

MONROE COUNTY, ILLINOIS
ANNUAL FINANCIAL REPORT
For the Year Ended November 30, 2011

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INDEPENDENT AUDITOR'S REPORT

County Board of Commissioners
Monroe County, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County, Illinois as of and for the year ended November 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Commissioners of Monroe County, Illinois. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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


In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County, Illinois as of November 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Monroe County, Illinois adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended November 30, 2011. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The adoption of this statement had no effect on any of the County's governmental funds' assets or liabilities nor was there any effect on the total amount of any of the County's governmental fund balances as of and for the year ended November 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the Illinois Municipal Retirement Fund Schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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


Fick, Eggemeyer & Williamson, CPA's
St. Louis, Missouri
February 10, 2012

MONROE COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED NOVEMBER 30, 2011

The following discussion and analysis of Monroe County's financial condition should be reviewed in conjunction with the annual audited statements to obtain a clearer understanding of our financial picture.

This analysis highlights the general trend of our financial performance. It also notes areas beyond our immediate control, which will or may significantly impact our financial performance.

COMPARISON OF TOTAL NET ASSETS
2011 AND 2010

	GOVERNMENTAL ACTIVITIES		BUSINESS ACTIVITY (Nursing Home)	
	2011	2010	2011	2010
Total current assets	\$ 14,571,085	\$ 14,935,444	\$ 6,742,229	\$ 5,438,336
Total noncurrent assets	31,186,339	29,686,203	194,814	2,208,564
Total assets	<u>\$ 45,757,424</u>	<u>\$ 44,621,647</u>	<u>\$ 6,937,043</u>	<u>\$ 7,646,900</u>
Total current liabilities	\$ 3,530,458	\$ 2,634,024	\$ 1,067,589	\$ 1,377,474
Total noncurrent liabilities	16,630,983	18,215,467	158,006	168,630
Total liabilities	<u>\$ 20,161,441</u>	<u>\$ 20,849,491</u>	<u>\$ 1,225,595</u>	<u>\$ 1,546,104</u>
TOTAL NET ASSETS	<u><u>\$ 25,595,983</u></u>	<u><u>\$ 23,772,156</u></u>	<u><u>\$ 5,711,448</u></u>	<u><u>\$ 6,100,796</u></u>

NOTES AND OBSERVATIONS:

The Comparison of Total Net Assets presented above shows that the financial standing of the County continued to improve in 2011, as evidenced by increases in our total assets. With the current economic downturn we are experiencing, we feel that the County is poised to face any immediate financial challenges without drastic reductions in services provided. Officials will have to continue their conservative approach to spending and maintain liquidity to avoid program cuts in the future.

NURSING HOME:

The nursing home is required to make the payments necessary to retire the debt on the construction of its new facility. The payments will be approximately \$1,500,000 each year until 2024. These payments will be paid from the operating income of the nursing home. The bond issue was structured as County Treasurer Debt Certificates and has no additional tax authority. Thus, if the home cannot make its payments, the County must take the needed funds from existing funds and programs.

The nursing home showed an operating profit of \$1,842,821 before debt service payments and after adding back depreciation. Deducting debt service transfers of \$1,515,537 results in a profit of \$327,284. County real estate tax subsidies provided an additional \$902,087; interest income provided \$30,280; contributions provided \$1,828; forgiveness of liability provided \$462,041; loss on disposal of the old nursing home was a loss of \$2,056,011 and depreciation was \$56,857, all of which resulted in a decrease of \$389,348 in the nursing home's net assets. The old nursing home was demolished in fiscal year 2011 at a cost of nearly \$1 million. The sale of the old nursing home site should occur in fiscal year 2012. It should become advantageous to refinance the nursing home bonds prior to the callable option dates in 2014.

MONROE COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED NOVEMBER 30, 2011

PENSION PLANS:

Monroe County employees receive retirement, disability, and death benefits through the Illinois Municipal Retirement Fund, a defined benefit plan. Benefit provisions are established through the Illinois Pension Code, and require employer contributions along with employee contributions.

The IMRF rate for calendar year 2012 is 10.76% for regular employees and 17.21% for SLEP.

The IMRF expense for the County continues to grow and will maintain a higher percentage level rate than the rate in the mid 2000's.

ILLINOIS COUNTY INSURANCE TRUST (ICIT):

During 2009 the County terminated its membership in the Illinois County Insurance Trust and secured insurance through the Counties of Illinois Risk Management Agency (CIRMA). CIRMA provides insurance and risk management services to a group of twelve Illinois counties. Our annual premium is \$627,824.

In addition, we will continue to make debt service payments on our ICIT self-insurance bonds, although we are realizing some savings as these bonds have been reissued as tax exempt bonds. The final payment on these bonds will be made in January 2018.

The county has created an Insurance Reserve Fund to meet some of the additional annual costs we are facing as a result of the early depletion of ICIT assets.

GENERAL FINANCES:

We did not see an appreciable increase in the county's revenues from 2008 to 2011, and we don't expect a large increase in 2012 due to the weak economy nationwide. On the other hand, in addition to the extra expenses noted above, costs for health insurance, fuel, and road oils have increased significantly. The County is aware of the need to adopt cost-cutting measures wherever possible to keep expenses in line with projected revenue. We feel that due to actions taken by county officials during stronger economic times the county is poised to meet these challenges without drastic cuts in services. Worker's compensation insurance is higher in fiscal year 2012 for the County and the nursing home. The timeliness and the level of the State of Illinois reimbursements is critical to the cash flow picture of the County and the nursing home.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the County's financial statement users with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Monroe County Treasurer, Kevin Koenigstein, 100 S. Main, Waterloo, IL 62298.

Basic Financial Statements

MONROE COUNTY, ILLINOIS
STATEMENT OF NET ASSETS
NOVEMBER 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	\$ 10,616,949	\$ 1,772,805	\$ 12,389,754
Investments	2,845,004	1,151,573	3,996,577
Accounts receivable	47,883	-	47,883
Grants receivable	34,113	-	34,113
Accounts receivable, State of Illinois and patients, net of allowances	395,403	3,744,619	4,140,022
Fees and fines receivable	310,077	-	310,077
Property taxes receivable	220,963	24,040	245,003
Due from other fund	40,669	-	40,669
Inventory and prepaid items	60,024	49,192	109,216
Total current assets	14,571,085	6,742,229	21,313,314
Noncurrent assets			
Capital assets, net of depreciation	31,186,339	194,814	31,381,153
Total noncurrent assets	31,186,339	194,814	31,381,153
TOTAL ASSETS	\$ 45,757,424	\$ 6,937,043	\$ 52,694,467
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	\$ 1,594,359	\$ 526,272	\$ 2,120,631
Interest payable	178,811	-	178,811
Deferred revenue	-	500,648	500,648
Due to other fund	-	40,669	40,669
Sale deposit	30,000	-	30,000
Funds held in trust and escrow	175,323	-	175,323
Current portion of long term debt	1,551,965	-	1,551,965
Total current liabilities	3,530,458	1,067,589	4,598,047
Noncurrent liabilities			
Accrued vacation and sick pay	1,166,711	158,006	1,324,717
General obligation bonds payable	1,880,635	-	1,880,635
General obligation debt certificates payable	13,516,372	-	13,516,372
Leases payable	67,265	-	67,265
Total noncurrent liabilities	16,630,983	158,006	16,788,989
TOTAL LIABILITIES	\$ 20,161,441	\$ 1,225,595	\$ 21,387,036
NET ASSETS			
Investment in capital assets, net of related debt	\$ 15,260,815	\$ 194,814	\$ 15,455,629
Restricted net assets	9,402,822	70,570	9,473,392
Unrestricted net assets	932,346	5,446,064	6,378,410
TOTAL NET ASSETS	\$ 25,595,983	\$ 5,711,448	\$ 31,307,431

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

MONROE COUNTY, ILLINOIS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED NOVEMBER 30, 2011

FUNCTIONS/PROGRAMS Primary government:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Total						
Governmental activities:						
General government	\$ 3,557,743	\$ 2,130,352	\$ 23,510	\$ -	\$ (1,403,881)	\$ (1,403,881)
County development	832,345	61,886	-	-	(770,459)	(770,459)
Public safety	3,231,072	547,511	-	-	(2,683,561)	(2,683,561)
Judiciary and court related	703,191	551,469	-	-	(151,722)	(151,722)
Public health and welfare	4,279,132	884,926	488,754	-	(2,905,452)	(2,905,452)
Highway and streets	2,065,919	1,111,185	80,944	1,745,179	871,389	871,389
Miscellaneous	329,773	-	-	-	(329,773)	(329,773)
Interest and fiscal charges	739,660	-	-	-	(739,660)	(739,660)
Total governmental activities	15,738,835	5,287,329	593,208	1,745,179	(8,113,119)	(8,113,119)
Business-type:						
Nursing home	8,704,168	10,490,132	903,915	-	2,689,879	2,689,879
Total business-type activities	8,704,168	10,490,132	903,915	-	2,689,879	2,689,879
Total	\$ 24,443,003	\$ 15,777,461	\$ 1,497,123	\$ 1,745,179	\$ (8,113,119)	\$ (5,423,240)
General revenues:						
Property taxes		6,210,044				6,210,044
Sales taxes		1,623,991				1,623,991
Replacement taxes		207,723				207,723
Income taxes		159,943				159,943
Investment income		116,458		30,280		146,738
Miscellaneous		103,250		462,041		565,291
Loss on asset disposal		-		(2,056,011)		(2,056,011)
Transfers		1,515,537		(1,515,537)		-
Total general revenues and transfers		9,936,946		(3,079,227)		6,857,719
Changes in net assets		1,823,827		(389,348)		1,434,479
Net assets - beginning		23,772,156		6,100,796		29,872,952
Net assets - ending		\$ 25,595,983		\$ 5,711,448		\$ 31,307,431

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

MONROE COUNTY, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
NOVEMBER 30, 2011

	General	County Highway	Illinois			Capital Project Bond Proceeds	Other Governmental Funds	Total Governmental Funds
			Municipal Retirement	Nursing Home Debt Service				
ASSETS								
Cash	\$ 3,739,732	\$ 490,522	\$ 470,871	\$ 633,981	\$ 14,756	\$ 5,267,087	\$ 10,616,949	
Investments	69,544	-	100,000	1,866,512	-	808,948	2,845,004	
Accounts receivable	-	-	47,883	-	-	-	47,883	
Grants receivable	-	-	-	-	-	34,113	34,113	
Due from the State of Illinois	395,403	-	-	-	-	-	395,403	
Fees and fines receivable	87,820	7,447	-	-	-	171,209	266,476	
Property taxes receivable	71,689	23,239	17,734	-	-	108,301	220,963	
Motor fuel tax allotment receivable	-	-	-	-	-	43,601	43,601	
Due from other funds	30,000	-	-	-	-	70,669	100,669	
Inventory	60,024	-	-	-	-	-	60,024	
Total assets	\$ 4,454,212	\$ 521,208	\$ 636,488	\$ 2,500,493	\$ 14,756	\$ 6,503,928	\$ 14,631,085	

LIABILITIES AND FUND BALANCES

	LIABILITIES			FUND BALANCES			
	Accounts payable	Accrued payroll	Sale deposit	Funds held in trust and escrow	Due to other funds	Total liabilities	
Accounts payable	\$ 105,076	\$ 22,005	\$ 111,011	\$ -	\$ -	\$ 79,492	
Accrued payroll	143,237	27,831	-	-	-	40,785	
Sale deposit	30,000	-	-	-	-	-	
Funds held in trust and escrow	175,323	-	-	-	-	-	
Due to other funds	30,000	-	-	-	-	30,000	
Total liabilities	483,636	49,836	111,011	-	-	150,277	
FUND BALANCES							
Nonspendable	60,024	-	-	-	-	-	
Restricted	-	471,372	525,477	2,500,493	14,756	5,890,724	
Committed	637,328	-	-	-	-	50,500	
Unassigned	3,273,224	-	-	-	-	412,427	
Total fund balances	3,970,576	471,372	525,477	2,500,493	14,756	6,353,651	
Total liabilities and fund balances	\$ 4,454,212	\$ 521,208	\$ 636,488	\$ 2,500,493	\$ 14,756	\$ 6,503,928	\$ 14,631,085

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

MONROE COUNTY, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
NOVEMBER 30, 2011

Total fund balance - governmental funds		\$ 13,836,325
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$41,024,223 and the accumulated depreciation is \$9,837,884.</p>		31,186,339
<p>Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. All liabilities both current and long-term are reported in the statement of net assets.</p>		
General obligation bonds	(2,155,635)	
General obligation debt certificates	(14,336,372)	
Leases payable	(524,230)	
Accrued payable	(1,064,922)	
Interest payable	(178,811)	
Accrued vacation and sick pay	(1,166,711)	(19,426,681)
Net assets of governmental activities		\$ 25,595,983

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

MONROE COUNTY, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2011

Revenues:	General	County Highway	Illinois Municipal Retirement	Nursing Home Debt Service	Capital Project Bond Proceeds	Other Governmental Funds	Total Governmental Funds
Taxes:							
Property Sales	\$ 2,014,944	\$ 653,103	\$ 498,374	\$ -	\$ -	\$ 3,043,623	\$ 6,210,044
Intergovernmental:	1,107,552	-	-	-	-	516,439	1,623,991
Replacement tax	173,127	-	34,596	-	-	-	207,723
Motor fuel tax	-	-	-	-	-	622,181	622,181
Income tax	1,046,773	-	-	-	-	-	1,046,773
Other state reimbursements	212,825	-	-	-	-	182,197	395,022
Grants - federal	23,510	1,145,179	-	-	-	378,053	1,546,742
Grants - other	-	600,000	-	-	-	191,645	791,645
Fines and forfeitures	40,908	-	-	-	-	27,277	68,185
Excess fees - County offices	521,033	-	-	-	-	-	521,033
Charges for services	495,068	417,706	-	-	-	1,023,178	1,935,952
Interest income	20,365	-	150	57,600	15,727	22,616	116,458
Rents	-	-	-	-	-	103,501	103,501
Miscellaneous	103,250	17,266	-	-	-	737,359	857,875
Total revenues	5,759,355	2,833,254	533,120	57,600	15,727	6,848,069	16,047,125
Expenditures:							
General government	1,472,901	-	621,274	-	-	1,210,732	3,304,907
County development	832,345	-	-	-	-	-	832,345
Public safety	2,395,192	-	-	-	-	766,558	3,161,750
Judiciary and court related	703,191	-	-	-	-	-	703,191
Public health and welfare	-	-	-	-	1,456,157	2,200,166	3,656,323
Streets and road	-	3,078,029	-	-	-	539,966	3,617,995
Bond principal	-	-	-	790,000	-	302,000	1,092,000
Bond interest	-	-	-	668,242	-	69,421	737,663
Paying agent fee	-	-	-	-	-	700	700
Rent	-	-	-	-	-	461,796	461,796
Miscellaneous	268,301	-	-	-	-	61,472	329,773
Total expenditures	5,671,930	3,078,029	621,274	1,458,242	1,456,157	5,612,811	17,898,443
Excess (deficiency) of revenue over expenditures	87,425	(244,775)	(88,154)	(1,400,642)	(1,440,430)	1,235,258	(1,851,318)
Other financing sources (uses):							
Transfers between funds	68,890	350,395	-	1,466,199	-	(369,947)	1,515,537
Net other sources and uses of financial resources	68,890	350,395	-	1,466,199	-	(369,947)	1,515,537
Net change in fund balances	156,315	105,620	(88,154)	65,557	(1,440,430)	865,311	(335,781)
Fund balances - beginning	3,814,261	365,752	613,631	2,434,936	1,455,186	5,488,340	14,172,106
Fund balances - ending	\$ 3,970,576	\$ 471,372	\$ 525,477	\$ 2,500,493	\$ 14,756	\$ 6,353,651	\$ 13,836,325

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

MONROE COUNTY, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2011

Net change in fund balances - total governmental funds \$ (335,781)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,213,659	
Depreciation expense	<u>(1,535,933)</u>	677,726

Disposal of capital assets

Disposals	<u>(49,952)</u>	(49,952)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.

General obligation bonds payable	302,000	
General obligation debt certificates payable	790,000	
Capital leases payable	<u>461,796</u>	1,553,796

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of underwriter discount	(10,611)	
Accrued interest on debt	9,314	
Change in accrued vacation and sick pay	<u>(20,665)</u>	<u>(21,962)</u>

Change in net assets of governmental activities \$ 1,823,827

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

MONROE COUNTY, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
NOVEMBER 30, 2011

	<u>Monroe County Care and Rehabilitation Center</u>
ASSETS	
Current assets	
Cash	\$ 1,772,805
Investments	1,151,573
Accounts receivable	3,744,619
Property taxes receivable	24,040
Inventory	37,694
Prepaid expenses	11,498
Total current assets	<u>6,742,229</u>
Noncurrent assets	
Capital assets, net of depreciation:	
Building - net of depreciation	113,373
Equipment - net of depreciation	81,441
Total noncurrent assets	<u>194,814</u>
Total assets	<u>\$ 6,937,043</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 225,225
Accrued payroll and withholding	301,047
Advanced billing	500,648
Due to other fund	40,669
Total current liabilities	<u>1,067,589</u>
Noncurrent liabilities	
Accrued vacation and sick leave	<u>158,006</u>
Total noncurrent liabilities	<u>158,006</u>
Total liabilities	<u>\$ 1,225,595</u>
NET ASSETS	
Investment in capital assets, net of related debt	\$ 194,814
Reserved for:	
Bird aviary	36,489
Wm. Rehling equipment	5,919
Wessel Pistor fund	3,906
Spirit committee	9,273
Auction	885
Gift shop	1,758
Donations	12,340
Unreserved	5,446,064
Total net assets	<u>\$ 5,711,448</u>

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

MONROE COUNTY, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED NOVEMBER 30, 2011

	<u>Monroe County Care and Rehabilitation Center</u>
OPERATING REVENUES:	
Charges for services	\$ 10,490,132
Total operating revenues	<u>10,490,132</u>
OPERATING EXPENSES:	
Activities	227,120
Social services	45,619
Nursing	2,888,692
Dietary	840,676
Laundry	143,973
Housekeeping	230,700
Maintenance	676,677
Administrative	2,817,864
Therapy	552,734
Medical supplies	223,256
Depreciation	<u>56,857</u>
Total operating expenses	<u>8,704,168</u>
Operating income	1,785,964
NON-OPERATING REVENUES (EXPENSES):	
Contributions	1,828
Government appropriations - Monroe County	902,087
Investment income	30,280
Miscellaneous income	462,041
Loss on asset disposal	<u>(2,056,011)</u>
Total non-operating revenues (expenses)	<u>(659,775)</u>
Change in net assets before transfers between funds	1,126,189
Transfers between funds	<u>(1,515,537)</u>
Change in net assets after transfers between funds	(389,348)
Net assets - beginning	<u>6,100,796</u>
Net assets - ending	<u>\$ 5,711,448</u>

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

MONROE COUNTY, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED NOVEMBER 30, 2011

	Monroe County Care and Rehabilitation Center
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 8,503,790
Payments to suppliers	(4,037,564)
Payments to employees	(4,509,872)
TOTAL OPERATING ACTIVITIES	(43,646)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(99,118)
Repayment of due to other fund	(31,500)
Transfers to Monroe County	(1,474,868)
TOTAL FINANCING ACTIVITIES	(1,605,486)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(351,573)
Investment income	30,280
TOTAL INVESTING ACTIVITIES	(321,293)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Contributions	1,828
Government appropriations - Monroe County	902,087
TOTAL NON-CAPITAL FINANCING ACTIVITIES	903,915
Net increase (decrease) in cash	(1,066,510)
Cash, beginning	2,839,315
Cash, ending	\$ 1,772,805
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 1,785,964
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	56,857
(Increase) Decrease in:	
Accounts receivable	(2,034,683)
Inventory	(3,580)
Prepaid expenses	19,433
Increase (Decrease) in:	
Accounts payable	61,252
Accrued payroll and withholding	33,394
Advance billing	48,341
Accrued vacation and sick leave	(10,624)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (43,646)

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

MONROE COUNTY, ILLINOIS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
NOVEMBER 30, 2011

	<u>Total Agency Fund</u>
 ASSETS	
Cash	\$ 1,308,537
Investments	550,000
Motor Fuel tax allotments receivable	49,965
Fees and fines receivable	<u>2,927</u>
Total assets	<u><u>\$ 1,911,429</u></u>
 LIABILITIES	
Accounts payable	\$ 8,763
Due to others	<u>1,902,666</u>
Total liabilities	<u><u>\$ 1,911,429</u></u>

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

MONROE COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity

Monroe County, Illinois, established January 6, 1816, has a current population of approximately 33,000 residents. The county commissioners and other elected county officials oversee the operation of the Monroe County Nursing Home, maintain county roads, operate the county law enforcement and court system, collect and distribute taxes, and supervise many other county functions.

The County's accounting policies conform to generally accepted accounting principles which are appropriate to local governmental units of this type.

Principles Used to Determine the Scope of the Reporting Entity

The County's reporting entity includes the County's governing Board and all related organizations for which the County exercises oversight and responsibility.

The County has developed criteria to determine whether outside agencies with activities which benefit the citizens of the County should be included within its financial reporting entity. The criteria includes but is not limited to, whether the County exercises responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operation, and accountability for fiscal matters), scope of public services, and special financing relationships.

Basis of Presentation and Basis of Accounting

Basis of Presentation

Government-Wide Statements

The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

MONROE COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary* are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following 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 Highway Fund

This fund accounts for the receipt of grants, property taxes and fees for the construction of highways in the County.

Illinois Municipal Retirement Fund

This fund accounts for the receipt of property and replacement taxes for the payment of required Illinois Municipal Retirement funding.

Nursing Home Debt Service

This fund accounts for the payment of principal and interest on bonds that were used to fund the County's construction of the new nursing home.

Capital Projects Bond Proceeds

This fund accounts for the receipt of bond proceeds and payment of construction costs for the new nursing home.

The County reports the following major proprietary fund:

Monroe County Care and Rehabilitation Center, dba Oak Hill

This fund accounts for the operation and maintenance of a care and rehabilitation center. Operating revenues consist of charges for services housing and nursing care. Non-operating revenue consists of all other types of income.

MONROE COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

The County reports the following fiduciary fund type:

Agency Funds

These funds include monies held on behalf of school districts, special districts, retirement boards, and others that use the County as a depository for property taxes collected on behalf of other governments, surety bonds, performance deposits, and other purposes.

Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgment, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resource to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and proprietary funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

MONROE COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Assets, Liabilities, and Net Assets

Cash

The County considers cash to be cash on hand and demand deposits.

Investments

Investment balances, which consist of certificates of deposit, are stated at cost, which approximates market value.

Receivables

The County believes there are no significant uncollectible receivables, therefore, no allowance for doubtful accounts has been recorded.

Property Taxes

The County's property tax levy for 2010 payable in 2011 was passed by the Board in November 2010. Property taxes attach as an enforceable lien on property as of January 1, and taxes are payable in two installments, June 1 and September 1, according to statute. For collection of 2010 taxes, the due dates were September 9, 2011 and October 14, 2011. The majority of the taxes were received by the County by November 30, 2011. The property tax levy for 2011 taxes payable in 2012 was passed by the Board in November 2011.

Inventory and Prepaid Items

Materials and supplies are carried in an inventory account at cost and are subsequently charged to expenditures when consumed. Inventories also include plant maintenance and operating supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The County implemented capital asset accounting in fiscal year 2004. The County accounts for infrastructure within the guidelines promulgated by GASB 34. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset's life, are not capitalized.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to/from other funds." Interfund receivables and payable between funds within governmental activities are eliminated in the Statement of Net Assets.

MONROE COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Governmental Fund Balances

Fund balance is the difference between assets and liabilities in a Governmental Fund. In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Government Fund Type Definitions, the following types of fund balances are presented in the Governmental Funds Balance Sheet:

Nonspendable - the portion of a Governmental Fund's net assets that are not available to be spent, either short term or long term, in either form or through legal restrictions. The nonspendable fund balances reported in the General Fund is for inventory.

Restricted - the portion of a Governmental Fund's net assets that are subject to external enforceable legal restrictions. The following account's fund balances are restricted by County ordinance, grant agreements or contributions: Capital Projects, County MFT, County Bridge, County Highway, Federal Matching, Highway Construction, Relief, IMRF, Social Security, Mental Health Funding, Ambulance, Health Tax, Tort and Immunity, Emergency Telephone System, County Extension, Flood Prevention, Self Insurance and Nursing Home Debt.

Committed - the portion of a Governmental Fund's net assets with self-imposed constraints or limitations that have been placed by the County Board. The committed fund balance is made up of Board approved budget deficits in the following funds: General, Document Storage, Court Automation and GIS.

Unassigned - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The following accounts comprise the unassigned fund balance: General, Document Storage, Animal Control, Court Automation, GIS, Courthouse Lease and Courthouse Annex.

The County uses restricted amounts first when both restricted and unrestricted fund balances are available, unless there are legal contracts that prohibit doing this.

Net Assets

Government-wide equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated 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.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

MONROE COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 November 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “investment in capital assets, net of related debt.”

Capital Assets

Capital assets in Governmental Funds are being depreciated using the straight-line method and the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Equipment	3-10
Leasehold Improvements	15
Land Improvements	20

The capital assets of the Proprietary Fund are reflected in the balance sheet of the Proprietary Fund. Capital assets on hand at November 30, 2011 are stated at cost. Depreciation is computed by using the straight-line method over a life of forty (40) years for assets prior to 1984 and twenty (20) years for assets from 1984 to the present. Building improvements are depreciated over a period of five (5) years to ten (10) years. Depreciation is computed over a life of three (3) years to ten (10) years for equipment acquired after 1984.

Purchases of equipment and improvements to existing buildings made from the Proprietary Fund are capitalized, and depreciation was recognized for the year ended November 30, 2011 for capital assets of the Proprietary Fund over the following lives:

Building Improvements	7 - 20 years
Equipment	5 - 20 years

Compensated Absences

The County accrues unpaid vacation and sick pay according to polices and procedures agreed upon in various collective bargaining agreements and non-union employee personnel policies.

Accumulated unpaid vacation and sick pay has been estimated at November 30, 2011 and 2010 as follows:

<u>Personnel Employed By</u>	<u>November 30,</u>	
	<u>2011</u>	<u>2010</u>
Rehabilitation & Care Center	\$ 158,006	\$ 168,630
Courthouse	1,166,711	1,146,046
	<u>\$ 1,324,717</u>	<u>\$ 1,314,676</u>

MONROE COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2011

Note 2 - CASH AND INVESTMENTS

The County has adopted a formal written investment and cash management policy. The County is restricted to investments outlined in the Public Funds Investment Act of the State of Illinois.

Deposits

At year-end, the carrying amount of the County's deposits totaled \$18,244,868 and bank balances totaled \$18,982,715. Of the bank balances, \$4,192,893 was insured by the Federal Deposit Insurance Corporation (FDIC), \$12,123,961 was covered by pledged collateral, which was held in the County's name, and \$2,655,861 was held in the Illinois Funds Money Market.

Some deposits made by the County consist of participation in the "Illinois Fund," a local government public treasurers' investment pool and Goldman Sachs Treasury Shares (GSTS). Both the Illinois Fund and GSTS are investments that are not subject to risk categorization. Investments in both are stated at fair value. The Illinois Fund is considered to be a 2a7-like-pool that operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The pool is not registered with the SEC as an investment company.

At year-end, the County also had certificates of deposit with a total carrying amount of \$4,546,577 which approximates fair value. These certificates of deposit are shown as investments due to their original maturity dates.

Credit Risk

State law limits in commercial paper, corporate bonds, and money market mutual funds to the top two ratings, issued by nationally recognized statistical ratings organizations. As of November 30, 2011, the County's investment in the external investment pool and GSTS were rated AAAM and AAAM-G, respectively, by Standard & Poor's.

Note 3 - OTHER POSTEMPLOYMENT BENEFITS

The County's non-pension post employment benefits liability were evaluated. Former employees who choose to retain their rights to health insurance through the County are required to pay 100% of the current premium. As of November 30, 2011 former employees were on the County's health insurance plan. The implicit subsidy calculated in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* is immaterial. Additionally, the County had no former employees for which the County was providing an explicit subsidy and no current employees with agreements for future explicit subsidies upon retirement. Therefore, the County has not recorded any post employment benefit liability as of November 30, 2011.

MONROE COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2011

Note 4 - CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2011 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Land	\$ 1,591,911	\$ -	\$ -	\$ 1,591,911
Construction in progress, as restated	99,499	-	99,499	-
Total capital assets not being depreciated	<u>1,691,410</u>	<u>-</u>	<u>99,499</u>	<u>1,591,911</u>
<i>Capital assets being depreciated:</i>				
Buildings	20,166,714	-	-	20,166,714
Leasehold improvements	7,450,000	-	-	7,450,000
Equipment	5,458,343	567,979	189,213	5,837,109
Land improvements	50,000	-	-	50,000
Infrastructure	<u>3,310,948</u>	<u>2,617,541</u>	<u>-</u>	<u>5,928,489</u>
Total capital assets being depreciated	<u>36,436,005</u>	<u>3,185,520</u>	<u>189,213</u>	<u>39,432,312</u>
Less accumulated depreciation for:				
Buildings	2,692,923	428,242	-	3,121,165
Leasehold improvements	2,287,500	149,000	-	2,436,500
Equipment	3,035,797	803,823	139,261	3,700,359
Land improvements	16,250	2,500	-	18,750
Infrastructure	<u>408,742</u>	<u>152,368</u>	<u>-</u>	<u>561,110</u>
Total accumulated depreciation	<u>8,441,212</u>	<u>1,535,933</u>	<u>139,261</u>	<u>9,837,884</u>
Total net capital assets being depreciated	<u>27,994,793</u>	<u>1,649,587</u>	<u>49,952</u>	<u>29,594,428</u>
Governmental activity capital assets, net	<u>\$ 29,686,203</u>	<u>\$ 1,649,587</u>	<u>\$ 149,451</u>	<u>\$ 31,186,339</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 239,957
Public Safety	406,543
Public Health & Welfare	622,809
Highways and Streets	<u>266,624</u>
	<u>\$1,535,933</u>

MONROE COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 November 30, 2011

Note 4 - CAPITAL ASSETS (cont)

Business-type activities consist of the Monroe County Care and Rehabilitation Center:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Buildings	6,849,756	42,688	6,718,195	174,249
Equipment	1,398,891	56,430	1,003,085	452,236
Total capital assets being depreciated	<u>8,248,647</u>	<u>99,118</u>	<u>7,721,280</u>	<u>626,485</u>
Less accumulated depreciation for:				
Buildings	4,707,767	17,577	4,664,468	60,876
Equipment	1,332,316	39,280	1,000,801	370,795
Total accumulated depreciation	<u>6,040,083</u>	<u>56,857</u>	<u>5,665,269</u>	<u>431,671</u>
Total capital assets being depreciated, net	<u>2,208,564</u>	<u>42,261</u>	<u>2,056,011</u>	<u>194,814</u>
Business-type activities capital assets, net	<u>\$ 2,208,564</u>	<u>\$ 42,261</u>	<u>\$ 2,056,011</u>	<u>\$ 194,814</u>

Depreciation expense totaling \$56,857 was charged to the Monroe County Care and Rehabilitation Center during fiscal year ended November 30, 2011.

Note 5 - NEW ACCOUNTING PRONOUNCEMENT

Effective for the year ending November 30, 2011, the County adopted the following GASB Statements:

- a) GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
- b) GASB Statement No. 59, *Financial Instruments Omnibus*.
- c) GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

The County implemented these standards during the current year; however, GASB Statements No. 59 and 62 had no impact on the financial statements. The implementation of GASB Statement No. 54 changed fund balance reporting for governmental funds by adding some additional fund balance classifications, clarifying governmental fund type definitions, and providing additional disclosures on how fund balance constraints are imposed and may be modified or eliminated.

MONROE COUNTY, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 November 30, 2011

Note 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers for the year ended November 30, 2011 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 2,500	
Animal Control		\$ 2,500
General Fund	66,390	
Health Tax		66,390
Highway Construction	535,000	
Matching		535,000
County Highway	350,395	
Motor Fuel Tax		350,395
Nursing Home Refunding Revenue Bonds	49,338	
Monroe County Care and Rehabilitation Center		49,338
Nursing Home Debt Service	1,466,199	
Monroe County Care and Rehabilitation Center		1,466,199
	<u>\$ 2,469,822</u>	<u>\$ 2,469,822</u>

Transfers between funds occur to fund various operating activities.

	<u>Due To</u>	<u>Due From</u>
Nursing Home Refunding Revenue Bonds	\$ 40,669	
Monroe County Care and Rehabilitation Center		\$ 40,669

The interfund balances relate to costs incurred for the payment of debt related to the nursing home. The balance is expected to be repaid within one year.

Note 7 - PENSION PLANS

Illinois Municipal Retirement Fund (GASB 50 Disclosure)

Regular Employees

Plan Description. Monroe County's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The County's 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.