10,028</u>
WIC Special Supplemental Nutrition Program			<u>163,670</u>
Total Women, Infants and Children Program	10.557		<u>\$ 229,995</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 755,032</u></u>

(M) denotes major program.

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

SHELBY COUNTY, ILLINOIS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2006

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.

Note 2 – Nonmonetary Assistance

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>\$272,231</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, 2006.

SHELBY COUNTY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a qualified opinion on the financial statements of Shelby County 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.
2. No reportable condition relating to the audit of the financial statements is reported in the Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*.
3. One instance of noncompliance material to the financial statements of Shelby County was disclosed during the audit.
4. No reportable condition 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 program tested as a major program includes:

Name	CFDA No.
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

Material Noncompliance

1. Expenditures exceeded the budgeted amounts

Conditions: The County did not operate within the legal confines of its budget. Expenditures exceeded the budgeted amounts in the Capital Improvement and Airport Special Revenue Funds.

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

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

Recommendation: The County should monitor individual fund expenditure levels, periodically compare with budget amounts and amend the annual budget as necessary.

Response: The County concurs with the recommendation. The County will implement the auditor's 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.

Twillia Weakly
SHELBY COUNTY TREASURER
P.O. Box 326
Shelbyville, Illinois 62565
217/774-3841

CORRECTIVE ACTION PLAN

January 5, 2007

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, 2006.

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, 2006

The findings from the Fiscal Year 2006 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.

B. FINDINGS – FINANCIAL STATEMENT AUDITS

Material Noncompliance

1. Expenditures exceeded the budgeted amounts

Recommendation: The County should monitor individual fund expenditure levels, periodically compare with budget amounts and amend the annual budget as necessary.

Action Taken: We concur with the recommendation, and it will be implemented in fiscal year 2007.

C. 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,



Twilla Weakly
County Treasurer

SHELBY COUNTY, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2006

This schedule is not applicable because the County did not have any findings related to federal financial awards.