

MARSHALL COUNTY, ILLINOIS

ANNUAL FINANCIAL REPORT

Year Ended November 30, 2016

MARSHALL COUNTY
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BASIC FINANCIAL STATEMENTS

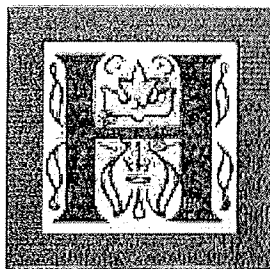
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HOPKINS & ASSOCIATES
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INDEPENDENT AUDITOR'S REPORT

Marshall County Board
Marshall County, Illinois

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Marshall County, IL, as of and for the year ended November 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unqualified 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Marshall County, Illinois as of November 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the retirement plan information on pages 31-33, the budgetary comparison information on pages 34-37, and Notes to Budgetary Comparison Schedules be presented to supplement the basic financial statements, as listed as *Required Supplementary Information* in the table of contents. 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 retirement plan information on pages 31-33 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 on the retirement plan information on pages 31-33 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

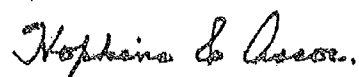
Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marshall County's basic financial statements. Schedules 3-10 detailed as *Other Supplementary Information* in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *Other Supplementary Information* is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

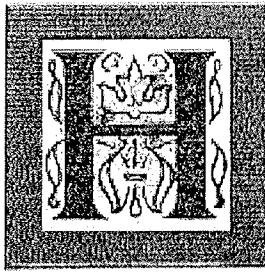
The *Required Supplementary Information*, except for the retirement plan information on pages 31-33, and *Other Supplementary Information* have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules identified above as *Required Supplementary Information*, except the retirement plan information on pages 31-33, and *Other Supplementary Information* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2017, on our consideration of Marshall County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marshall County's internal control over financial reporting and compliance.



Granville, Illinois
March 20, 2017



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**INDEPENDENT AUDITOR'S 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**

Marshall County Board
Marshall County, Illinois

We have audited, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Marshall County, Illinois as of and for the year ended November 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 20, 2017. The financial statements were found to be fairly stated.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marshall County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marshall County's internal control. Accordingly, we do not express an opinion on the effectiveness of Marshall County's internal control.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not

identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control that we consider to be a significant deficiency. Due to the small size of the government, there is a limited number of personnel performing accounting functions in the County offices causing a lack of segregation of duties over accounting transactions. This lack of segregation of duties leads to a higher risk that errors or inappropriate transactions could occur and not be detected in a timely manner.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County's 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hopkins & Assoc.

Granville, Illinois
March 20, 2017

MARSHALL COUNTY, ILLINOIS
GOVERNMENT-WIDE STATEMENT OF NET POSITION
November 30, 2016

	Governmental Activities	Component Unit- 911 ETSB	Total
ASSETS			
Cash and Equivalents(Note 2)	\$ 6,255,383	\$ 384,398	\$ 6,639,781
Receivables (net) :			
Property Tax (Note 1D)	2,780,485	-	2,780,485
Other (Note 7)	422,963	8,499	431,462
Prepaid Expenses (Note 7)	14,912	-	14,912
Inventory - Airport Fuel and Highway Salt	40,605	-	40,605
Other Post Employment Benefits (Note 13)	842	-	842
Capital Assets: (Note 3)			
Land	1,510,349	-	1,510,349
Buildings	1,888,198	57,842	1,946,040
Equipment and Furniture	2,819,362	850,470	3,669,832
Improvements	4,552,059	-	4,552,059
Infrastructure - Road & Bridges	9,126,140	-	9,126,140
Accumulated Depreciation	(8,813,685)	(675,783)	(9,489,468)
Total Assets	<u>\$ 20,597,613</u>	<u>\$ 625,426</u>	<u>\$ 21,223,039</u>
DEFERRED OUTFLOWS	<u>\$ 1,359,637</u>	<u>\$ -</u>	<u>\$ 1,359,637</u>
Total Assets and Deferred Outflows	<u><u>\$ 21,957,250</u></u>	<u><u>\$ 625,426</u></u>	<u><u>\$ 22,582,676</u></u>
LIABILITIES			
Accounts Payable (Note 7)	\$ 53,800	\$ 1,887	\$ 55,687
Due to Governmental Activities	-	4,000	4,000
Long-Term Liabilities (Note 11):			
Due Within One Year	228,476	-	228,476
Due In More Than One Year	54,120	-	54,120
Net Pension Liability (Note 12)	4,117,695	-	4,117,695
Total Liabilities	<u>\$ 4,454,091</u>	<u>\$ 5,887</u>	<u>\$ 4,459,978</u>
DEFERRED INFLOWS			
Deferred Inflows- Property Tax Receivable	\$ 2,780,485	\$ -	\$ 2,780,485
Total Deferred Inflows	<u>\$ 2,780,485</u>	<u>\$ -</u>	<u>\$ 2,780,485</u>
NET POSITION			
Net Investment in Capital Assets	\$ 10,994,953	\$ 232,529	\$ 11,227,482
Restricted for: (Note 4)			
Roads and Bridges	1,703,370	-	1,703,370
Health and Welfare	222,270	-	222,270
Retirement	310,555	-	310,555
Airport	174,899	-	174,899
Other Purposes	564,690	-	564,690
Unrestricted	751,937	387,010	1,138,947
Total Net Position	<u>\$ 14,722,674</u>	<u>\$ 619,539</u>	<u>\$ 15,342,213</u>
Total Liabilities, Def. Inflows, and Net Position	<u><u>\$ 21,957,250</u></u>	<u><u>\$ 625,426</u></u>	<u><u>\$ 22,582,676</u></u>

See accompanying notes to basic financial statements.

MARSHALL COUNTY, ILLINOIS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended November 30, 2016

Functions/Programs Governmental Activities:	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fee/Fines Charges for Service	Operating Grants and Refunds	Capital Contributions	Governmental Activities	Component Unit - 911 ETSB Total
General Administration	\$ 1,334,125	\$ 462,444	\$ 471,986	\$ -	\$ (399,695)	\$ (399,695)
Employee Benefit	735,291	-	-	-	(735,291)	(735,291)
Public Safety	1,215,620	9,918	-	65,532	(1,140,170)	(1,140,170)
Judiciary and Court Related	610,281	96,913	672	-	(512,696)	(512,696)
Transportation	1,722,692	224,037	1,011,806	315,965	(170,884)	(170,884)
Public Health and Welfare	504,606	22,906	336,909	-	(144,791)	(144,791)
Other	95,519	-	-	-	(95,519)	(95,519)
Interest on LT Debt	4,837	-	-	-	(4,837)	(4,837)
Change in Net Pension Liability	1,058,521	-	-	-	(1,058,521)	(1,058,521)
Change in Vacation/PTO Accrual	17,861	-	-	-	(17,861)	(17,861)
Total Governmental Activities	\$ 7,299,353	\$ 816,218	\$ 1,821,373	\$ 381,497	\$ (4,280,265)	\$ (4,280,265)
911 ETSB						
Total Component Unit	\$ 228,927	\$ -	\$ 239,482	\$ -	\$ 10,555	\$ 10,555
Total Primary Government	\$ 228,927	\$ -	\$ 239,482	\$ -	\$ 10,555	\$ 10,555
	\$ 7,528,280	\$ 816,218	\$ 2,060,855	\$ 381,497	\$ (4,280,265)	\$ (4,269,710)

General revenues:

Taxes:

Property Taxes	\$ 2,854,570	\$ -	\$ 2,854,570
Motor Fuel	324,652	-	324,652
Sales and Use Taxes	332,263	-	332,263
Replacement Tax	134,380	-	134,380
Income Tax	399,940	-	399,940
Interest Earned	12,575	1,400	13,975
Other General Revenue	144,505	480	144,985
Total General Revenues	\$ 4,202,885	\$ 1,880	\$ 4,204,765
Change in Net Position from Operations	\$ (77,380)	\$ 12,435	\$ (64,945)
Transfers In (Note 5)	-	-	-
Transfers Out (Note 5)	-	-	-
Change in Net Position	(77,380)	12,435	(64,945)
Change in Accounting Principal (Note 12)	1,359,637	-	1,359,637
Net Position - Beginning	13,440,417	607,104	14,047,521
Net Position - Ending	\$ 14,722,674	\$ 619,539	\$ 15,342,213

See accompanying notes to basic financial statements.

MARSHALL COUNTY, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
November 30, 2016

MAJOR FUNDS

	General Fund	County Highway	County Airport	County Bridge	IMRF	Non-Major Funds	TOTAL
ASSETS							
Cash and Equivalents (Note 2)	\$ 3,466,875	\$ 235,603	\$ 160,544	\$ 489,951	\$ 270,462	\$ 1,631,948	\$ 6,255,383
Property Tax Receivable (Note 1D)	1,376,800	250,000	104,185	125,000	500,000	424,500	2,780,485
Due from State of IL (Note 7)	116,586	-	-	-	-	262,209	378,795
Due from Federal Government (Note 7)	-	-	-	-	-	-	-
Due from Other Funds (Note 5)	123,531	571	3,750	9,303	-	5,773	142,928
Due from Agency Funds	29,703	-	-	3,000	-	7,465	40,168
Due from Richland Township (Note 7)	-	-	-	-	-	-	-
Inventory	-	3,000	10,605	-	-	27,000	40,605
Due from Component Unit	4,000	-	-	-	-	-	4,000
Prepaid Expenses (Note 7)	14,912	-	-	-	-	-	14,912
Total Assets	\$ 5,132,407	\$ 489,174	\$ 279,084	\$ 627,254	\$ 770,462	\$ 2,358,895	\$ 9,657,276

LIABILITIES AND FUND BALANCE

Liabilities:							
Accounts Payable (Note 7)	\$ 17,979	\$ 12,149	\$ -	\$ -	\$ -	\$ 23,672	\$ 53,800
Due to Other Funds (Note 5)	4,321	19,279	-	-	90,000	29,328	142,928
Due to Agency Funds	-	-	-	-	-	-	-
Due to M-P Extension (Note 7)	-	-	-	-	-	-	-
Deferred Revenue (Note 1D)	1,376,800	250,000	104,185	125,000	500,000	424,500	2,780,485
Total Liabilities	\$ 1,399,100	\$ 281,428	\$ 104,185	\$ 125,000	\$ 590,000	\$ 477,500	\$ 2,977,213
Fund Balances (Note 4):							
Nonspendable	\$ 14,912	\$ 3,000	\$ 10,605	\$ -	\$ -	\$ 27,000	\$ 55,517
Restricted	-	204,746	164,294	502,254	180,462	1,854,906	2,906,662
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	3,718,395	-	-	-	-	(511)	3,717,884
Total Fund Balance	\$ 3,733,307	\$ 207,746	\$ 174,899	\$ 502,254	\$ 180,462	\$ 1,881,395	\$ 6,680,063

Total Liabilities
and Fund Balance

Total Liabilities and Fund Balance	\$ 5,132,407	\$ 489,174	\$ 279,084	\$ 627,254	\$ 770,462	\$ 2,358,895	\$ 9,657,276
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Reconciliation of the Balance Sheet of Governmental Funds to Statement of Net Position

Total Fund Balance	\$ 6,680,063
Book Value of Long-Term Liabilities at Year-End	(282,596)
Book Value of Capital Assets at Year-End	11,082,423
Other Post Employment Benefits	842
Net Pension Liability (Note 12)	(4,117,695)
Deferred Outflows related to Net Pension Liability (Note 12)	1,359,637
Total Net Position	\$14,722,674

See accompanying notes to basic financial statements.

MARSHALL COUNTY, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended November 30, 2016

	MAJOR FUNDS						TOTAL
	General Fund	County Highway	County Airport	County Bridge	IMRF	Non-Major Funds	
REVENUES							
Property Taxes	\$ 1,437,095	\$ 256,530	\$ 99,139	\$ 128,265	\$ 499,577	\$ 433,964	\$ 2,854,570
Motor Fuel Tax	-	-	-	-	-	324,652	324,652
Sales and Use Taxes	332,263	-	-	-	-	-	332,263
Replacement Tax	126,067	-	-	-	4,475	3,838	134,380
Income Tax	399,940	-	-	-	-	-	399,940
Fees, Licenses, Permits	360,166	-	92,048	-	-	215,052	667,266
Capital Grants - State Program	-	-	541	-	-	-	541
Capital Grants - Federal Program	-	-	40,620	13,832	-	-	54,452
Operating Grants & Contributions	286,650	-	-	-	-	762,272	1,048,922
Refunds and Reimbursements	185,336	310,235	-	584,651	-	73,185	1,153,407
Aviation Fuel Sales	-	-	94,500	-	-	-	94,500
Interest Income	9,610	45	52	12	803	2,053	12,575
Other	96,903	2,828	376	-	8,002	36,396	144,505
Total Revenues	\$ 3,234,030	\$ 569,638	\$ 327,276	\$ 726,760	\$ 512,837	\$ 1,851,412	\$ 7,221,973
EXPENDITURES							
Current:							
General Administrative	\$ 1,270,749	\$ -	\$ -	\$ -	\$ -	\$ 40,979	\$ 1,311,728
Employee Benefit	-	-	-	-	551,656	183,635	735,291
Public Safety	1,130,334	-	-	-	-	43,605	1,173,939
Judiciary and Court Related	530,250	-	-	-	-	74,595	604,845
Transportation	-	488,049	240,644	44,462	-	418,367	1,191,522
Public Health and Welfare	35,876	-	-	-	-	466,390	502,266
Other	95,519	-	-	-	-	-	95,519
Debt Service:							
Principal	-	22,604	10,000	-	-	-	32,604
Interest	-	2,312	2,525	-	-	-	4,837
Capital Outlay	39,621	28,132	74,794	525,814	-	610,411	1,278,772
Total Expenditures	\$ 3,102,349	\$ 541,097	\$ 327,563	\$ 570,276	\$ 551,656	\$ 1,857,982	\$ 6,931,323
Excess (Deficiency) of Revenues Over Expenditures	\$ 131,681	\$ 28,541	\$ (687)	\$ 156,484	\$ (38,799)	\$ 13,430	\$ 290,650
OTHER FINANCING SOURCES (USES)							
Transfer In (Note 5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer Out (Note 5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ 131,681	\$ 28,541	\$ (687)	\$ 156,484	\$ (38,799)	\$ 13,430	\$ 290,650
Fund Balances - Beginning	3,601,626	179,205	175,586	345,770	219,261	1,867,965	6,389,413
Fund Balances - Ending	\$ 3,733,307	\$ 207,746	\$ 174,899	\$ 502,254	\$ 180,462	\$ 1,881,395	\$ 6,680,063

See accompanying notes to basic financial statements.

MARSHALL COUNTY, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL ACTIVITIES
Year Ended November 30, 2016

Net change in fund balances - total governmental funds	\$ 290,650
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 net position these are recorded as assets.	1,278,772
Governmental funds do not report depreciation expense; but in the statement of net position these are recorded as decreases in the capital assets.	(603,024)
Retirement of debt uses resources in governmental funds but reduces long-term debt in the statement of net position.	32,604
Change in compensated absences that are only reported on statement of net position	(17,861)
Change in Net Pension Liability that is only reported on statement of net position	(1,058,521)
Change in net assets of governmental activities	<u>\$ (77,380)</u>

See accompanying notes to basic financial statements.

MARSHALL COUNTY, ILLINOIS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
November 30, 2016

	Agency Funds
ASSETS	
Cash (Note 2)	\$ 593,932
Due from State of Illinois	207,593
Due from Other Marshall County Funds	-
Total Assets	<u><u>\$ 801,525</u></u>
 LIABILITIES AND NET POSITION	
Due to Other Marshall County Funds	\$ 40,168
Due to Other Taxing Units	577,573
Held in Trust for Others	183,784
Total Liabilities	<u><u>\$ 801,525</u></u>
 Net Position	<u><u>\$ -</u></u>
Total Liabilities and Net Position	<u><u>\$ 801,525</u></u>

See accompanying notes to basic financial statements.

MARSHALL COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2016

Note 1 - Summary of Significant Accounting Policies

A. General

Marshall County is a governmental entity located in Central Illinois. Revenues are substantially generated as a result of taxes assessed and allocated to Marshall County (examples would be property taxes, sales taxes, income taxes, and motor fuel taxes) and charges for services performed for constituents of the County. Marshall County revenues are therefore primarily dependent on the economy within its territorial boundaries. Industry within the County is primarily agriculture, manufacturing, and retail.

The accounting policies of Marshall County, Illinois conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant of such policies.

B. Reporting Entity

For financial reporting purposes, in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, Marshall County, Illinois is a primary government in that it is a county with a separately elected governing body – one that is elected by the citizens in a general, popular election and is fiscally independent of other units of government.

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

Marshall County, Illinois is not a component unit of any other entity. However based on the foregoing criteria, the following organization is included in Marshall County's government-wide financial statements as a component unit.

Discretely Presented Component Unit – Marshall County Emergency Telephone System Board

The component unit column in the combined financial statements includes the financial data of the Marshall County Emergency Telephone System Board. It is reported in a

MARSHALL COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

separate column to emphasize that it is legally separate from the County. The Marshall County Board Chairman, with the advice and consent of the Marshall County Board, appoints board members to the Marshall County Emergency Telephone System Board, the Members of the appointed Board are then responsible for planning the 911 emergency system, receiving monies imposed under an established surcharge, and authorizing disbursements. The geographic area served by the Marshall County Emergency Telephone System Board is the same as Marshall County. The Treasurer of Marshall County maintains the funds and invests or disburses them at the direction of the Marshall County Emergency Telephone System Board. Marshall County has the responsibility for approving the rate of the surcharge which funds the activities of the Marshall County Emergency Telephone System Board, and therefore, has the ability to impose its will on that Board. Separate financial statements of the Marshall County Emergency Telephone System Board are not prepared.

Other Entity Considerations

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

C. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a

MARSHALL COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statement. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenue are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, which is considered within the ensuing year, except for property taxes, which must be collected within 60 days to be considered available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, and licenses are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

MARSHALL COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Major Funds

The County reports the following major governmental funds:

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

The *County Highway Fund* accounts for the general operations of the County Highway Department. Financing is principally provided by a specific annual property tax for the purposes of improving, maintaining, and repairing the highways for which the County has these responsibilities (highways which the state and County construct, improve, and maintain jointly.) In addition to the ad valorem taxes mentioned previously, the County Highway Fund receives revenue from service fees charged to other governmental units, funds or individuals, and reimbursements and matching grants with the state or other units of local government.

The *County Airport Fund* accounts for the cost of operation and maintenance of the County Airport, including payment of principal and interest on revenue bonds issued. Financing is provided by a specific annual property tax levy and rental of airport facilities.

The *County Bridge Fund* accounts for the repairs and maintenance of the bridges located within the County that are not the sole responsibility of the Townships within the County. Financing is principally provided by a specific annual property tax for the purposes of improving, maintaining, and repairing the bridges for which the County has these responsibilities. In addition to the ad valorem taxes mentioned previously, the County Bridge Fund receives revenue from grants disbursed by state or federal agencies.

The *Illinois Municipal Retirement Fund* accounts for the activities resulting from the County's participation in the Illinois Municipal Retirement Fund. Financing is provided by a specific annual property tax levy which produces a sufficient amount to pay the County's contributions to the fund on behalf of the County employees. Additional financing is provided by an allocation of the Illinois personal property replacement tax.

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

F. Budgets and Budgetary Accounting

The County adopts an annual budget and appropriation ordinance in accordance with Chapter 55 of the Illinois Compiled Statutes. The budget covers the fiscal year ending November 30th and is available for public inspection at least fifteen days prior to final adoption. All appropriations cease with the close of the fiscal year. The budget document is prepared for all budgetary funds on the modified accrual basis.

MARSHALL COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Budgets and Budgetary Accounting (Continued)

Once the County budget has been adopted, no further appropriations shall be made during the year except in the event of an immediate emergency at which time the County Board by a two-thirds vote can make appropriations in excess of those authorized in the budget. Adjustments made during the year are reflected in the budget information included in the financial statements. The ultimate level of control is the fund, but is carried down to department and line item.

The non-major funds for which budgets are not adopted are as follows: E-Citation Funds, Violent Crime Victims Assistance Fund, State's Attorney Drug Fund, Vehicle Maintenance Fund, FTA Warrant Fund, Sheriff Commissary Fund, and States Attorney Automation Fund. Such funds are either managed via a grant agreement or are outside the budgeting oversight of the County Board.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$30,000 (\$30,000 for road/bridges and \$15,000 for pipe culverts) for infrastructure assets and \$4,000 for non-infrastructure assets, as well as an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated fair market value at the date of donation. The cost of normal maintenance and repairs do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation on all assets that exceed the threshold levels is provided on the straight-line basis over the following estimated useful lives:

<u>Category</u>	<u>Life (years)</u>
Land Improvements	20
Buildings	20-50
Building Improvements	20
Machinery and Equipment	5-15
Computer Equipment	5
Office Equipment	10
Off-Road Vehicles	15
On-Road Vehicles	4-7
Software	5
Infrastructure	15-30

MARSHALL COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

GASB No. 34 requires the County to report and depreciate new infrastructure assets effective as of December 1, 2003. Infrastructure assets, which include roads and bridges, would likely be the largest asset class of the County; however, neither their historical cost nor related depreciation has been reported in the financial statements nor, is its recreation required. The Board has elected to report infrastructure only prospectively. GASB 34 requires the retrospective recognition of capital assets other than infrastructure. The County has considered possible impairments to its capital assets and asserts that there are none known or anticipated.

H. Cash

All highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased are considered cash equivalents.

I. Cash Equivalents

Cash Equivalents consist of certificates of deposit and are stated at the lower cost or amortized cost, which approximated market.

J. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due 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). All other outstanding balances between funds are reported as due to/from other funds". All borrowing between funds at November 30, 2016 are considered current.

K. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MARSHALL COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

M. Accumulated Unpaid Vacation and Sick Pay

Employees earn vacation time based upon continuous years of service. Consequently, the vacation time taken in the current year is based upon the years of employment service through the preceding fiscal year. At the discretion of their supervisor, employees may carry over one week of unused vacation to the next year. An estimated liability has been recorded in the government-wide financial statements for unpaid vacation. Unused sick days will not be paid out to employees at the end of the year but can be rolled over into future years for later use. Retiring IMRF members may qualify for a maximum of one year additional pension service credit for unpaid, unused sick leave accumulated at the rate of one month for every twenty days of unpaid, unused sick leave or a fraction thereof. An estimated liability has been recorded in the government-wide financial statements for unused sick days. Employees will not be compensated for any unused personal days.

N. Long Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Restricted and Unrestricted Resources

When an expense is incurred in which both restricted and unrestricted net assets are available, it is the County's policy to apply the restricted resources first.

In order to comply with GASB 54, the County adheres to the fund balance classification requirements. Fund balances in the fund financial statements are classified as follows:

- a. Nonspendable – Fund balances should be considered to be nonspendable if funds are not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable funds for the County include prepaid expenses and inventory at year-end.
- b. Restricted – Fund balances should be considered to be restricted when constraints placed on funds are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The County has restricted funds at year-end that are detailed in Note 4.
- c. Committed – Fund balances should be considered to be committed if funds can only be used for specific purposes as a result of constraints imposed by formal action of the County's Board of Trustees. The County has no committed balance at year-end.

MARSHALL COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
November 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

O. Restricted and Unrestricted Resources (Continued)

- d. Assigned – Fund balances should be considered to be assigned if amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The County has no assigned fund balances at year-end.
- e. Unassigned – Fund balances should be considered to be unassigned if they are a portion of the General fund balances that have not been considered to be restricted, committed, or assigned to specific purposes.

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

P. Property Taxes

Property taxes become liens on individual properties as of January 1 in the year of the levy. The County Board must pass the tax levy ordinance so that a certification of the levy may be filed with the County Clerk by the last Tuesday of December. Statutory due dates for collection of the taxes are June 1 and September 1 of the following year. Property taxes collected are distributed to each taxing district approximately thirty days after receipt. Any unpaid property taxes are sold at a tax sale and final distribution is made by the end of November of each year.

Q. Inventory

Inventory is valued at cost. Inventory at year-end consists of fuel at the airport and salt at the highway department.

Note 2 - Cash and Investments

The investment and deposit of County monies is governed by the provisions of the Illinois Compiled Statutes. In accordance with these provisions, all County monies must be invested in one or more of the following:

1. Interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits constituting direct obligations of any bank as shall have been selected and designated under the terms of the Illinois Compiled Statutes and as shall have complied with the requirements thereof;
2. Shares or other forms of securities legally issuable by savings and loan associations incorporated under the laws of this state or any other state or under the laws of the United States, provided such shares or securities are insured by the Federal Depository Insurance Corporation;