

***PLATT COUNTY, ILLINOIS***

***ANNUAL FINANCIAL REPORT***

***For the fiscal year ended November 30, 2012***

**May, Cocagne & King, P.C.**

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Certified Public Accountants & Consultants

# **PIATT COUNTY, ILLINOIS**

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**PIATT COUNTY, ILLINOIS**

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**PIATT COUNTY, ILLINOIS**

**LIST OF PRINCIPAL OFFICERS**

**November 30, 2012**

**COUNTY BOARD MEMBERS:**

<b>District</b>	<b>Representative</b>	<b>District</b>	<b>Representative</b>
<b>1</b>	<b>Randy Keith</b>	<b>1</b>	<b>Jerry Brazelton</b>
<b>2</b>	<b>Michael Wileaver</b>	<b>2</b>	<b>Richard Wilkin</b>
<b>3</b>	<b>John Lyons (Chairman)</b>	<b>3</b>	<b>Thomas Dobson</b>

**OTHER ELECTED OFFICIALS:**

**County Clerk & Recorder, Colleen Kidd**

**Treasurer & Collector, Tim Pankau**

**Circuit Clerk, Charles Barre**

**State's Attorney, Dana Rhoades**

**Sheriff, David Hunt**

**Regional Superintendent of Education (Macon-Piatt), Matthew Snyder**



# May, Cocagne & King, P.C.

Certified Public Accountants and Consultants

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## INDEPENDENT AUDITORS' REPORT

To the County Board Members  
Piatt County, Illinois  
Monticello, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Piatt County, Illinois as of and for the year ended November 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the County's nonmajor governmental funds, internal service, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended November 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Piatt County, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Governmental 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.

Management has not included the funds of the Piatt County Nursing Home or the financial information of the Piatt County Nursing Home Foundation in Piatt County, Illinois' financial statements. Accounting principles generally accepted in the United States of America require the funds of Piatt County Nursing Home to be presented as a major enterprise fund and also be a part of the business-type activities and Piatt County Nursing Home Foundation to be presented as a component unit in the aggregate discretely presented component units, thus increasing those activities' assets, liabilities, revenues, and expenses, and changing the net positions. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses has not been determined.

In our opinion, because of the omission of the Piatt County Nursing Home Funds, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles accepted in the United States of America, the financial position of the Piatt County Nursing Home funds of Piatt County, Illinois, as of November 30, 2012, or the changes in financial position or cash flows thereof for the year then ended.

As discussed in Note 1, the County prepares its financial statements of the government-wide and fund financial statements on the modified cash basis for the governmental activities, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The financial statements of the proprietary fund types and discretely presented component units have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, each major fund and the aggregate remaining fund information of Piatt County, Illinois, as of November 30, 2012, and the respective changes in financial position - modified cash basis thereof for the year then ended on the basis of accounting described in Note 1. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, internal service, and fiduciary fund of Piatt County, Illinois, as of November 30, 2012 and the respective changes in financial position, thereof for the year then ended in conformity with the modified cash basis of accounting.

In our opinion, except for the effects of not including financial information for the Piatt County Nursing Home as part of the business-type activities, as described previously, the business-type financial statements and aggregate discretely presented component units present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of Piatt County, Illinois, as of November 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated May 23 2013, on our consideration of the Piatt County, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of law, 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

*May. Coragne & King, P.C.*

Monticello, Illinois  
May 23, 2013

**PIATT COUNTY, ILLINOIS**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**November 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,737,013	221,286	3,958,299
Investments	6,410,636		6,410,636
Cash and cash equivalents, restricted	881,153	7,428	888,581
Investments, restricted		129,661	129,661
Accounts receivable		171,892	171,892
Grants and reimbursements			
Other receivable			
Prepaid expense			
Internal balances	70,194		70,194
	11,098,996	530,267	11,629,263
 Capital assets:			
Land	337,500	5,000	342,500
Property, plant, and equipment - net	8,969,319	602,204	9,571,523
 Total capital assets	9,306,819	607,204	9,914,023
 Total assets	20,405,815	1,137,471	21,543,286
 <b>Liabilities</b>			
Accounts payable		8,199	8,199
Accrued expenses	160	5,760	5,920
Accrued interest		98,081	98,081
Lease payable			
	160	112,040	112,200
 Amounts due within one year:			
Revenue bonds payable	600,000		600,000
Amounts due in more than one year:			
Lease payable			
Revenue bonds payable	3,360,000		3,360,000
 Total debt service	3,960,000	-	3,960,000
 Total liabilities	3,960,160	112,040	4,072,200

(Continued)

Component Units	
Piatt County Mental Health Center	Piatt County Emergency Telephone System Board
624,749	18,730
	53,216
102,862	
1,170,298	
343,562	
707	
1,960	
<hr/>	
2,244,138	71,946
<hr/>	
196,041	140,117
<hr/>	
196,041	140,117
<hr/>	
2,440,179	212,063
<hr/>	
14,874	
54,975	
	39,036
<hr/>	
69,849	39,036
<hr/>	
	77,126
<hr/>	
-	77,126
<hr/>	
69,849	116,162
<hr/>	



**PIATT COUNTY, ILLINOIS**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS (Continued)**

**November 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 5,346,819	607,204	5,954,023
Restricted for:			
Capital projects			
Road projects	5,099,408		5,099,408
Self-insurance	706,318		706,318
Other	3,992,997		3,992,997
Unrestricted	1,300,113	418,227	1,718,340
Total net assets	\$ 16,445,655	1,025,431	17,471,086

See Notes to Financial Statements.

Component Unit	
Piatt County Mental Health Center	Piatt County Emergency Telephone System Board
196,041	23,955
	53,216
2,174,289	18,730
2,370,330	95,901

PIATT COUNTY, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year ended November 30, 2012

	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 2,507,879	964,523		
Public safety	2,675,055	24,861		
Public health and welfare	49,009	76,259		
Judiciary and legal	843,344	17,159		
Transportation	1,812,778	70,207		
Culture and recreation	31,500			
Interest on long-term debt	171,098			
Total governmental activities	8,090,663	1,153,009	-	-
Business-type Activities:				
Public Building Commission	195,748			
Transportation program	761,706	191,269	644,232	125,078
Total business-type activities	957,454	191,269	644,232	125,078
Total primary government	9,048,117	1,344,278	644,232	125,078
Component Units:				
Mental Health Center	1,580,381	1,219,474	102,253	36,838
Emergency Telephone System Board	281,396	237,861		
Total component units	\$ 1,861,777	1,457,335	102,253	36,838
General Revenues:				
Property taxes				
Income taxes				
Replacement taxes				
Sales and use taxes				
Other taxes				
Restricted for transportation purposes:				
Motor fuel taxes				
Investment earnings				
Miscellaneous				
Internal transfers				
Total general revenues				
Change in net assets				
Net assets, beginning, as previously reported				
Prior period adjustment				
Net assets, beginning, as restated				
Net assets, ending				

See Notes to Financial Statements.

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Piatt County Mental Health Center	Piatt County Emergency Telephone System Board
(1,543,356)		(1,543,356)		
(2,650,194)		(2,650,194)		
27,250		27,250		
(826,185)		(826,185)		
(1,742,571)		(1,742,571)		
(31,500)		(31,500)		
(171,098)		(171,098)		
(6,937,654)	-	(6,937,654)		
	(195,748)	(195,748)		
	198,873	198,873		
-	3,125	3,125		
(6,937,654)	3,125	(6,934,529)		
			(221,816)	
				(43,535)
			(221,816)	(43,535)
4,089,209		4,089,209		
485,255		485,255		
1,553,959		1,553,959		
424,292		424,292		
223,701		223,701		
430,602		430,602		
36,239	171,304	207,543	14,778	
815,794	301	816,095		
(1,349,292)		(1,349,292)	215,450	
6,709,759	171,605	6,881,364	230,228	-
(227,895)	174,730	(53,165)	8,412	(43,535)
16,673,550	850,701	17,524,251	2,378,368	139,436
			(16,450)	
16,673,550	850,701	17,524,251	2,361,918	139,436
\$ 16,445,655	1,025,431	17,471,086	2,370,330	95,901

**PIATT COUNTY, ILLINOIS**

**BALANCE SHEET - CASH BASIS  
GOVERNMENTAL FUNDS  
November 30, 2012**

	General	County Motor Fuel Tax	Illinois Municipal Retirement Fund	Other Governmental Funds	Total
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$	248,772	854,438	3,068,365	4,171,575
Investments	1,560,000	4,850,636			6,410,636
Due from other funds	486,888			70,194	557,082
Total assets	2,046,888	5,099,408	854,438	3,138,559	11,139,293
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities:					
Cash drawn in excess of funds available	746,615				746,615
Accrued expenses	160				160
Total liabilities	746,775	-	-	-	746,775
Fund Balances:					
Restricted		5,099,408	854,438	3,138,559	9,092,405
Unassigned	1,300,113				1,300,113
Total fund balance	1,300,113	5,099,408	854,438	3,138,559	10,392,518
Total liabilities and fund balances	\$ 2,046,888	5,099,408	854,438	3,138,559	11,139,293

See Notes to Financial Statements.

**PIATT COUNTY, ILLINOIS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET - CASH BASIS - TO THE STATEMENT  
OF NET ASSETS - MODIFIED CASH BASIS  
November 30, 2012**

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Total fund balances for Governmental Funds	\$ 10,392,518
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of internal lease.	9,306,819
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Revenue bonds payable	(3,960,000)
Internal service funds are used to pay for the costs of certain activities, such as insurance, leasing and building maintenance. The assets and liabilities of the internal service funds is included in governmental activities in the statement of net assets	<u>706,318</u>
Net assets of governmental activities	<u><u>\$ 16,445,655</u></u>

See Notes to Financial Statements.

**PIATT COUNTY, ILLINOIS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS  
Year ended November 30, 2012**

	General	County Motor Fuel Tax	Illinois Municipal Retirement Fund	Other Governmental Funds	Total
Revenues:					
Property taxes	\$ 1,508,725		1,000,040	1,580,444	4,089,209
Intergovernmental	2,498,016	518,704		68,377	3,085,097
Fines and forfeitures	845,721			307,288	1,153,009
Investment income	2,216	16,728	1,835	6,604	27,383
Miscellaneous	794,615	51		21,128	815,794
Total revenues	5,649,293	535,483	1,001,875	1,983,841	9,170,492
Expenditures:					
Current:					
General control and administration	1,572,824	3,545	373,789	374,228	2,324,386
Public safety	2,401,071			18,971	2,420,042
Public health and welfare	43,702			5,307	49,009
Judiciary and legal	719,703			79,130	798,833
Transportation	2,000	727,595		1,070,812	1,800,407
Culture and recreation	31,500				31,500
Capital outlay	337,363			25,681	363,044
Debt Service:					
Principal	670,000				670,000
Interest	171,098				171,098
Total expenditures	5,949,261	731,140	373,789	1,574,129	8,628,319
Excess (deficiency) of revenues over (under) expenditures	(299,968)	(195,657)	628,086	409,712	542,173
Other financing sources (uses):					
Transfers out	(290,704)		(522,626)	(505,962)	(1,319,292)
Total other financing sources (uses)	(290,704)	-	(522,626)	(505,962)	(1,319,292)
Net change in fund balances	(590,672)	(195,657)	105,460	(96,250)	(777,119)
Fund balances, beginning of year	1,890,785	5,295,065	748,978	3,234,809	11,169,637
Fund balances, end of year	\$ 1,300,113	5,099,408	854,438	3,138,559	10,392,518

See Notes to Financial Statements.

**PIATT COUNTY, ILLINOIS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - CASH BASIS - TO THE STATEMENT OF ACTIVITIES -  
MODIFIED CASH BASIS  
Year ended November 30, 2012**

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Net change in fund balances - total governmental funds \$ (777,119)

Amounts reported for governmental activities in the  
statement of activities are different because:

Capital outlays are reported as expenditures in Governmental  
Funds. However, in the Statement of Activities, the cost  
of capital assets is allocated over their useful lives as  
depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 452,364	
Depreciation expense	<u>(357,030)</u>	
		95,334

Internal service funds are used to pay for the costs of  
certain activities, such as insurance and leasing. The  
net revenue of the internal service funds is reported with  
governmental activities in the statement of net assets (216,110)

The issuance of long-term debt provides current financial  
resources to governmental funds, while the repayment of  
the principal of long-term debt consumes the current  
financial resources of governmental funds. Neither transaction,  
however, has any effect on net assets. This amount is the net  
effect of these differences in the treatment of long term debt.

670,000

Change in net assets of governmental activities \$ (227,895)

See Notes to Financial Statements.



**PIATT COUNTY, ILLINOIS**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
November 30, 2012**

	Piatt County Public Building Commission	Public Transportation Fund	Total Business-Type Activities
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 7,428	221,286	228,714
Investments	129,661		129,661
Accounts receivable		171,892	171,892
Lease receivable - current	600,000		600,000
Noncurrent assets:			
Capital lease receivable	3,360,000		3,360,000
Capital assets:			
Land		5,000	5,000
Property, plant, and equipment		1,177,975	1,177,975
Less accumulated depreciation		(575,771)	(575,771)
Total assets	4,097,089	1,000,382	5,097,471
<b>Liabilities</b>			
Accounts payable		8,199	8,199
Accrued expenses		5,760	5,760
Accrued interest	98,081		98,081
Due to other funds			
Amounts due within one year:			
Revenue bonds payable	600,000		600,000
Amounts due in more than one year:			
Revenue bonds payable	3,360,000		3,360,000
Total liabilities	4,058,081	13,959	4,072,040
<b>Net Assets</b>			
Invested in capital assets, net of related debt		607,204	607,204
Unrestricted	39,008	379,219	418,227
Total net assets	\$ 39,008	986,423	1,025,431

See Notes to Financial Statements.

Governmental Activities		
Self	PCO Bond	Total
Insurance	Maintenance	Internal Service
Fund	Fund	Fund

21,703	290,350	312,053
881,153		881,153

902,856	290,350	1,193,206
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	486,888	486,888
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-	486,888	486,888
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902,856	(196,538)	706,318
902,856	(196,538)	706,318

**PIATT COUNTY, ILLINOIS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

**PROPRIETARY FUND**

**Year ended November 30, 2012**

	Piatt County Public Building Commission	Public Transportation Fund	Total Business-Type Activities
Operating revenues:			
Charges for services	\$	191,269	191,269
Operating grants		769,310	769,310
Miscellaneous	301		301
Total operating revenues	301	960,579	960,880
Operating expenses:			
General government		18,557	18,557
Transportation		743,149	743,149
Total operating expenses	-	761,706	761,706
Operating income (loss)	301	198,873	199,174
Non-operating revenues			
Investment income	170,995	309	171,304
Interest on long-term debt	(195,748)		(195,748)
Inter-County transfers			
Change in net assets	(24,452)	199,182	174,730
Net assets, beginning of year	63,460	787,241	850,701
Net assets, end of year	\$ 39,008	986,423	1,025,431

See Notes to Financial Statements.

Governmental Activities		
Self Insurance Fund	PCO Bond Maintenance Fund	Total Internal Service Fund
	32,712	32,712
-	32,712	32,712
10,195	217,483	227,678
10,195	217,483	227,678
(10,195)	(184,771)	(194,966)
7,680	1,176	8,856
(30,000)		(30,000)
(32,515)	(183,595)	(216,110)
935,371	(12,943)	922,428
902,856	(196,538)	706,318

**PIATT COUNTY, ILLINOIS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year ended November 30, 2012**

	Business-type Activities	
	Piatt County Public Building Commission	Transportation Program Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 301	
Receipts from grants/other		935,070
Payments to customers and suppliers		(628,392)
<b>Net cash flows from operating activities</b>	<b>301</b>	<b>306,678</b>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>		
Transfers (to) from other funds		
<b>Net cash flows from non capital financing activities</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets		(200,855)
Principal payments on revenue bonds	(670,000)	
Proceeds from capital lease payments	670,000	
Interest expense paid on bonds and notes	(140,308)	
<b>Net cash flows from capital and related financing activities</b>	<b>(140,308)</b>	<b>(200,855)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(100,000)	
Proceeds from sale of investments	5,886	
Investment income	170,995	309
<b>Net cash flows from investing activities</b>	<b>76,881</b>	<b>309</b>
Net increase (decrease) in cash and cash equivalents	(63,126)	106,132
Cash and cash equivalents, beginning of year	70,554	115,154
Cash and cash equivalents, end of year	<u>\$ 7,428</u>	<u>221,286</u>

(Continued)

Total Business-Type Activities	Governmental Activities		Total Internal Service Fund
	Self Insurance Fund	PCO Bond Maintenance Fund	
301			
935,070		32,712	32,712
(628,392)	(10,195)	(480,595)	(490,790)
306,979	(10,195)	(447,883)	(458,078)
	(30,000)		(30,000)
-	(30,000)	-	(30,000)
(200,855)			
(670,000)			
670,000			
(140,308)			
(341,163)	-	-	-
(100,000)			
5,886	30,000		30,000
171,304	3,068	1,176	4,244
77,190	33,068	1,176	34,244
43,006	(7,127)	(446,707)	(453,834)
185,708	28,830	737,057	765,887
228,714	21,703	290,350	312,053

**PIATT COUNTY, ILLINOIS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (Continued)  
Year ended November 30, 2012**

	<u>Business-Type Activities</u>	
	<u>Piatt County</u>	<u>Public</u>
	<u>Building</u>	<u>Transportation</u>
	<u>Commission</u>	<u>Fund</u>
<hr/>		
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 301	198,873
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation		134,354
(Increase) decrease in assets:		
Accounts receivable		(25,510)
Increase (decrease) in liabilities:		
Accounts payable		(2,424)
Internal payable		
Accrued payroll and employee benefits		1,385
		<hr/>
<b>Net cash flows from operating activities</b>	<b>\$ 301</b>	<b>306,678</b>
		<hr/>

See Notes to Financial Statements.

Total Business-Type Activities	Governmental Activities		Total Internal Service Fund
	Self Insurance Fund	PCO Bond Maintenance Fund	
199,174	(10,195)	(184,771)	(194,966)
134,354			
(25,510)			
(2,424)			
		(263,112)	(263,112)
1,385			
306,979	(10,195)	(447,883)	(458,078)



**PIATT COUNTY, ILLINOIS**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

**FIDUCIARY FUNDS**

**November 30, 2012**

	Agency Funds
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	\$ 1,255,014
Due from Government Fund	<u>12,459</u>
Total assets	<u><u>1,267,473</u></u>
<b>Liabilities</b>	
Due to other governments	653,784
Due to others	<u>613,689</u>
Total liabilities	<u><u>\$ 1,267,473</u></u>

See Notes to Financial Statements.

## PIATT COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS

November 30, 2012

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#### Note 1 - Summary of Significant Accounting Policies

Piatt County (County) is a municipal corporation governed by an elected six member board. Other officials elected by the voters of the County that manage various segments of the County's operations are the Circuit Clerk, County Clerk and Recorder, Treasurer and Collector, Sheriff, State's Attorney and Regional Superintendent of Education (Macon-Piatt). Although elected officials manage the internal operations of their respective departments, the County Board authorizes expenditures as well as serves as the budget and taxing authority, contracting body, and the chief administrators of public services for the entire County.

**The Financial Reporting Entity:** As required by generally accepted accounting principles, these financial statements present the County (the primary government) and its component units. The County's financial statements include all funds, departments, boards and agencies that are not legally separate from the County. The component units are included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Furthermore, their inclusion is considered necessary to avoid incomplete or misleading financial reporting.

The financial statements are formatted to allow users to clearly distinguish between the primary government and its component units. Because of the closeness of their relationship with the primary government, some component units are blended as though they are part of the primary government; others are discretely presented.

**Blended Component Units -** The Piatt County Public Building Commission (PCPBC) is a municipal corporation created under the provisions of the Public Building Commission Act of the State of Illinois. The purpose of the PCPBC is to acquire or construct facilities for participating governments and to issue bonded debt to finance the acquisition or construction of such facilities. The County appoints the four-member governing board of the PCPBC. The PCPBC is financially dependent on the County because the debt issued by the PCPBC is paid by the County in the form of lease payments for County facilities. As such, the County has significant influence over the PCPBC and has included the organization in the reporting entity.

**Discretely Presented Component Units -** The following discretely presented component units are reported in separate columns in the basic financial statements to emphasize that they are legally separate from the County.

The Piatt County Emergency Telephone System Board (ETSB) is a special unit of local County government, operating under the Emergency Telephone System Act, Chapter 50 ILCS, Section 750/15.4 et seq. of the Illinois Compiled Statutes (ILCS). The ETSB is funded through telephone surcharges and distributes funds to plan, coordinate, and supervise the implementation of an enhanced 9-1-1 system. All members of the ETSB are appointed by the Piatt County Board. The Piatt County Board may at any time change the rate of the surcharge imposed as long as the new rate does not exceed the rate specified in the referendum. As such, the County has significant influence over the ETSB and has included the organization in the reporting entity. The ETSB's year end for financial reporting purposes is November 30, 2012, the same as the County. The ETSB's November 30, 2012, financial statements are included herein.

## PIATT COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued) November 30, 2012

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#### Note 1 - Summary of Significant Accounting Policies, continued

##### **The Financial Reporting Entity, continued:**

The Piatt County Mental Health Center (Center) is a special unit of local County government. All members of the Center's Board are appointed by the Piatt County Board. As such, the County has significant influence over the Center and has included the organization in the reporting entity. The Center's year-end for financial reporting purposes is June 30, which differs from the County. The Center's June 30, 2012, financial statements are included herein.

Complete financial statements for the Piatt County Mental Health Center can be obtained at 1921 North Market, Monticello, Illinois 61856.

**Payments Between the County and Component Units:** Resource flows (except those that affect the statement of net assets/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions - that is, as revenues and expenditures. Resource flows between the primary government and blended component units are classified as interfund transactions in the financial statements.

**Related Organizations:** The County's officials are also responsible for appointing members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. The County Board appoints board members of all Fire Protection Districts in Piatt County and all Drainage Districts in Piatt County.

In addition, several legally separate tax exempt organizations have been established to benefit the County and others. These organizations include the Piatt County Animal Shelter, the Piatt County Historical and Genealogical Society, and Friends of the Piatt County Museum.

**Basis of Presentation:** The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements: The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government and its component units, except for fiduciary funds. 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.

## PIATT COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued) November 30, 2012

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#### Note 1 - Summary of Significant Accounting Policies, continued

##### **Basis of Presentation, continued:**

Government-wide Financial Statements, continued: The statement of net assets presents the financial condition of the governmental activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the County.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.

Fund Financial Statements: During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds, each presented in a separate column. All remaining funds are aggregated and presented in a single column and reported as nonmajor funds.

**Fund Accounting:** The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds: Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

General Fund - This 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.

County Motor Fuel Tax Fund - This fund accounts for County Motor Fuel Tax funds which are to be used for approved County road and bridge projects.

Illinois Municipal Retirement Fund - This fund accounts for collection and payment of retirement benefits for County employees.

## PIATT COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued)

November 30, 2012

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#### Note 1 - Summary of Significant Accounting Policies, continued

##### Fund Accounting, continued:

Governmental Funds, continued: The other governmental funds of the County account for county-wide property tax levies, grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital facilities.

Proprietary Funds: Proprietary Funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determination of operating income, financial position, changes in net assets and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The County's proprietary fund types consist of three Enterprise funds and two Internal Service Funds. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where management has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The County's major Enterprise funds consist of activities of the following:

Piatt County Nursing Home - This fund accounts for the operation of the County Nursing Home.

Piatt County Public Transportation - This fund accounts for the operation of a transportation program for the needy in Piatt County.

Public Building Commission - This fund accounts for the financing, acquisition, and construction of facilities for lease to Piatt County.

The Internal Service Funds account for the financing of goods or services provided by one department to other departments or agencies of the County. The Internal Service Funds are included in governmental activities for government-wide reporting purposes. The following is a description of the County's Internal Service Funds:

Self Insurance Fund - established for the purpose of providing for the accumulation of funds to fund the County's self-funded workmen's compensation liability insurance.

Piatt County Operations Bond Maintenance Fund - accounts for the repairs and maintenance of all County buildings.

## PIATT COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued)

November 30, 2012

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#### Note 1 - Summary of Significant Accounting Policies, continued

##### **Fund Accounting, continued:**

Fiduciary Funds: The County's fiduciary fund types consist only of Agency Funds, which are custodial in nature and do not involve the measurement of operations. The County's Agency Funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent and for property taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

The County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs). As permitted by GASB No. 20, the County has elected not to follow subsequent private sector guidance in its business-type activities and Enterprise fund.

**Basis of Accounting:** Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the modified cash basis for governmental activities and accrual basis for business-type activities. Fund financial statements are prepared using the cash basis of accounting for governmental fund and fiduciary types and the accrual basis of accounting for proprietary funds. Differences in the cash and accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Blended Component Units: Each component unit financial statement included herein is prepared using the accrual basis of accounting.

Deferred Revenues: Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Expenses/Expenditures: On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

## PIATT COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued)

November 30, 2012

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#### Note 1 - Summary of Significant Accounting Policies, continued

**Cash and Cash Equivalents/Investments:** All deposits of the County are made in board designated official depositories and are secured as required by the Public Funds Investment Act. The County may designate, as an official depository, any bank insured by the Federal Deposit Insurance Corporation or credit union with the principal office located within the State of Illinois. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government.

Investments consist of interest-bearing deposits invested in the Illinois Funds Money Market and certificates of deposit and are stated at cost, which equals market. The County maintains separate investment accounts for each individual fund.

**Restricted Assets:** Restricted cash in the Self Insurance Fund is cash set aside for the payment of expenses related to future insurance claims.

**Property Tax Calendar:** The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions, including the schools and special districts within the County. The County Board adopts the property tax levy on the last Tuesday in December on the assessed valuation as of January 1st. Property taxes attach as an enforceable lien on all assessable real property located within Piatt County, Illinois, as of January 1st of the year following the levy. Taxes are payable in two installments on or about July 1st and September 1st. Collection and distribution of significant amounts of property taxes are expected to be made on approximately July 15th, September 15th and November 15th.

**Inventories:** Inventories are valued at the lower of cost or market. The cost of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

**Accounts Receivable:** The Mental Health Center's accounts receivables are comprised of earned and unpaid services performed for clients, various State of Illinois and local agencies, and others. All receivables are current and due within one year. Receivables are reported net of an estimated allowance for uncollectible accounts. The allowance for uncollectible accounts netted with accounts receivable was \$ 27,800 for the year ended June 30, 2012.

The Center does not charge interest for past due accounts, and it rarely turns unpaid accounts over to collection.

PIATT COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS (Continued)

November 30, 2012

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**Note 1 - Summary of Significant Accounting Policies, continued**

**Capital Assets:** General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Governmental Activities: Capital assets purchased or acquired with an original cost of at least \$ 5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at their fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

All capital assets are depreciated, except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	25-40 years
Vehicles	5-10 years
Furniture and fixtures	5 years
Technology and equipment	3 years
Infrastructure	25 years

Business-type Activities: Capital assets of proprietary funds are stated at cost. The cost of property additions and major replacements of retired units of property is capitalized. Interest on funds used during construction of major projects is capitalized. The cost of maintenance and minor repairs is charged to operations. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation is computed on the straight-line basis over the estimated useful lives of the various assets.

All assets purchased by the PCPBC under the provisions of the lease agreements discussed in Note 8 are considered to be assets owned by other parties, mainly the County, as ownership is transferred to the other parties upon expiration of the leases. Therefore, such purchases are not capitalized by the PCPBC, but rather recorded as materials and supplies expenses on the PCPBC financial statements.

**Budgetary Data:** Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Expenditures are controlled at the fund level. All appropriations lapse at year end.



## PIATT COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued)

November 30, 2012

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#### Note 1 - Summary of Significant Accounting Policies, continued

**Budgetary Data, continued:** Budgets for the General and Special Revenue Funds, except for the Motor Fuel Tax Fund, are adopted on a basis consistent with the cash basis of accounting. The authority to spend funds of the Motor Fuel Tax Fund is determined by the Illinois Department of Transportation and is not included as a budgetary statement of Special Revenue Funds.

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

- 1) During September, the various County officers and department present their budgeted expenditures to the Budget Committee of the County Board.
- 2) After these requests are all approved, they are integrated into a preliminary budget along with the budgeted revenues and proposed property tax levies.
- 3) The preliminary budget is then presented to the full County Board for approval.
- 4) After the preliminary budget is approved, it is made available for public inspection for a statutory period of time.
- 5) Finally, after the preliminary budget has been available for the requisite amount of time, the County Board formally adopts the final budget.

**Use of Estimates:** Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

**Operating Revenues and Expenses - Proprietary Funds:** Operating income consists of those revenues that result from the ongoing principal operations of the Proprietary Funds. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities.

**Compensated Absences:** The liability for compensated absences in the government-wide and proprietary fund statements consists of accumulated unpaid sick and vacation pay. The liability has been calculated using the vesting method.

**Interfund Transactions:** Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

## PIATT COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued)

November 30, 2012

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#### Note 1 - Summary of Significant Accounting Policies, continued

**Interfund Transactions, continued:** Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**Fund Equity:** Beginning with fiscal year 2011, the County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The following classifications describe the relative nature, extent and strength of the spending constraints placed on the County's fund balances:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact (such as perpetual trusts).
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e., County Board). To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the County intends to use for a specific purpose. Intent can be expressed by the County Board or by an official or body to which the County Board delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the County's governmental funds have been restated to reflect the above classifications.

The County Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by County Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service or for other purposes).

The County would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

## PIATT COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued)

November 30, 2012

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#### Note 1 - Summary of Significant Accounting Policies, continued

**Net Assets:** Net assets comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation or invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets components as the unspent proceeds.

Restricted - This component of net assets consists of constraints imposed by creditors, (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

#### Note 2 - Deposits and Investments

Illinois Compiled statutes authorize the County to invest in obligations of the U.S. Treasury or its agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements (subject to limitations), and commercial paper rated within the three highest classifications by at least two standard rating services.

**Deposits - Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's policy indicates that the Treasurer requires collateralization of public deposits be performed through pledging of appropriate securities by the depositories. As of November 30, 2012, the County's bank balances of \$ 14,703,091 (including certificates of deposit, checking, and savings accounts) were fully insured and collateralized. The County evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

## PIATT COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued) November 30, 2012

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#### Note 2 - Deposits and Investments, continued

**Deposits - Custodial Credit Risk:** The Piatt County Public Building Commission's deposits are excluded from the above due to the fact that different custodians and deposit risk policies exist for these separate accounts. At November 30, 2012, the carrying amount of the PCPBC's cash deposits totaled \$ 137,088. All of the PCPBC's deposits were insured by federal depository insurance or collateralized by securities held by a financial institution's trust department or agent in the PCPBC's name.

Piatt County Emergency Telephone System Board: At November 30, 2012, all ETSB's cash accounts and investments are covered by federal insurance or collateralized by the pledging financial institution's trust department or agent in favor of the Board.

Piatt County Mental Health Center: At June 30, 2012, none of the Piatt County Mental Health Center's bank balances of \$ 1,919,194 were exposed to custodial credit risk.

**Restricted Cash and Investments:** Cash and investments held in the self-insurance fund of \$ 23,190, and in the Piatt County Operations Bond Maintenance fund of \$ 290,351 are restricted by state statute or for specific purposes.

#### Note 3 - Property Taxes

The County's property tax is levied on January 1 of each year on all taxable real property located in the County. Real property tax revenue received in 2012 represents collection of the 2011 taxes. Real property taxes for the 2012 levy will be collected in and are intended to finance 2013 operations.

Piatt County property is assessed as of January 1 of each year by the Township Assessors. The values are adjusted by various percentages according to the type of property (residential, commercial, etc.). The assessed values are equalized by the Illinois Department of Revenue to ensure uniformity of property assessments throughout the state. The Piatt County Clerk computes the annual tax rate by dividing the requested levy into the equalized value of each taxing unit. The Clerk then computes the tax for each parcel by multiplying the aggregate rates of all the taxing units having jurisdiction over the parcel by the equalized value. The tax amounts by parcel are forwarded to the Piatt County Collector and used as a basis for issuing tax bills to all taxpayers in the County.

## PIATT COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued)

November 30, 2012

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#### Note 3 - Property Taxes, continued

Property taxes are collected by the Piatt County Collector who periodically remits to each taxing unit its respective share of the collections. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds. Taxes levied in one year become due and payable in two installments during the following year. The first installment is due in early July and the second installment is due in early September. A lien on taxable real property is effective thirty (30) days after the second installment due date.

The following are the taxes levied per \$ 100 of assessed valuation.

	Maximum Rate	2011 Levy
General Corporate	.27000	.14930
County Highway	.10000	.10000
Bridge Fund	.05000	.05000
Illinois Municipal Retirement		.26300
Federal Aid Matching	.05000	.05000
T.B. Sanitarium	.05200	.00420
Health Unit	.06800	.03180
Bonds and Interest		.22120
Veterans' Assistance Commission	.03000	.00370
Unemployment Insurance		.02180
Nursing Home	.10000	.10000
Social Security		.18550
Piatt County Cooperative Extension	.03000	.02660
		<u>1.20710</u>

**PIATT COUNTY, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**November 30, 2012**

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**Note 4 - Interfund Receivables, Payables and Transfers**

Individual fund receivable/payable balances at November 30, 2012 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	PCO Bond Maintenance	\$ 486,888
Working Cash	Nursing Home	70,194
County Bridge	Highway	13,734
		<u>\$ 570,816</u>

The General Fund receivable from the PCO Bond Maintenance Fund represents the amount owed to the General Fund for the purchase of the Piatt County Office Building in 2011.

The Working Cash Fund receivable from the Nursing Home represents the borrowing of cash to cover the Nursing Home HVAC project in 2011. The full amount is expected to be repaid in the next year.

The County Bridge Fund receivable from the Highway Fund represents insurance proceeds that were deposited into the Highway checking account erroneously. The proceeds were transferred to the County Bridge Fund in December 2012.

	<u>Transfers Out</u>
General	\$ 290,704
Illinois Municipal Retirement Fund	522,626
Security/FICA Fund	433,835
Unemployment Compensation Fund	51,127
Support Administration Fund	21,000
Self-Insurance Fund	30,000
	<u>\$ 1,349,292</u>

Transfers were made to the Nursing Home and the Mental Health Center from other funds to support payroll and payroll related items of the Nursing Home and Mental Health employees, as well as general insurance and health insurance of the aforementioned funds.

Transfers were made to the General Fund from the Support Administrative Fund to cover salaries of the Circuit Clerk office.

Transfers were made to the General Fund from the Self-Insurance Fund to cover costs of County employee physicals.

**PIATT COUNTY, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**November 30, 2012**

**Note 5 - Capital Assets**

Capital activity for the year ended November 30, 2012, was as follows:

	Balance December 1, 2011	Increases	Decreases	Balance November 30, 2012
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 337,500			337,500
Capital assets being depreciated:				
Buildings and improvements	10,637,240	290,106		10,927,346
Machinery and equipment	120,998	92,093		213,091
Vehicles	522,256	46,868	52,775	516,349
Furniture and fixtures	183,606			183,606
Office equipment	537,482	8,999	5,584	540,897
Other equipment	234,700	14,298		248,998
Total capital assets being depreciated	12,236,282	452,364	58,359	12,630,287
Less accumulated depreciation for:				
Buildings and improvements	2,097,247	268,099		2,365,346
Machinery and equipment	120,998	905		121,903
Vehicles	446,206	46,406	52,775	439,837
Furniture and fixtures	183,606			183,606
Office equipment	321,034	21,374	5,584	336,824
Other equipment	193,206	20,246		213,452
Total accumulated depreciation	3,362,297	357,030	58,359	3,660,968
Total capital assets being depreciated, net	8,873,985	95,334	-	8,969,319
Governmental activity, capital assets, net	\$ 9,211,485	95,334	-	9,306,819

**PIATT COUNTY, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**November 30, 2012**

**Note 5 - Capital Assets, continued**

Depreciation was charged to functions of governmental activities as follows:

General government	\$ 45,135
Public safety	200,733
Corrections	54,280
Judiciary and legal	44,511
Transportation and public works	<u>12,371</u>
	<u>\$ 357,030</u>

	Balance December 1, 2011	Additions	Deletions	Balance November 30, 2012
<u>Business-type activities:</u>				
Transportation Program:				
Capital assets not being depreciated:				
Land	\$ 5,000			<u>5,000</u>
Capital assets being depreciated:				
Building	278,102			<u>278,102</u>
Vehicles	664,428	125,078		<u>789,506</u>
Equipment	34,590	70,195		<u>104,785</u>
Construction in Process		5,582		<u>5,582</u>
Total capital assets being depreciated	<u>977,120</u>	<u>200,855</u>	<u>-</u>	<u>1,177,975</u>
Less accumulated depreciation for:				
Building	126,522	6,951		<u>133,473</u>
Vehicles	314,895	104,095		<u>418,990</u>
Equipment		23,308		<u>23,308</u>
Total accumulated depreciation	<u>441,417</u>	<u>134,354</u>	<u>-</u>	<u>575,771</u>
Total capital assets being depreciated, net	<u>535,703</u>	<u>66,501</u>	<u>-</u>	<u>602,204</u>
Transportation program, capital assets, net	<u>540,703</u>	<u>66,501</u>	<u>-</u>	<u>607,204</u>
Business-type activities, capital assets, net	<u>\$ 540,703</u>	<u>66,501</u>	<u>-</u>	<u>607,204</u>



# PIATT COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS (Continued)

November 30, 2012

### Note 6 - Long-Term Debt

The following is a summary of changes in the County's long-term obligations for the year ended November 30, 2012:

	Balance November 30, 2011	Additions	Reductions	Balance November 30, 2012	Amount Due in One Year
Governmental activities:					
Public Building Revenue Bonds, Series 2002	\$ 2,960,000		500,000	<b>2,460,000</b>	545,000
Public Building Revenue Bonds, Series 2003	170,000		170,000		
Public Building Revenue Bonds, Series 2011	1,500,000			<b>1,500,000</b>	55,000
Total governmental activities	<b>\$ 4,630,000</b>	-	670,000	<b>3,960,000</b>	

**Public Building Revenue Bonds:** On April 1, 2002, the PCPBC issued \$ 6,000,000 in Public Building Revenue Bonds, Series 2002. The bonds bear interest at varying fixed rates increasing with the length of maturity from 4.125% to 4.60%. The bond issue calls for retirement of principal on October 1 and interest payable on April 1 and October 1.

The annual requirements to amortize the remaining outstanding debt of the Series 2002 Public Building Revenue Bonds of \$ 2,460,000 as of November 30, 2012, assuming no early retirements, is as follows:

Year ending November 30	Principal	Interest	Total	Balance
2013	\$ 545,000	110,550	655,550	1,915,000
2014	590,000	86,570	676,570	1,325,000
2015	635,000	60,315	695,315	690,000
2016	690,000	31,740	721,740	
Total	<b>\$ 2,460,000</b>	<b>289,175</b>	<b>2,749,175</b>	

## PIATT COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued) November 30, 2012

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#### Note 6 - Long-Term Debt, continued

On February 26, 2003, the PCPBC issued \$ 1,325,000 in Public Building Revenue Bonds, Series 2003. The bonds bear interest at varying fixed rates increasing with the length of maturity from 3.55% to 4.10%. The bond issue calls for retirement of principal on October 1 and interest payable on April 1 and October 1. The final principal and interest payments of \$ 170,000 and \$ 6,970, respectively, were paid during 2012.

On September 2, 2011, the PCPBC issued \$ 1,500,000 in Public Building Revenue Bonds, Series 2011. The bond bears interest at varying fixed rates increasing with the length of maturity from 1.125% to 6.250%. The bond issue calls for retirement of principal on October 1 and interest payable on April 1 and October 1.

The annual requirements to amortize the remaining outstanding debt of the Series 2011 Public Building Revenue Bonds of \$ 1,500,000 as of November 30, 2012, assuming no early retirements, is as follows:

Year ending November 30	Principal	Interest	Total	Balance
2013	\$ 55,000	133,390	188,390	1,445,000
2014	60,000	63,494	123,494	1,385,000
2015	60,000	62,819	122,819	1,325,000
2016	60,000	62,144	122,144	1265,000
Thereafter	1,265,000	673,131	1,938,131	
Total	\$ 1,500,000	994,978	2,494,978	

The creation and funding of certain reserve accounts required by the revenue bond ordinances have not been established by the County or the Piatt County Public Building Commission.

Since the PCPBC is a blended component unit, the lease payable/receivable between the PCPBC and the County has been eliminated at the government-wide reporting level, and the revenue bonds have been reported as a liability of the County, payable 100% from the Piatt County Public Building Commission (business-type activities).

Legal Debt Margin: The Illinois Compiled Statutes provide that the net general obligation debt of the County, exclusive of certain exempt debt, should not exceed 2.875 percent of the total assessed valuation of the County. The effect of the debt limitations described above is an overall debt margin of \$ 10,931,995 at November 30, 2012.

**PIATT COUNTY, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**November 30, 2012**

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**Note 7 - Capital Lease**

Piatt County Emergency Telephone System Board: Change in long-term liabilities - The following summarizes long-term liability activity for the year ended November 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital lease	\$ 152,960	-	36,798	116,162	39,036

The County leases equipment under a capital lease. The lease term began March 10, 2010, and expires March 11, 2116, with annual payments, including principal and interest, of \$ 46,100 for the first four years of the lease, and decreased payments in the remaining two years. Principal portions of future minimum lease payments are as follows:

Year ending November 30	Principal	Interest	Total Payment
2013	\$ 39,036	7,064	46,100
2014	41,410	4,690	46,100
2015	20,248	2,172	22,420
2016	15,468	940	16,408
Total	\$ 116,162	14,866	131,028

Leased equipment under capital leases in capital assets at November 30, 2012, include the following:

Equipment	\$ 257,953
Less: accumulated depreciation	<u>(120,378)</u>
Total	<u>\$ 137,575</u>

**PIATT COUNTY, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**November 30, 2012**

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**Note 8 - Multiple Facilities Lease**

The County had entered into lease agreements in 2002 and 2003 with the Piatt County Public Building Commission (PCPBC) for financing the construction of the County jail and public safety building facilities. On September 1, 2011, the County and the PCPBC entered into a new noncancellable 20-year lease for financing the purchase and construction of a County public building. The leases required that the County levy property taxes to make annual rental payments to the PCPBC to service the PCPBC revenue bonds.

Lease payments are due each September 25 for the succeeding year and are divisible into a debt service component and a facilities rent portion. The debt service component is payable in order to retire the bonds issued by PCPBS. The facilities rent component reflects the amounts necessary to cover operations and maintenance expenditures of the buildings. The following is a schedule of the future minimum lease payments under the leases and the present value of the net minimum lease payments at November 30, 2012:

Year ending November 30	Facilities Rent	Debt Service Component		
		Principal	Interest	Total
2013	\$	600,000	217,560	817,560
2014	50,843	650,000	136,600	786,600
2015	51,518	695,000	108,509	803,509
2016	52,193	750,000	77,676	827,676
2017	52,868	60,000	61,131	121,131
Thereafter	823,726	1,205,000	581,266	1,786,266
Total	\$ 1,031,148	3,960,000	1,182,742	5,142,742

## PIATT COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued)

November 30, 2012

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#### Note 9 - Pension Plan

Employees of the County participate in the Illinois Municipal Retirement Fund.

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

**Funding Policy:** As set by statute, the County's Regular and SLEP plan members are required to contribute 4.50% and 7.50%, respectively, of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2011 for Regular and SLEP was 9.39% and 19.41%, respectively, of annual covered payroll. The County annual required rate for calendar year 2011 for SLEP was 21.23%. The County also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**Annual Pension Cost:** For calendar year ending December 31, 2011, the County's actual contributions for pension cost for the Regular plan were \$ 754,630 and \$ 104,833 for the Sheriff's Law Enforcement Personnel plan. Its required contributions for calendar year 2011 for Regular and SLEP were \$ 848,658 and \$ 114,663, respectively.

#### Three-Year Trend Information for the Regular Plan:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	\$ 848,658	89%	\$ 208,999
12/31/10	793,556	84%	108,969
12/31/09	545,920	100%	-0-

#### Three-Year Trend Information for the Sheriff's Law Enforcement Personnel Plan:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	\$ 114,663	91%	\$ 22,558
12/31/10	103,623	87%	12,056
12/31/09	81,507	100%	-0-

# PIATT COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS (Continued)

November 30, 2012

### Note 9 - Pension Plan, continued

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

**Funded Status and Funding Progress:** As of December 31, 2011, the most recent actuarial valuation date, the **Regular plan** was 79.58 percent funded. The actuarial accrued liability for benefits was \$ 15,692,556, and the actuarial value of assets was \$ 12,487,755, resulting in an underfunded actuarial accrued liability (UAAL) of \$ 3,204,801. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$ 8,036,532, and the ratio of the UAAL to the covered payroll was 40 percent.

As of December 31, 2011, the most recent actuarial valuation date, the **Sheriff's Law Enforcement Personnel plan** was 43.21 percent funded. The actuarial accrued liability for benefits was \$ 1,775,156, and the actuarial value of assets was \$ 766,986, resulting in an underfunded actuarial accrued liability (UAAL) of \$ 1,008,170. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$ 540,099, and the ratio of the UAAL to the covered payroll was 187 percent.

The schedules of funding progress present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### Illinois Municipal Retirement Fund

Schedule of Funding Progress - Regular						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	\$ 12,487,755	15,692,556	3,204,801	79.58%	8,036,532	39.88%
12/31/10	12,961,598	15,969,758	3,008,160	81.16%	7,849,217	38.32%
12/31/09	12,768,736	15,755,026	2,986,290	81.05%	7,743,548	38.56%

**PIATT COUNTY, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**November 30, 2012**

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**Note 9 - Pension Plan, continued**

**Funded Status and Funding Progress, continued:**

Schedule of Funding Progress - Sheriff Law Enforcement Personnel						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	\$ 766,986	1,775,156	1,008,170	43.21%	540,099	186.66%
12/31/10	1,270,086	2,091,026	820,940	60.74%	503,759	162.96%
12/31/09	1,094,118	1,892,321	798,203	57.82%	493,984	161.58%
12/31/08	940,024	1,576,831	636,807	59.61%	418,432	152.19%

On a market value basis, the actuarial value of assets as of December 31, 2011 for Regular and SLEP is \$ 11,689,767 and \$ 668,151, respectively. On a market basis, the funded ratio for Regular and SLEP would be 74.49% and 37.64%, respectively.

**Note 10 - Risk Management**

**Property and Liability:** The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injury to employees; and natural disasters. In December 1988, the County established a Self-Insurance Reserve Fund, which was funded by the sale of \$ 2,500,000 in General Obligation Bonds. This fund enables the County to self-insure workers' compensation, general liability, automobile liability, automobile physical damage, and public official errors and omissions claims. The County purchases commercial insurance to cover buildings and contents and certain articles of equipment and automobiles. The Self-Insurance Reserve is accounted for as part of the Self-Insurance Fund restricted for self-insurance claims. The County has \$ 902,856 in reserves at November 30, 2012 to cover current and future potential self-insurance claims.

The County carries commercial insurance coverage for liability, property, and crime insurance. The program has a \$ 1,000 deductible per occurrence. The list below is a general description of insurance coverage; not all policy terms, conditions, restrictions, exclusions, etc. are included.

## PIATT COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS (Continued) November 30, 2012

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#### Note 10 - Risk Management, continued

##### Property and Liability, continued:

##### Liability:

General (per occurrence/aggregate)	\$ 1,900,000/1,900,000
Law Enforcement	\$ 1,900,000
Auto	\$ 1,900,000
Nurses Professional	\$ 1,900,000
Public Official Errors and Omissions	\$ 1,900,000
Crime	\$ 500,000
Excess Liability	\$ 8,000,000

##### Aggregate:

Property	\$ 25,000,000
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The County pays all elected officials' bonds by statute.

#### Note 11 - Commitments

During January 2011, the County approved a five-year franchise agreement with Mediacom Illinois LLC, expiring on January 12, 2016. The agreement calls for the company to pay the County a franchise fee of 3% of annual gross revenue. The franchise fee is due annually and payable within 90 days after the close of the preceding calendar year.

In March 2012, the County entered into an agreement with Cook County, Illinois to provide detainee Housing Services for Cook County detainees. Cook County agrees to pay Piatt County a per diem fee of fifty dollars per day, per detainee, with a maximum number of 36 Cook County detainees at any given time. The agreement shall remain in effect until terminated by either party, by giving the other party thirty days written notice.

#### Note 12 - Subsequent Events

In December 2012, the County entered into an Inter-governmental Agreement with the City of Monticello, Monticello Community Unit School District #25, and the Allerton Public Library District for Shared Fiber Optic Network, in which all entities will jointly own, operate and maintain the joint fiber optic cable project.

In May 2013, the County Board approved a loan in the amount of \$ 75,000 to the DeWitt-Piatt Bi-County Health Department. The loan is to be repaid in 2013 upon the Department's receipt of the taxes levy revenue.



## **SUPPLEMENTARY INFORMATION**

PIATT COUNTY, ILLINOIS

COMBINING BALANCE SHEET FOR NONMAJOR GOVERNMENTAL FUNDS

Year ended November 30, 2012

	Special Revenue Funds			
	Veterans Assistance Commission Fund	Treasurer Automation Fund	Treasurer Indemnity Fund	Cannabis Control Fund
<b><u>ASSETS</u></b>				
Cash	\$ 27,990	19,102	81,153	390
Due from other funds				
TOTAL ASSETS	27,990	19,102	81,153	390
<b><u>FUND BALANCES</u></b>				
Restricted	27,990	19,102	81,153	390
TOTAL FUND BALANCES	\$ 27,990	19,102	81,153	390

(Continued)

Special Revenue Funds								
Court Improvement Fund	Court Security Fund	Death Examiner Fund	Sheriff's Forfeiture Funds	Highway Safety Hire-Back Fund	IDNS Fund	Sheriff's Vehicle Grant Fund	Support Administration Fund	Township Bridge Fund
10,150	14,172	128	16,180	2,524	15,572	3	23,270	61,616
10,150	14,172	128	16,180	2,524	15,572	3	23,270	61,616
10,150	14,172	128	16,180	2,524	15,572	3	23,270	61,616
10,150	14,172	128	16,180	2,524	15,572	3	23,270	61,616

**PIATT COUNTY, ILLINOIS**

**COMBINING BALANCE SHEET FOR NONMAJOR GOVERNMENTAL FUNDS (Continued)**

**November 30, 2010**

	Special Revenue Funds				
	Highway Fund	Bridge Fund	Court Automation Fund	Document Storage Fund	Probation Fees Fund
<b><u>ASSETS</u></b>					
Cash	\$ 384,237	421,700	48,561	54,929	243,594
Due (to)/from other funds	(13,734)	13,734			
TOTAL ASSETS	370,503	435,434	48,561	54,929	243,594
<b><u>FUND BALANCES</u></b>					
Restricted	370,503	435,434	48,561	54,929	243,594
TOTAL FUND BALANCES	\$ 370,503	435,434	48,561	54,929	243,594

Special Revenue Funds													
Social Security/ FICA Fund	TB Care Fund	Unemployment Comp Fund	Working Cash Fund	Document Storage Circuit Clerk Fund	Medical Fund	Piatt County Drug Enforcement Fund	DUI Equipment Fund	GIS Fund	PCCC Operations and Administrative Fund	Police Vehicle Fund	Pet Population Control Fund	Matching Fund	Total Nonmajor Governmental Funds
405,682	45,069	189,965	78,118 70,194	50,829	21,000	17,823	9,024	82,059	4,003	1,410	4,423	733,689	3,068,365 70,194
405,682	45,069	189,965	148,312	50,829	21,000	17,823	9,024	82,059	4,003	1,410	4,423	733,689	3,138,559
405,682	45,069	189,965	148,312	50,829	21,000	17,823	9,024	82,059	4,003	1,410	4,423	733,689	3,138,559
405,682	45,069	189,965	148,312	50,829	21,000	17,823	9,024	82,059	4,003	1,410	4,423	733,689	3,138,559

PIATT COUNTY, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year ended November 30, 2012

	Special Revenue Funds			
	Veterans Assistance Commission Fund	Treasurer Automation Fund	Treasurer Indemnity Fund	Cannabis Control Fund
Revenues:				
Taxes	\$ 14,069			
Intergovernmental				
Fines, fees, forfeitures		11,496	1,940	
Interest on investments	39	18	80	1
Miscellaneous				
Total revenues	14,108	11,514	2,020	1
Expenditures:				
Current:				
General control and administration	12,070	1,728		
Public safety				
Public health and welfare				
Judiciary and legal				
Transportation				
Capital outlay				
Total expenditures	12,070	1,728	-	-
Excess (deficiency) of revenues over (under) expenditures	2,038	9,786	2,020	1
Other financing sources (uses):				
Transfers in (out)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	2,038	9,786	2,020	1
Fund balances, beginning of year	25,952	9,316	79,133	389
Fund balances, end of year	\$ 27,990	19,102	81,153	390

(Continued)

Special Revenue Funds								
Court Improvement Fund	Court Security Fund	Death Examiner Fund	Sheriff's Forfeiture Funds	Highway Safety Hire-Back Fund	IDNS Fund	Sheriff's Vehicle Grant Fund	Support Administration Fund	Township Bridge Fund
					6,765			8,598
3,521	13,638	4,000	5,464				6,793	
3	17	3		4			39	185
				126	234	3		
3,524	13,655	4,003	5,464	130	6,999	3	6,832	8,783
		6,036	2,253		6,058			
4,847	10,000							
								264,746
4,847	10,000	6,036	2,253	-	6,058	-	-	264,746
(1,323)	3,655	(2,033)	3,211	130	941	3	6,832	(255,963)
							(21,000)	
-	-	-	-	-	-	-	(21,000)	-
(1,323)	3,655	(2,033)	3,211	130	941	3	(14,168)	(255,963)
11,473	10,517	2,161	12,969	2,394	14,631		37,438	317,579
10,150	14,172	128	16,180	2,524	15,572	3	23,270	61,616

PIATT COUNTY, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (Continued)

Year ended November 30, 2012

	Special Revenue Funds				
	Highway Fund	Bridge Fund	Court Automation Fund	Document Storage Fund	Probation Fees Fund
Revenues:					
Taxes	\$ 380,628	190,122			
Intergovernmental					
Fines, fees, forfeitures	37,334	32,873	15,270	20,319	60,989
Interest on investments	851	1,012	106	119	556
Miscellaneous	4,151	13,734			
Total revenues	422,964	237,741	15,376	20,438	61,545
Expenditures:					
Current:					
General control and administration				14,444	
Public safety					
Public health and welfare					
Judiciary and legal			10,756		53,527
Transportation	392,415	264,886			
Capital outlay	19,508				6,173
Total expenditures	411,923	264,886	10,756	14,444	59,700
Excess (deficiency) of revenues over (under) expenditures	11,041	(27,145)	4,620	5,994	1,845
Other financing sources (uses):					
Transfers out					
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	11,041	(27,145)	4,620	5,994	1,845
Fund balances, beginning of year	359,462	462,579	43,941	48,935	241,749
Fund balances, end of year	\$ 370,503	435,434	48,561	54,929	243,594



Special Revenue Funds													
Social Security/ FICA Fund	TB Care Fund	Unemployment Compensation Fund	Working Cash Fund	Document Storage Circuit Clerk Fund	Medical Fund	Piatt County Drug Enforcement Fund	DUI Equipment Fund	GIS Fund	PCCC Operations and Administrative Fund	Police Vehicle Fund	Pet Population Control Fund	Matching Fund	Total Nonmajor Governmental Funds
706,640	15,970	82,893										190,122	1,580,444
												53,014	68,377
				15,281	1,430	5,144	4,683	60,572	809	162	5,570		307,288
881	91	424	172	158	46	35	15	159	8	3	9	1,570	6,604
								2,880					21,128
707,521	16,061	83,317	172	15,439	1,476	5,179	4,698	63,611	817	165	5,579	244,706	1,983,841
232,182		22,982		51,995				38,827					374,228
						26					4,598		18,971
	5,307												5,307
													79,130
												148,765	1,070,812
													25,681
232,182	5,307	22,982	-	51,995	-	26	-	38,827	-	-	4,598	148,765	1,574,129
475,339	10,754	60,335	172	(36,556)	1,476	5,153	4,698	24,784	817	165	981	95,941	409,712
(433,835)		(51,127)											(505,962)
(433,835)	-	(51,127)	-	-	-	-	-	-	-	-	-	-	(505,962)
41,504	10,754	9,208	172	(36,556)	1,476	5,153	4,698	24,784	817	165	981	95,941	(96,250)
364,178	34,315	180,757	148,140	87,385	19,524	12,670	4,326	57,275	3,186	1,245	3,442	637,748	3,234,809
405,682	45,069	189,965	148,312	50,829	21,000	17,823	9,024	82,059	4,003	1,410	4,423	733,689	3,138,559



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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Board Members  
Piatt County, Illinois  
Monticello, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Piatt County, Illinois, as of and for the year ended November 30, 2012, which collectively comprise Piatt County, Illinois' basic financial statements and have issued our report thereon dated May 23, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be a material weakness as items 12-1 and 12-2.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as items 12-3 and 12-4.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Piatt 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* and which are described below.

- The County has several bond ordinances that require the establishment of certain bank accounts to provide for the repayment of debt and interest and provide funds for operating needs and lease payments related to the debt issues. The County has not complied with the provisions of the bond ordinances.

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

This report is intended solely for the information and use of management, County Board Members, others within the entity, and 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.



Monticello, Illinois  
May 23, 2013

## PIATT COUNTY, ILLINOIS

### SCHEDULE OF FINDINGS AND RESPONSES

November 30, 2012

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#### Material Weakness

##### *12-1 Significant Audit Adjustments*

Criteria: Management is responsible for maintaining its accounting records in accordance with the modified cash basis of accounting, and for assuring staff assigned financial reporting duties receive adequate technical training and are able to execute their duties in an accurate, timely fashion.

Condition: During our audit, we identified and proposed four types of adjustments (which were approved and posted by management) that were significant, either individually or in the aggregate, to the County's Financial Statements. These adjustments included recording activity in funds previously not reported; adjusting the government-wide financial statements; recording allocations of interest earnings from pooled cash and investment accounts to various participating funds; and recording investments in certificates of deposits in several funds.

Cause: Internal controls did not detect all adjustments necessary to properly record year-end balances.

Effect: General governmental accounting and financial reporting knowledge is lacking. As a result, the following areas were initially misstated:

- 1) Activity of the Public Building Commission Fund was not accounted for at all in the County's financial reporting system.
- 2) The property tax levied by the County for lease payments due to the Public Building Commission were not properly recorded as revenue, and the related payments due for the lease were not recorded as expenditures.
- 3) Investments in certificates of deposits were understated by approximately \$ 6,574,692 due to the amounts being originally recorded in cash or equity accounts.
- 4) Those charged with governance are not supplied appropriate accounting information from departments that are decentralized from the courthouse.
- 5) Many funds do not maintain appropriate accounting detail allocating the income received and expenditures paid in accordance to the appropriate budget line items.
- 6) Bank reconciliations are not prepared for all accounts monthly. In addition, several departments are not provided bank statements to reconcile department records with bank records.
- 7) The prior year audit journal entry of \$ 750,000 due from the PCO Bond Maintenance Fund to the General Fund was not recorded.
- 8) The prior year audit journal entry of \$ 76,131 due from the Nursing Home to the Working Cash Fund was not recorded.
- 9) Adjustments are made by the County at year end to adjust expenditure ending balances to be less than or equal to the amount budgeted. An audit adjustment of \$ 284,432 was made to reverse these entries and accurately report expenditures in the General Fund.

## PIATT COUNTY, ILLINOIS

### SCHEDULE OF FINDINGS AND RESPONSES (Continued) November 30, 2012

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#### Material Weakness, continued

##### *12-1 Significant Audit Adjustments, continued*

Recommendation: We recommend that additional resources be focused on the accounting and financial reporting aspects of the County's operations in order to better maintain accountability. This would include taking steps to ensure that all activity and year-end adjustments are identified and properly made for financial reporting purposes.

County's Response: The County and its management are aware of the complexity of the financial reporting process and the need to obtain a full understanding of the accounting requirements. Beginning in December 2012, the County began preparing bank reconciliations for those accounts that were missing the reconciliation and will continue to do on a monthly basis. In November 2012, the County purchased a new accounting software that will help integrate all funds of the County. Furthermore, the decentralized locations currently reported in the accounting records in summary form, including the Transportation Program, Motor Fuel Tax, and Nursing Home, each keep detailed accounting records of their revenues and expenditures on separately maintained accounting systems. The County will draft procedures in order to incorporate all activity under the control of the County Board within the accounting and financial reporting system.

##### *12-2 Financial Reporting*

Criteria: Management is responsible for establishing and maintaining adequate internal control over financial reporting, including controls over the ability of management to select and apply appropriate accounting principles to prepare financial statements and related footnote disclosures in conformity with the modified cash basis of accounting.

Condition: During the review of the financial reporting process, we noted that neither management nor the accounting personnel have the expertise to select and apply appropriate accounting principles or to prepare financial statements with appropriate footnotes in accordance with the modified cash basis of accounting.

Cause: The responsibility for financial reporting rests entirely with the County and not the auditor. In other words, if the County is not able to issue, without the auditors' involvement, complete financial statements with notes, in accordance with the modified cash basis of accounting, and free of material misstatement, that inability is a symptom of material deficiencies in internal control.

Effect: Without adequate financial reporting expertise, errors and omissions could occur in the financial statements and not be detected by management.

Recommendation: We recommend that management assess the financial reporting process and consider implementing additional reporting functions. Additionally, we recommend that the Board include persons knowledgeable about financial statements and reporting requirements.

County's Response: There is no disagreement with the audit finding. The County is aware of the need for the expertise necessary to prepare a complete set of financial statement and the related disclosures. Management will continue to monitor the internal controls over financial reporting as well as the cost/benefit relationship with these issues. The County is currently looking for new accounting software that will help integrate all funds of the County.

PIATT COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND RESPONSES (Continued)  
November 30, 2012

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**Significant Deficiencies**

***12-3 Signature Stamps***

Criteria: Management is responsible for maintaining safeguards over signature stamps that allow only authorized officials to have access.

Condition: During our audit, we noted several different offices hold signature stamps that are accessible by all employees.

Cause: Internal controls lack safeguards over the signature stamps by an unauthorized employee.

Effect: Due to a lack of safeguards over signature stamps, unauthorized transactions could occur.

Recommendation: Safeguards over signature stamps should be improved to lessen potential authorizations of invoices, checks, etc. by an unauthorized employee. We recommend that signature stamps be locked in a place whereby access is granted to no other employees other than those authorized officials.

County's Response: There is no disagreement with the audit finding. The County will review its safeguards over signature stamps and attempt to minimize the potential of an unauthorized individual gaining access to one of the stamps.

PIATT COUNTY, ILLINOIS

SCHEDULE OF FINDINGS AND RESPONSES (Continued)  
November 30, 2012

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Significant Deficiencies, continued

*12-4 Payroll Records*

Criteria: Signed payroll checks should be safeguarded to insure only authorized employees have access to them from each department. A policy for identifying terminated employees should be followed, and all such employees be isolated and removed from the ongoing payroll system.

Condition: It was noted that there is no formal procedure to record terminated employees in the accounting software, thus all past employees are still active in the computer system until they are manually deleted.

Cause: There is no policy regarding a formal procedure for identifying terminated employees.

Effect: With no formal procedure to identify terminated employees, a potential for fraudulent payroll disbursements exists.

Recommendation: We recommend that a procedure be implemented to properly identify terminated employees and assure their appropriate removal from the payroll system.

County's Response: There is no disagreement with the audit finding. At the end of 2012, the County purchased a new accounting software package, which includes a more user friendly payroll module and remedy the issue of terminated employees being manually deleted.