

KNOX COUNTY, ILLINOIS

GALESBURG, ILLINOIS

ANNUAL FINANCIAL REPORT

November 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the County Board
Knox County, Illinois
Galesburg, 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 Knox County, Illinois, as of and for the year ended November 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As more fully described in Note L to the financial statements, the County did not adopt the provisions of Governmental Accounting Standards Board No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires a systematic, accrual basis measurement and recognition of other postemployment benefit (OPEB) expense over a period that approximates employees' years of service. The Statement also requires the information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The effects of that departure on the financial statements are not reasonably determinable.

In our opinion, except for the effects of the information discussed in the preceding paragraph, 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 Knox County, Illinois, as of November 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated April 12, 2013 on our consideration of Knox County, Illinois' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3 through 17 and 60 through 64 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 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 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 an opinion on the financial statements that collectively comprise the Knox County, Illinois' financial statements as a whole. The items listed as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Wipfli LLP

Sterling, Illinois
April 12, 2013

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**MANAGEMENT DISCUSSION
AND ANALYSIS
(Unaudited)**

KNOX COUNTY, ILLINOIS

MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2012

As Treasurer of Knox County, Illinois, I offer readers of Knox County's financial statements this narrative overview and analysis of the financial activities of Knox County for the fiscal year ended November 30, 2012. I encourage readers to read the information presented here in conjunction with additional information that is furnished in the County's financial statements, which follow this narrative. The management discussion and analysis (MD&A) is generally intended to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the County's financial activities, (3) identify changes in the County's financial position (its ability to meet future financial demands and conditions, (4) identify any material deviations from the governmental unit's financial plan (approved budget) and (5) identify individual fund issues or concerns.

This summary should not be taken as a replacement for the audit report, which consists of the basic financial statements, notes to the financial statements, required and other supplementary information.

GOVERNMENTAL FINANCIAL HIGHLIGHTS FOR FY2012

- The County's governmental assets exceeded its liabilities at the close of the fiscal year by \$60.7 million (net assets). Of this amount, \$4.7 million (unrestricted net assets) may be used to meet the County's ongoing obligations.
- The County's governmental total net assets decreased by \$1.7 million during fiscal year November 30, 2012 as reported in the statement of activities.
- The County's governmental major revenue consisted of \$8.1 million in property tax revenues, \$5.2 million in charges for services, \$2.7 million sales tax revenues, and \$3.6 million in operating grants and contributions.
- At the close of fiscal year November 30, 2012, the County's governmental funds reported combined ending fund balances of \$16.0 million, a decrease of \$1.7 million in comparison to 2011.
- At the end of fiscal year November 30, 2012, the unassigned fund balance in the General Fund was \$2.1 million.

BUSINESS-TYPE FINANCIAL HIGHLIGHTS FOR FY2012

- The County's business-type assets exceeded its liabilities at the close of the fiscal year by \$17.6 million (net assets). Of this amount \$4.7 million (unrestricted net assets) may be used to meet the County's ongoing obligations. The restricted net assets of \$7.0 million are restricted for landfill closure costs.
- The County's business-type net assets increased \$0.3 million during fiscal year 2012 as reported in the statement of activities.
- The County's major business-type revenue consisted of \$12.8 million in charges for services.

KNOX COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
November 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Knox County's basic financial statements. Knox County's basic financial statements consist of three components: 1) *government-wide financial statements*, 2) *fund financial statements* and 3) *notes to the financial statements*. The basic financial statements present two different views of the County through the use of government-wide and fund statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Knox County.

BASIC FINANCIAL STATEMENTS

The first two statements (pages 18 and 19) in the basic financial statements are the *Government-wide Financial Statements*. They provide both short and long-term information about the County's financial status.

The next statements (pages 20-28) are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) *the governmental funds statements*, 2) *the proprietary fund statements* and 3) *the fiduciary fund statements*.

The next section of the basic financial statements (pages 29-59) is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the required supplemental information (pages 60-64). This section contains funding information about the County's pension plans and budget variances for the major governmental funds. After the required supplemental information, combining and individual fund statements are provided to show details about the County's General Fund and the non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

These statements are designed to provide readers with a broad overview of Knox County's finances, in a manner similar to private-sector business, using the economic resources measurement focus and the accrual basis of accounting.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of improvements or deterioration of the financial position of the County.

The statement of activities presents information that shows how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

KNOX COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
November 30, 2012

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

These statements highlight the functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of Knox County include general control and administration, public safety, judiciary and court related, transportation, public health, public welfare, and interest. The business-type activities of the County include Nursing Home and Landfill.

The government-wide financial statements can be found on pages 18 and 19 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Knox County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The County's Governmental Funds during the reporting period use the modified accrual basis of accounting and activities are converted to the accrual basis of accounting for reporting purposes.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the county's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government-wide activities.

Knox County maintains governmental funds and business-type funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for major funds, (the General Fund, the Illinois Municipal Retirement, and the County Health). All other non-major governmental funds are combined and presented in one column. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found on pages 20 - 23 of this report.

KNOX COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
November 30, 2012

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements. The County maintains two kinds of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same function presented as business-type activities in the government-wide financial statements. The County has two enterprise funds which account for the operations of the nursing home and to account for the operation, maintenance, and development of the landfill. Internal Service Funds are a type of proprietary fund and provide service to other funds in the County. The County's internal service fund accounts for the self-insured medical benefits for County employees.

The proprietary fund financial statements provide separate information for the Nursing Home and Landfill, considered to be major funds of the County. The proprietary funds financial statements can be found on pages 24 - 27 of this report.

Fiduciary Funds. The County also maintains a number of fiduciary funds in the form of agency funds, which are used to account for resources - almost exclusively cash and investments - held by the County for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is the same as that used for proprietary funds. The fiduciary fund financial statement can be found on page 28 of this report.

Notes to the Financial Statements

These provide additional information that is essential to gaining a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 29 – 59 of this report.

Required Supplementary Information

This information addresses the County's budgetary comparison schedules of major funds, and the IMRF (Illinois Municipal Retirement Fund), Schedule of Funding Progress, and SLEP (Sheriff's Law Enforcement Personnel) Schedule of Funding Progress. The County adopts an annual appropriated budget for its General Fund, Special Revenue Funds, Capital Projects Fund, Debt Service Funds, Internal Service Fund, and Enterprise Funds. A budgetary comparison schedule has been provided for the General Fund and major Special Revenue Funds to demonstrate compliance with this budget. The IMRF and SLEP pension schedules have been provided to present the County's progress in funding its obligation to provide pension benefits to County employees through the IMRF system. Required supplementary information can be found on pages 60 - 64 of this report.

Combining Fund Statements and Schedules

This information as discussed earlier in connection with the General Fund and non-major governmental funds is presented immediately following the required supplementary information on pensions. Combining fund statements and other schedules can be found on pages 65 through 71 of this report.

KNOX COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
November 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the County's net assets are reflected in its investments in capital assets (i.e., land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The County uses these assets to provide services. Therefore these assets are not available for future spending. Although the County's investments in its capital assets are reported net of available debt, it is important to note that under this consideration the resources required to repay this type of debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these types of liabilities.

As previously addressed, net assets may serve the purpose over time as a useful indicator of a government's financial position. To that end, Knox County's assets exceeded its liabilities by \$78.3 million for FY2012.

The following condensed financial information was derived from the *Government-Wide Statement of Net Assets*.

Condensed Statement of Net Assets (in millions)
November 30, 2012

	Governmental Activities	Business- Type Activities	Total Primary Government
Current assets	\$27.1	\$9.3	\$36.4
Noncurrent assets	54.8	14.8	69.6
Total assets	81.9	24.1	106.0
Current liabilities	12.1	1.0	13.1
Long term liabilities	9.1	5.5	14.6
Total liabilities	21.2	6.5	27.7
Net assets			
Invested in capital assets, net of debt	47.7	5.9	53.6
Restricted	8.3	7.0	15.3
Unrestricted	4.7	4.7	9.4
Total net assets	\$60.7	\$17.6	\$78.3

KNOX COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

November 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Condensed Statement of Net Assets (in millions)
November 30, 2011

	Governmental Activities	Business- Type Activities	Total Primary Government
Current assets	\$27.5	\$8.8	\$36.3
Noncurrent assets	55.8	14.9	70.7
Total assets	83.3	23.7	107.0
Current liabilities	11.4	1.2	12.6
Long term liabilities	9.5	5.2	14.7
Total liabilities	20.9	6.4	27.3
Net assets			
Invested in capital assets, net of debt	49.4	6.1	55.5
Restricted	8.8	6.8	15.6
Unrestricted	4.2	4.4	8.6
Total net assets	\$62.4	\$17.3	\$79.7

KNOX COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

November 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following condensed financial information was derived from the *Government-Wide Statement of Activities* and reflects how the County's net assets changed during the fiscal years.

Changes in Net Assets (in millions) For the year ended November 30, 2012			
	Governmental Activities	Business-type Activities	Total Primary Government
Revenues:			
Program revenues:			
Charge for services	\$5.2	\$12.8	\$18.0
Operating grants and contributions	3.6		3.6
Capital grants and contributions	0.9		0.9
General revenue:			
Property taxes	8.1		8.1
Other taxes	4.1		4.1
Unrestricted investment earnings	0.2	0.5	0.7
Miscellaneous	0.1	0.0	0.1
Total revenues	22.2	13.3	35.5
Expenses:			
General control and administration	4.1		4.1
Public safety	6.2		6.2
Judiciary and court related	3.7		3.7
Transportation	4.6		4.6
Corrections	1.7		1.7
Public welfare	0.2		0.2
Public health	3.8		3.8
Nursing Home		8.4	8.4
Landfill		3.9	3.9
Interest on long-term debt	0.3		0.3
Total expenses	24.6	12.3	36.9
Transfers	0.7	(0.7)	0.0
Change in net assets	(1.7)	0.3	(1.4)
Net assets, beginning	62.4	17.3	79.7
Net assets, ending	\$60.7	\$17.6	\$78.3

KNOX COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
November 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Changes in Net Assets (in millions) For the year ended November 30, 2011			
	Governmental Activities	Business-type Activities	Total Primary Government
Revenues:			
Program revenues:			
Charge for services	\$6.6	\$10.2	\$16.8
Operating grants and contributions	3.2		3.2
Capital grants and contributions	0.7		0.7
General revenue:			
Property taxes	7.9		7.9
Other taxes	4.0		4.0
Unrestricted investment earnings	0.3	0.6	0.9
Miscellaneous	0.2	0.0	0.2
Total revenues	22.9	10.8	33.7
Expenses:			
General control and administration	4.0		4.0
Public safety	6.5		6.5
Judiciary and court related	3.6		3.6
Transportation	4.2		4.2
Corrections	1.6		1.6
Public welfare	0.2		0.2
Public health	4.2		4.2
Nursing Home		7.5	7.5
Landfill		2.7	2.7
Interest on long-term debt	0.3		0.3
Total expenses	24.6	10.2	34.8
Transfers	(0.0)	0.0	0.0
Change in net assets	(1.7)	0.6	(1.1)
Net assets, beginning	64.1	16.7	80.8
Net assets, ending	\$62.4	\$17.3	\$79.7

Changes in net assets

The net assets of the County decreased by \$1.4 million during the fiscal year ending November 30, 2012. Depreciation expense and delayed revenue all related to the net assets decrease.

KNOX COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
November 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Governmental Activities

Net assets decreased \$1.7 million over the previous year.

For the fiscal year ended November 30, 2012, revenues from governmental activities totaled \$24.7 million. Property taxes (\$8.1 million or 32.8%) represent the largest source of revenues.

Business-Type Activities

Net assets increased \$0.3 million over the previous year.

Figure A-1
Total Revenues for Fiscal Year 2012

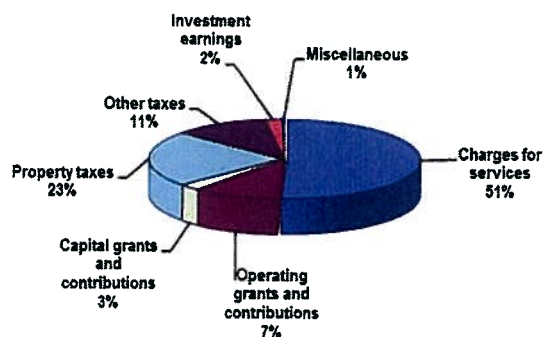


Figure A-2
Total Expenses for Fiscal Year 2012

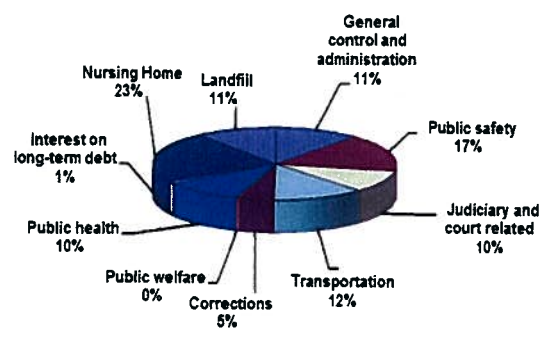


Figure A-1
Total Revenues for Fiscal Year 2011

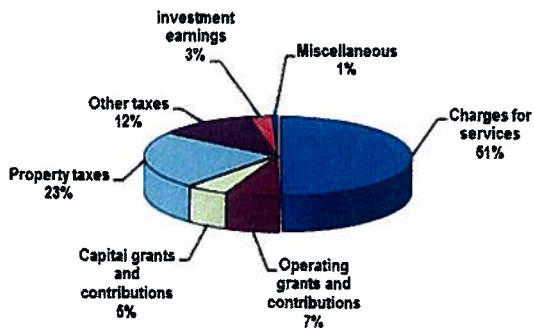
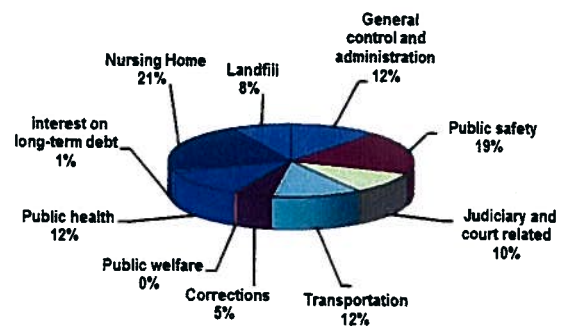


Figure A-2
Total Expenses for Fiscal Year 2011



The County's 2012 total revenues (Figure A-1) come from a variety of sources including 23% from property taxes, and 11% comes from some other type of tax. Another 51% comes from charges for services and much of the remainder is operating grants and contributions.

KNOX COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

November 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The County's 2012 expenses (Figure A-2) cover a range of services, with about 17% related to public safety and 11% general control and administration. Another 12% is devoted to transportation along with 10% towards public health.

In the following table, we have presented the cost of each of the County's functions as well as the net cost (total cost less revenues generated by the activities) for each. Net costs help to show what functions are being covered by direct revenue and those that are covered by the net revenue of others.

For the year ended November 30, 2012		
	Total cost of service (in millions)	Net cost of service (in millions)
Governmental Activities:		
General control and administration	\$4.1	(\$2.8)
Public safety	6.2	(3.4)
Judiciary and court related	3.7	(1.8)
Transportation	4.6	(2.9)
Corrections	1.7	(1.5)
Public welfare	0.2	(0.2)
Public health	3.8	(2.1)
Interest on long-term debt	0.3	(0.4)
Business-type Activities:		
Nursing Home	8.4	1.7
Landfill	3.9	(1.2)
Total primary government	\$36.9	(\$14.6)

For the year ended November 30, 2011		
	Total cost of service (in millions)	Net cost of service (in millions)
Governmental Activities:		
General control and administration	\$4.0	(\$2.6)
Public safety	6.5	(3.5)
Judiciary and court related	3.6	(1.5)
Transportation	4.2	(2.7)
Corrections	1.6	(1.4)
Public welfare	0.2	(0.2)
Public health	4.2	(2.1)
Interest on long-term debt	0.3	(0.3)
Business-type Activities:		
Nursing Home	7.5	(0.0)
Landfill	2.7	(0.0)
Total primary government	\$34.8	(\$14.3)

KNOX COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

November 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

For the fiscal year ended November 30, 2012, expenditures for governmental activities totaled \$24.6 million. General and administrative expenditures accounted for \$4.1 million of the governmental activities total. These expenditures are used for the operations of departments conducting such functions as administrative and financial functions, elections, document recording and retrieval, and assessment of property.

Public Safety accounted for \$6.2 million in expenditures during 2012. The highest percentage of public safety is directly tied to the operations of the Sheriff's Department. The emergency service function is also part of this activity group.

Judiciary and court related expenditures totaled \$3.7 million in 2012. Expenditures relating to the circuit court, public defender, court services, and the State's Attorney relate to this function.

Transportation accounted for \$4.6 million of the total governmental activities expenditures in 2012. Various funds established for the County Highway Department account for these expenditures.

Corrections accounted for \$1.7 million in expenditures during 2012. These expenditures are directly tied to the operations of the County Jail.

Public welfare expenditures represented \$0.2 million of the total governmental expenditures activity. Expenditures relating to the assistance of veterans.

Public health expenditures represented \$3.8 million of the total governmental expenditures activity. The Health Department is the main contributor to this function's expenditures.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS

Knox County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year the County's governmental funds reported combined ending fund balances of \$16.0 million, a decrease of \$1.7 million in comparison with the previous fiscal year.

The general fund is the primary operating fund of the County. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$2.1 million.

The fund balance of the General Fund decreased by \$1.6 million during the current fiscal year.

KNOX COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
November 30, 2012

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS (continued)

Budgetary Highlights

The County's budget is prepared according to Illinois law and is based on accounting for certain transactions on the cash basis of accounting. A budget to actual schedule is provided as required supplementary information for the General Fund and major special revenue funds.

General Fund Budgetary Variances

Revenues

Charges for services on page 60 for 2012 were \$3.2 million compared with budgeted amount of \$3.5 million. This variance is due to the County anticipating to receive more revenues from housing of federal inmates than it actually received.

Expenditures

Personnel Services remains the highest expenditure in County operations. Government service requires people to provide both services and information to the citizens it supports. It is a sizeable expenditure; however, it is also a long-term investment. Benefit payments remain a significant portion of the total personnel services costs. Pension, FICA and Health Insurance rates have all affected the total cost of personnel services.

The general control and administration expenditures on page 60 for 2012 were \$2.9 million compared to a budgeted amount of \$3.3 million. The positive variance is the result of several expenditures in this function being less than budgeted amount. The major general control and administration expenditures under budget were specialty crop grant food council and election grant expenditures. The judiciary and court related expenditures on page 60 for 2012 were \$3.1 million compared to a budgeted amount of \$3.3 million. The positive variance is the result of the expenditures relating to court improvement and digital archiving expenses being less than budgeted amounts.

Illinois Municipal Retirement Fund Budgetary Variances

Overall, there were no significant variances in the Illinois Municipal Retirement Fund. Actual revenues were more than budgeted revenues and actual expenses were less than budgeted expenses.

County Health Fund Budgetary Variances

Revenues

Charges for services on page 62 for 2012 were \$0.7 million compared with budgeted amount of \$0.8. This variance is due to less service sales for dental and clinic fees than anticipated.

Expenditures

The salaries on page 62 for 2012 were \$1.7 million compared with a budgeted amount of \$1.8 million. No one salary line item variance is significant. Program costs on page 62 for 2012 were \$0.4 million compared with a budgeted amount of \$0.5 million. The positive variance is the result of the expenditures relating to computer support being less than budgeted amounts. Operational costs on page 62 for 2012 were \$0.1 million compared with a budgeted amount of \$0.2 million. The positive variance is the result of the expenditures relating to immunization supplies being less than budgeted amounts.

KNOX COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
November 30, 2012

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS (continued)

Overall Analysis

The following is the analysis of expenditures for the year for the General Fund and other major Governmental Funds of the County.

- From a governmental fund type perspective, overall governmental fund expenditures were up 7.8% in 2012 compared with 2011.
- Within the General Fund, the functions which reflected the largest portion of total expenditures were General Control and Administration and Judiciary and Court Related. The functions which reflected that largest percent increase over 2011 were General Control and Administration and Corrections.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets

The County's investment in capital assets for its governmental activities at year end totaled \$54.7 million (net of accumulated depreciation) and business-type activities at year end totaled \$7.8 million (net of accumulated depreciation). This investment in capital assets includes, land, construction in progress, land improvements, buildings and improvements, equipment, furniture and fixtures, vehicles, and infrastructure such as roads and bridges. There were \$1.9 million of capital asset additions recorded during the year and \$3.2 million of depreciation charges were expensed on the total capital assets. See footnote (D) for details of capital assets.

Major capital asset events during the fiscal year included the following:

- Infrastructure = \$127,589
- Courthouse boiler replacement = \$191,390
- Courthouse elevator modernization = \$154,560
- Courthouse renovations = \$540,729
- Landfill land improvements = \$130,634
- Landfill haul truck = \$106,500
- Nursing Home boiler replacement = \$149,862

KNOX COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
November 30, 2012

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (continued)

Net Book Value of Capital Assets at November 30, 2012 (in millions)		
	Governmental Activities	Business-type Activities
Land	\$0.8	\$1.2
Construction in progress	1.2	0.0
Land improvements	0.0	0.4
Buildings and improvements	10.0	3.8
Equipment and machinery	0.5	2.1
Furniture and fixtures	0.0	0.1
Vehicles	0.3	0.1
Infrastructure	41.9	0.1
Total	\$54.7	\$7.8

Net Book Value of Capital Assets at November 30, 2011 (in millions)		
	Governmental Activities	Business-type Activities
Land	\$0.8	\$1.2
Construction in progress	0.5	0.0
Land improvements	0.0	0.4
Buildings and improvements	10.2	3.9
Equipment and machinery	0.6	2.4
Furniture and fixtures	0.0	0.1
Vehicles	0.4	0.0
Infrastructure	43.2	0.1
Total	\$55.7	\$8.1

Debt Administration

At November 30, 2012, the County had \$9.2 million in governmental activities long term debt which consisted of general obligation bonds and notes payables. Amounts due next year on these obligations are \$0.9 million. See Footnote (E) and (F) for details of debt.

Governmental Activities Outstanding Debt at November 30, 2012 (in millions)	
General obligation bond payable	\$8.1
Notes payable	1.0
	\$9.1

Governmental Activities Outstanding Debt at November 30, 2011 (in millions)	
General obligation bond payable	\$9.1
Notes payable	1.0
	\$10.1

KNOX COUNTY, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
November 30, 2012

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (continued)

At November 30, 2012, the County had \$1.9 million in business-type activities long term debt. Amounts due next year on these obligations are \$0.3. See Footnote (E) and (F) for details of debt.

Business-Type Activities	
Outstanding Debt at November 30, 2012	
General obligation bond payable	\$0.9
Notes payable and capital leases	1.0
	<hr/>
	\$1.9
	<hr/>
Business-Type Activities	
Outstanding Debt at November 30, 2011	
General obligation bond payable	\$1.0
Notes payable and capital leases	1.0
	<hr/>
	\$2.0
	<hr/>

ECONOMIC FACTORS

The state economic factors and the national economic factors are an indication that we can expect continual challenges to the County's budget. The State of Illinois and the Federal Government are struggling to pay their obligations in a timely fashion resulting in constant undue pressure on the County's financial position. Pro-active strategies and policies for maintaining sound fiscal balances will constantly need to be implemented by management.

The annual budget is developed to provide efficient, effective and economic uses of the County's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the County Board sets the direction of the County, allocates its resources and establishes its priorities. In considering the budget for FY 2013, the County Board and management have continued to use zero based budgeting to control operational and personnel costs. Budget control has also continued to be utilized to keep expenditures from exceeding budgetary amounts. The County Board has had to diversify the revenue sources and reduce spending to maintain adequate reserves. Management is continuing to evaluate policies to reduce expenditures and increase reserves.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and potential creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Robin E. Davis, County Treasurer
Knox County, Illinois
200 South Cherry Street, Galesburg, IL 61401
Phone number (309) 345-3813

BASIC FINANCIAL STATEMENTS

KNOX COUNTY, ILLINOIS
STATEMENT OF NET ASSETS
November 30, 2012

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash, deposits, and investments	\$15,896,627	\$7,536,903	\$23,433,530
Receivables:			
Accounts (net of allowance)	871,088	709,957	1,581,045
Property tax	9,032,417	0	9,032,417
Due from other governments	1,256,736	1,079,682	2,336,418
Inventories	19,113	0	19,113
Other assets	15,568	844	16,412
Temporarily restricted assets:			
Cash	0	23,321	23,321
Internal balances	0	0	0
Total current assets	27,091,549	9,350,707	36,442,256
Noncurrent assets:			
Other assets	52,889	10,165	63,054
Investments	0	6,993,270	6,993,270
Capital assets:			
Land and construction in progress	2,006,432	1,174,645	3,181,077
Other capital assets, net of depreciation	52,731,259	6,613,881	59,345,140
Total noncurrent assets	54,790,580	14,791,961	69,582,541
Total assets	\$81,882,129	\$24,142,668	\$106,024,797
LIABILITIES			
Accounts payable and accrued payroll	\$2,019,532	\$582,156	\$2,601,688
Accrued compensated absences - current	99,895	40,448	140,343
Accrued interest payable	153,312	28,886	182,198
Deferred property taxes	8,914,518	0	8,914,518
Deferred revenue	11,545	0	11,545
Capital lease payable	0	278,395	278,395
Bonds and notes payable, net of unamortized discounts	913,027	54,366	967,393
Total current liabilities	12,111,829	984,251	13,096,080
Landfill closure liability	0	3,875,382	3,875,382
Accrued compensated absences	285,094	115,435	400,529
Capital lease payable	0	688,520	688,520
Bonds and notes payable, net of unamortized discounts	8,270,747	887,369	9,158,116
IMRF pension obligation	475,761	0	475,761
Total noncurrent liabilities	9,031,602	5,566,706	14,598,308
Total liabilities	21,143,431	6,550,957	27,694,388
NET ASSETS			
Invested in capital assets, net of related debt	47,724,081	5,871,611	53,595,692
Restricted for:			
Landfill closure costs		6,993,270	6,993,270
Employee benefits	464,488		464,488
General control	1,573,017		1,573,017
Public safety	454,047		454,047
Judiciary and court related	279,152		279,152
Transportation	4,243,776		4,243,776
Public welfare	274,327		274,327
Public health	1,037,545		1,037,545
Unrestricted	4,688,265	4,726,830	9,415,095
Total net assets	\$60,738,698	\$17,591,711	\$78,330,409

See Notes to Financial Statements.

KNOX COUNTY, ILLINOIS

STATEMENT OF ACTIVITIES

For the year ended November 30, 2012

Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General control and administration	\$4,107,509	\$1,137,916	\$57,562	\$155,443	(\$2,756,588)		(\$2,756,588)
Public safety	6,158,965	2,066,305	742,298	0	(3,350,362)		(3,350,362)
Judiciary and court related	3,721,029	1,171,218	791,509	0	(1,758,302)		(1,758,302)
Transportation	4,557,247	0	985,240	736,200	(2,835,807)		(2,835,807)
Corrections	1,670,249	215,390	0	0	(1,454,859)		(1,454,859)
Public welfare	152,733	0	0	0	(152,733)		(152,733)
Public health	3,841,720	634,895	1,057,967	19,746	(2,129,112)		(2,129,112)
Interest on long-term debt	345,806	0	0	0	(345,806)		(345,806)
Total governmental activities	24,555,258	5,225,724	3,634,576	911,389	(14,783,569)	0	(14,783,569)
Business-Type activities:							
Nursing home	8,437,463	10,106,265	0	0		1,668,802	1,668,802
Sanitary landfill	3,909,034	2,686,989	0	0		(1,222,045)	(1,222,045)
Total business-type activities	12,346,497	12,793,254	0	0	0	446,757	446,757
Total primary government	\$36,901,755	\$18,018,978	\$3,634,576	\$911,389	(\$14,783,569)	\$446,757	(\$14,336,812)
General revenues:							
Property taxes					8,126,560	0	8,126,560
Replacement taxes					517,803	0	517,803
Sales taxes					2,729,109	0	2,729,109
State income taxes					798,150	0	798,150
Unrestricted investment earnings					233,294	465,837	699,131
Miscellaneous					106,677	11,531	118,208
Total general revenues					12,511,593	477,368	12,988,961
Transfers					672,981	(672,981)	0
Change in net assets					(1,598,995)	251,144	(1,347,851)
Net assets - beginning of year					62,337,693	17,340,567	79,678,260
Net assets - ending					\$60,738,698	\$17,591,711	\$78,330,409

See Notes to Financial Statements.

KNOX COUNTY, ILLINOIS
GOVERNMENTAL FUNDS
BALANCE SHEET
November 30, 2012

ASSETS	General	Special Revenue		Other Governmental Funds	Total Governmental Funds
		Illinois Municipal Retirement	County Health		
Cash, deposits, and investments	\$2,519,547	\$571,930	\$939,432	\$11,190,634	\$15,221,543
Accounts receivable	557,472	0	2,420	308,390	868,282
Property tax receivable	1,941,915	1,370,188	607,477	5,112,837	9,032,417
Due from other governments	699,456	0	46,628	510,652	1,256,736
Inventory	10,914	0	8,199	0	19,113
Due from other funds	42,454	0	0	60,061	102,515
Total assets	\$5,771,758	\$1,942,118	\$1,604,156	\$17,182,574	\$26,500,606
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$475,544	\$0	\$40,091	\$442,316	\$957,951
Accrued payroll	102,698	229,343	28,372	93,548	453,961
Accrued compensated absences	62,258	0	13,440	24,197	99,895
Deferred property taxes	1,914,537	1,350,740	598,757	5,050,484	8,914,518
Deferred revenue	0	0	0	11,545	11,545
Due to other funds	0	0	0	102,515	102,515
Total liabilities	2,555,037	1,580,083	680,660	5,724,605	10,540,385
Fund balances:					
Nonspendable:					
Inventory	10,914	0	8,199	0	19,113
Restricted:					
Employee benefits	0	362,035	0	467,598	829,633
General control	603,143	0	0	969,874	1,573,017
Public safety	0	0	0	515,611	515,611
Judiciary and court related	0	0	0	279,152	279,152
Transportation	0	0	0	4,250,812	4,250,812
Corrections	0	0	0	0	0
Public welfare	0	0	0	274,782	274,782
Public health	0	0	915,297	1,172,511	2,087,808
Debt service	0	0	0	1,657,362	1,657,362
Capital projects	0	0	0	1,787,048	1,787,048
Committed	467,190	0	0	115,153	582,343
Unassigned	2,135,474	0	0	(31,934)	2,103,540
Total fund balance	3,216,721	362,035	923,496	11,457,969	15,960,221
Total liabilities and fund balance	\$5,771,758	\$1,942,118	\$1,604,156	\$17,182,574	\$26,500,606

See Notes to Financial Statements.

KNOX COUNTY, ILLINOIS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
November 30, 2012

Total fund balances - governmental funds	\$15,960,221
Amounts reported for governmental activities in the statement of net assets are different because:	
An internal service fund is used to account for self insurance of medical claims. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	
	70,270
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$72,82,979 and the accumulated depreciation of \$18,065,288.	54,737,691
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds:	
Bonds, notes payable, capital leases, and discounts on bonds	(9,183,774)
IMRF pension obligation	(475,761)
Bond issuance costs are not financial resources and, therefore, are not reported in the governmental funds	68,457
Interest payable on debt is not reported in the governmental funds if payments are due subsequent to reporting date	(153,312)
Compensated absences not due and payable from current resources are not reported in the governmental funds.	<u>(285,094)</u>
Total net assets - governmental activities	<u><u>\$60,738,698</u></u>

See Notes to Financial Statements.

KNOX COUNTY, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended November 30, 2012

		Special Revenue			
	General	Illinois Municipal Retirement	County Health	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$1,887,446	\$1,340,789	\$601,185	\$4,297,140	\$8,126,560
Replacement	497,803	20,000	0	0	517,803
Sales	1,664,909	0	0	1,064,200	2,729,109
State income	798,150	0	0	0	798,150
Charges for services	3,230,267	0	634,895	1,360,562	5,225,724
Intergovernmental revenue	812,789	0	1,057,967	2,675,209	4,545,965
Investment income	57,063	8,855	24,761	142,015	232,694
Miscellaneous	17,033	0	66,465	23,179	106,677
Total revenues	8,965,460	1,369,644	2,385,273	9,562,305	22,282,682
Expenditures:					
Current:					
General control and administration	2,968,677	112,624	0	786,443	3,867,744
Public safety	2,695,384	325,347	0	2,626,994	5,647,725
Judiciary and court related	3,049,938	197,003	0	347,708	3,594,649
Transportation	0	85,379	0	2,899,584	2,984,963
Corrections	1,397,728	123,290	0	82,281	1,603,299
Public welfare	0	9,069	0	138,739	147,808
Public health	0	535,004	2,243,335	434,316	3,212,655
Capital expenditures	64,483	0	95,865	1,195,066	1,355,414
Debt service:					
Principal	8,183	0	43,322	845,000	896,505
Interest	69	0	39,070	296,674	335,813
Total expenditures	10,184,462	1,387,716	2,421,592	9,652,805	23,646,575
Excess (deficiency) of revenues over expenditures	(1,219,002)	(18,072)	(36,319)	(90,500)	(1,363,893)
Other financing sources and (uses):					
Operating transfers in	1,213,792	0	0	421,165	1,634,957
Operating transfers out	(1,556,390)	0	0	(405,586)	(1,961,976)
Net change in fund balance	(1,561,600)	(18,072)	(36,319)	(74,921)	(1,690,912)
Fund balances, beginning of year	4,778,321	380,107	959,815	11,532,890	17,651,133
Fund balances, end of year	\$3,216,721	\$362,035	\$923,496	\$11,457,969	\$15,960,221

See Notes to Financial Statements.

KNOX COUNTY, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the year ended November 30, 2012

Net change in fund balance - Governmental funds	(\$1,690,912)
Amounts reported for governmental activities in the statement of activities are different because:	
An internal service fund is used to account for self insurance of medical claims. The net revenue of the internal service fund is reported with governmental activities.	603,762
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. Donated capital assets are only reported in the statement of activities. This is the amount by which depreciation expenses \$2,304,213 exceeds capitalized fixed assets \$1,355,414 in the period.	(948,800)
Bond payments are reported in governmental funds as expenditures. However, only the interest on bonds is recorded in the statement of activities. This is the amount of bond payments in the period.	896,505
Some expenses reported in the statement of activities do not require use of current financial resources and, therefore, are not reported as expenditures in governmental funds: Change in IMRF pension obligation	(475,761)
The costs associated with issuing long-term debt are an expenditure of governmental funds, but increase other assets (unamortized debt issuance costs and bond discounts) in the statements of net assets.	(18,690)
Interest payable on debt is not reported in the governmental funds if payments are due subsequent to reporting date.	8,697
However, since these amounts will not be paid from current resources, this expense is not recorded in the governmental funds. This is the amount by which vacation and compensated pay decreased over the prior period.	<u>26,204</u>
Change in net assets of governmental activities	<u><u>(\$1,598,995)</u></u>

See Notes to Financial Statements.

KNOX COUNTY, ILLINOIS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
November 30, 2012

ASSETS	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Nursing Home	Sanitary Landfill	Total	Hospitalization
Current assets:				
Cash, deposits, and investments	\$1,169,200	\$6,367,703	\$7,536,903	\$675,084
Restricted cash - patient trust funds	23,321	0	23,321	0
Accounts receivable	430,672	279,285	709,957	2,806
Due from other governments	1,079,682	0	1,079,682	0
Other assets	0	844	844	0
Total current assets	2,702,875	6,647,832	9,350,707	677,890
Noncurrent assets:				
Other assets	0	10,165	10,165	0
Restricted investments - landfill closure	0	6,993,270	6,993,270	0
Capital assets:				
Land and construction in progress	156,600	1,018,045	1,174,645	0
Other capital assets, net of depreciation	3,488,717	3,125,164	6,613,881	0
Total capital assets (net of accumulated depreciation)	3,645,317	4,143,209	7,788,526	0
Total noncurrent assets	3,645,317	11,146,644	14,791,961	0
Total assets	6,348,192	17,794,476	24,142,668	677,890
LIABILITIES				
Current liabilities:				
Accounts payable	149,180	136,884	286,064	607,620
Accrued payroll	238,291	34,480	272,771	0
Accrued compensated absences	40,000	448	40,448	0
Patient funds held in trust	23,321	0	23,321	0
Interest payable	0	28,886	28,886	0
Capital lease payable	0	278,395	278,395	0
Bond payable, net of unamortized discounts	0	54,366	54,366	0
Due to other funds	0	0	0	0
Total current liabilities	450,792	533,459	984,251	607,620
Noncurrent liabilities:				
Landfill closure liability	0	3,875,382	3,875,382	0
Accrued compensated absences	114,262	1,173	115,435	0
Capital lease payable	0	688,520	688,520	0
Bond payable, net of unamortized discounts	0	887,369	887,369	0
Total noncurrent liabilities	114,262	5,452,444	5,566,706	0
Total liabilities	565,054	5,985,903	6,550,957	607,620
NET ASSETS				
Invested in capital assets, net of related debt	3,645,317	2,226,294	5,871,611	0
Restricted for -				
Landfill closure costs	0	6,993,270	6,993,270	0
Unrestricted	2,137,821	2,589,009	4,726,830	70,270
Total net assets	\$5,783,138	\$11,808,573	\$17,591,711	\$70,270

See Notes to Financial Statements.

KNOX COUNTY, ILLINOIS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the year ended November 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Nursing Home	Sanitary Landfill	Total	Hospitalization
Operating revenues:				
Charges for services	\$10,106,265	\$2,686,989	\$12,793,254	\$1,872,979
Other	11,485	46	11,531	639,592
Total operating revenues	10,117,750	2,687,035	12,804,785	2,512,571
Operating expenses:				
Personnel	5,665,511	1,003,390	6,668,901	0
Insurance	228,146	102,837	330,983	0
Plant and operations	2,258,660	1,968,186	4,226,846	0
Depreciation and amortization	285,146	585,034	870,180	0
Medical claims	0	0	0	2,909,409
Illinois EPA fees	0	187,842	187,842	0
Total operating expenses	8,437,463	3,847,289	12,284,752	2,909,409
Operating income (loss)	1,680,287	(1,160,254)	520,033	(396,838)
Nonoperating revenue (expense):				
Investment income	6,709	459,128	465,837	600
Grant income	0	0	0	0
Loss on sale of equipment	0	0	0	0
Interest expense	0	(61,745)	(61,745)	0
Total nonoperating revenue	6,709	397,383	404,092	600
Income (loss) before transfers	1,686,996	(762,871)	924,125	(396,238)
Other financing sources (uses):				
Transfers in	158,320	0	158,320	1,000,000
Transfers out	(6,491)	(824,810)	(831,301)	0
Changes in net assets	1,838,825	(1,587,681)	251,144	603,762
Total net assets (deficit), beginning of year	3,944,313	13,396,254	17,340,567	(533,492)
Total net assets, ending	\$5,783,138	\$11,808,573	\$17,591,711	\$70,270

See Notes to Financial Statements.

KNOX COUNTY, ILLINOIS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the year ended November 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Nursing Home	Sanitary Landfill	Total	Hospitalization
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$10,103,323	\$2,598,388	\$12,701,711	\$1,870,173
Other receipts	11,485	46	11,531	639,592
Payments to suppliers	(3,337,869)	(1,687,405)	(5,025,274)	(2,862,853)
Payments to employees	(5,608,344)	(993,812)	(6,602,156)	0
Net cash provided (used) by operating activities	1,168,595	(82,783)	1,085,812	(353,088)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	(6,491)	(824,810)	(831,301)	0
Transfers from other funds	158,320	0	158,320	1,000,000
Proceeds from grants	0	0	0	0
Net cash provided (used) by noncapital financing activi	151,829	(824,810)	(672,981)	1,000,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from capital leases	0	234,070	234,070	0
Acquisition and construction of capital assets	(158,320)	(364,704)	(523,024)	0
Proceeds from sale of capital assets	0	0	0	0
Interest paid on long term debt	0	(62,166)	(62,166)	0
Principal paid on long-term debt	0	(342,498)	(342,498)	0
Net cash provided (used) by capital and related financing activities	(158,320)	(535,298)	(693,618)	0
CASH FLOWS FROM INVESTING ACTIVITIES				
Net proceeds from sale of (purchase of) investments	(1,058,173)	1,184,723	126,550	(580,745)
Interest received	6,709	459,128	465,837	600
Net cash used by investing activities	(1,051,464)	1,643,851	592,387	(580,145)
Net increase in cash and cash equivalents	110,640	200,960	311,600	66,767
Cash and cash equivalents - beginning	23,477	(1,583)	21,894	27,572
Cash and cash equivalents - ending	\$134,117	\$199,377	\$333,494	\$94,339

See Notes to Financial Statements.

**KNOX COUNTY, ILLINOIS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
(CONTINUED)**

For the year ended November 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Nursing Home	Sanitary Landfill	Total	Hospitalization
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$1,680,287	(\$1,160,254)	\$520,033	(\$396,838)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	285,146	585,034	870,180	0
(Increase) decrease in:				
Accounts receivables	(2,942)	(88,601)	(91,543)	(2,806)
Increase (decrease) in:				
Accounts payable	(854,014)	(8,407)	(862,421)	46,556
Accrued expenses	60,118	9,578	69,696	0
Landfill closure liability		579,867	579,867	0
Net cash provided (used) by operating activities	\$1,168,595	(\$82,783)	\$1,085,812	(\$353,088)

SUPPLEMENTAL SCHEDULE OF NONCASH

INVESTING AND FINANCING ACTIVITIES:

Cost of capital assets financed by accounts payable	\$0	\$0	\$0	\$0
Capital assets financed by accounts payable	0	0	0	0
Cost of capital assets financed by capital leases	0	234,070	234,070	0
Capital assets financed by capital leases	0	(234,070)	(234,070)	0
Net cash used by investing activities	\$0	\$0	\$0	\$0

See Notes to Financial Statements.

KNOX COUNTY, ILLINOIS
AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
November 30, 2012

A S S E T S

Cash, deposits, and investments	\$2,895,684
Due from other governments	94,729
<hr/>	
Total assets	\$2,990,413

LIABILITIES

Accounts payable	\$156,926
Due to others	2,833,487
<hr/>	
Total liabilities	\$2,990,413

See Notes to Financial Statements.

KNOX COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

November 30, 2012

(A) Summary of Significant Accounting Policies:

The accounting policies of the County of Knox, Illinois (County) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

1) Nature of operations:

The County provides many functions and services to citizens which include maintaining a nursing home, a juvenile correctional facility, a landfill, courthouse, law enforcement, highway and bridge construction and maintenance, and general administrative services.

2) Reporting entity:

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The County has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the County is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

3) Government-wide and Fund Financial Statements:

Government-wide Financial Statements: The government wide Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the County. The effect of interfund activity has been removed from these statements. Governmental activities, which are primarily supported by taxes, intergovernmental revenues, and charges for services, are reported separately from business-type activities, which rely significantly on fees and charges for support.

The Statement of Net Assets presents the County's non-fiduciary assets and liabilities with the difference reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(A) Summary of Significant Accounting Policies (continued):

3) Government-wide and Fund Financial Statements (continued):

Unrestricted net assets consist of net assets that do not meet the criteria of the two preceding categories.

It is the County's policy to first apply restricted resources when an expenditure/expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The Statement of Activities demonstrates the degree to which the direct expense of a given function (i.e. general control and administration, public safety, etc.) is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs (including fines and fees), and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Fiduciary funds are excluded from the government-wide financial statements.

Fund Financial Statements: Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary (agency) funds, even though the latter are excluded from the government-wide financial statements. The fund financial statements provide information about the County's funds. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

Governmental Funds

Governmental funds 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. Revenues 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 County considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. General capital asset acquisitions are reported as expenditures in the fund statements.

The following is a description of the governmental fund types of the County:

General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a particular purpose.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(A) Summary of Significant Accounting Policies (continued):

3) Government-wide and Fund Financial Statements (continued):

Capital Projects Fund is used to account for the accumulation of funds for the acquisition or construction of major capital projects.

Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.

The County reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the County except those which are required to be accounted for in another fund. The General Fund consists of the General Fund, the Self Insurance Fund, and Special Contingency Fund. A brief description of the County's three General Funds follows:

General Fund - This fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the Department and accounted for in the general fund include general control and administration, public safety, judiciary and court related, and corrections.

Self Insurance Fund – This fund accumulates resources to pay workers compensation claims.

Special Contingency Fund – This fund was created by the County Board to fund unexpected expenditures and to cover State of Illinois shortfalls.

Illinois Municipal Retirement Fund (IMRF) – This fund is used to pay retirement for SLEP and non-SLEP employees of the County.

County Health Fund – This fund accounts for revenue and expenditures related to the operations of the County Health Department.

Proprietary Funds

The focus of the proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. 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 flow takes place.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(A) Summary of Significant Accounting Policies (continued):

3) Government-wide and Fund Financial Statements (continued):

Proprietary Funds (continued)

A proprietary fund is a fund in which a fee is charged to external users of goods and services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on pricing policy designed to recover similar costs.

The County reports the following major proprietary funds:

Nursing Home Fund – This fund accounts for the revenue and expenses related to the operations of the County nursing home.

Sanitary Landfill Fund – This fund accounts for the revenue and expenses related to the operations of the County landfill.

The County administers an internal service fund (reported as a proprietary fund type) to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County administers the following internal service fund:

Hospitalization Fund – This fund accounts for employee and County Board medical premiums.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Nursing Home Fund and of the Landfill Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Additionally, the County reports the following fund types:

The County's Agency Funds account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(A) Summary of Significant Accounting Policies (continued):

4) 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 at the time liabilities are incurred, regardless of when the related cash flow takes place.

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to accrual basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include various taxes, state shared revenues and various state, federal and local grants. On an accrual basis, revenues from taxes are recognized when the County has a legal claim to the resources. Grants, entitlements, state shared revenues and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Governmental fund financial statements are reported using the modified accrual basis method of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Revenues 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 generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The County has elected to take exception to this assumption for revenue remitted by the State. Due to the State being late with payments, the County considers those amounts applicable to the current fiscal year to be available as it is vouchered by the State and will be paid after the 60 day period.

Significant revenue sources which are susceptible to accrual include property taxes, other taxes, grants, charges for services, and interest. All other revenue sources are considered to be measurable and available only when cash is received. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(A) Summary of Significant Accounting Policies (continued):

5) Cash and cash equivalents and deposits:

For the purpose of reporting cash and cash equivalents on the cash flows, the County considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The County considers certificates of deposits with a maturity of more than three months when purchased to be deposits.

The cash balances of most Knox County funds are pooled and invested. Each fund's share of the investment pool is reflected on its respective balance sheet.

6) Investments:

Investments are reported at fair value. A portion of the County's investments are in the Illinois Funds Money Market Fund, which is an external investment pool which is not SEC registered. The Illinois Funds Money Market Fund is regulated by the State Treasurer's Office. The fair value of the position in the external investment pool is the same as the value of the pool shares. The majority of the County's investments are held by Wells Fargo, Edward Jones, and Great Pacific Securities. These investments include money market accounts, certificates of deposit, and federal agency securities.

7) Inventory:

Inventories are stated at cost, using the first-in, first-out method. Inventories are accounted for under the consumption method, whereby acquisitions are recorded in inventory accounts initially and charged as expenditures when used.

8) Capital Assets:

Capital assets, which include land improvements, buildings and improvements, equipment, furniture and fixtures, vehicles, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an estimated useful life in excess of one year and an individual cost of \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated assets are stated at estimated fair market value as of the date of acquisition. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend the useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets, except land and construction in progress which are not depreciated, are being depreciated using the straight line method over the following useful lines:

Land improvements	4 - 20 years
Buildings and improvements	10 - 50 years
Equipment	3 - 15 years
Furniture and fixtures	3 - 15 years
Vehicles	5 - 15 years
Infrastructure	7 - 50 years

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(A) Summary of Significant Accounting Policies (continued):

8) Capital Assets (continued):

Assets which are acquired and held for the County's use are stated at historical cost. The cost of the capital asset includes the acquisition price plus the expenditures necessary to place the asset in its intended location and condition for use. Donated or contributed capital assets are recorded at their fair market value as of the date the asset is acquired, or for infrastructure, the estimated cost of construction.

Gains or losses from sales or retirements of capital assets are included in the operations on the Statement of Activities, if any.

9) Deferred Revenue:

In the government-wide and fund financial statements, the County defers recognition of 2012 property taxes that are intended to finance next year's operations.

10) Compensated Absences:

Governmental Accounting Standards Board principles require employers to accrue a liability for future vacation and compensated leave benefits which meet certain conditions. The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated vacation leave and compensatory time off balances for County employees. No liability is reported for unpaid accumulated sick leave as this is not paid out at termination of employment.

11) Long-Term Obligations:

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported 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.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(A) Summary of Significant Accounting Policies (continued):

12) Fund Balance:

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balances – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegate the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

The County applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when amounts expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used.

13) Accounting Estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from these estimates.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(A) Summary of Significant Accounting Policies (continued):

14) Interfund Transactions:

The County has the following types of transactions between funds:

Loans – amounts provided with a requirement for repayment. In the fund financial statements, interfund loans are reported as due from other funds in lender funds and due to other funds in borrower funds.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

15) Budgets and Budgetary Accounting:

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

- a) The Finance Committee of the County Board requests and receives from the County Officers proposed operating budgets for the fiscal year commencing the following December 1. The Finance Committee reviews and investigates budget requests and prepares a tentative operating budget including both proposed expenditures and the means of financing them.
- b) Prior to December 1, the budget is legally adopted by the County Board. The budget was adopted on November 28, 2011 and amended February 22, 2012; March 28, 2012; April 25, 2012; May 23, 2012; June 27, 2012; July 25, 2012; August 29, 2012; September 26, 2012; November 28, 2012; and December 26, 2012.
- c) After the adoption of the budget, no further appropriations can be made except for 1) transfers from one appropriation to another in the same fund, providing the total amount appropriated for the fund has not changed, and 2) appropriations in excess of those authorized by the budget in order to meet an immediate emergency. Both of these exceptions must be approved by a two-thirds majority of the Board. Unused appropriations lapse at the end of the fiscal year.
- d) Formal budgetary integration is used as a management control device during the year for the General and Special Revenue Funds.
- e) Budgets for the General, Special Revenue, Capital Projects, Debt Service, Internal Service, and Enterprise Funds are prepared on the cash basis which is an other comprehensive basis of accounting. Budgets are not prepared for Agency Funds.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(A) Summary of Significant Accounting Policies (continued):

16) Property taxes:

The County's property tax is levied each year on all taxable real property located in the County. Since the 2012 property tax levy is levied to finance the operations of fiscal year 2013, the 2012 property tax is recorded as a receivable and the 2012 property tax revenue is deferred. The 2011 property tax levy is recorded as revenue by the County in accordance with the applicable measurement focus and basis of accounting for fiscal year 2012. The County must file its tax levy by the last Tuesday of December each year. The 2011 levy was approved on November 28, 2011. The 2012 levy was approved on November 28, 2012.

The township assessors are responsible for assessment of all taxable real property within the County. The County Clerk computes the annual tax of each parcel of real property and prepares tax books used by the County Collector as a basis for issuing tax bills to all taxpayers in the County.

Property taxes are collected by the County Treasurer, who remits to the units their respective share of the collections. Taxes levied in 2011 became due and payable in two installments, generally in June 2012 and September 2012. The owner of real property on January 1 (lien date) in any year is liable for taxes of that year.

(B) Cash, Deposits, and Investments:

Deposit accounts at year-end consisted of demand deposit accounts, money market checking and savings accounts, and certificates of deposit. Investment accounts at year-end consisted of a public treasurer's investment pool, money market mutual funds, and federal agency securities.

Permitted investments are outlined in Chapter 30 Act 235 Section 2 of the Illinois Compiled Statutes. Section 2 also contains eleven provisions regarding repurchase agreements.

Cash and investments as of November 30, 2012 are classified in the financial statements as follows:

	Governmental Funds	Proprietary Funds	Statement of Fiduciary Net Assets	Total
Cash on hand and in banks, deposits, and investments	\$15,896,627	\$14,553,494	\$2,895,684	\$33,345,805

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(B) Cash, Deposits, and Investments (continued):

Cash, deposits, and investments as of November 30, 2012 consist of the following:

	Carrying Amount
Cash on hand	\$5,521
Deposits with financial institutions	7,827,749
Investments	25,512,535
	\$33,345,805

Cash and deposits:

Concentration of credit risk:

At year-end the carrying amount of the County's deposits totaled \$7,827,749 and the bank balances totaled \$9,391,562. All deposits are covered by federal depository insurance, or by collateral held by the County's agent, in the County's name.

Investments:

As of November 30, 2012, the County's investments were as follows:

	Carrying Amount	Market Value
Federal agency securities	\$16,264,223	\$16,264,223
Money market mutual funds	2,697,961	2,697,961
Certificates of deposit	2,297,723	2,297,723
External investment pool	4,252,628	4,252,628
	\$25,512,535	\$25,512,535

As of November 30, 2012, the County had the following investments with stated maturities.

Investment Type	Remaining Maturity (in Years)				Total
	Less Than 1	1-5	6-10	11-15	
Federal agency securities			\$5,929,644	\$10,334,579	\$16,264,223
Money market mutual fund	\$2,697,961				2,697,961
Certificates of deposit	692,585	\$1,001,504	603,634		2,297,723
External investment pool	4,252,628				4,252,628
	\$7,643,174	\$1,001,504	\$6,533,278	\$10,334,579	\$25,512,535

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(B) Cash, Deposits, and Investments (continued):

As of November 30, 2012, the County had the following investments with stated ratings.

Investment Type	Total as of 11/30/12	AAAm	AAA	Unrated
Federal agency securities	\$16,264,223		\$16,264,223	
Money market mutual fund	2,697,961	\$2,697,961		
Certificates of deposits	2,297,723			\$2,297,723
External investment pool	4,252,628	4,252,628		
	\$25,512,535	\$6,950,589	\$16,264,223	\$2,297,723

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County has no specific policy on the interest rate risk at year-end.

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of November 30, 2012, there are no investments with custodial credit risk.

Concentration Risk. Concentration risk is the risk associated with having more than 5 percent of investments in any issuer, other than the U.S. Government. The County does not have a concentration risk policy. The County has no investments that represent 5 percent or more of the total investments.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The County does not have a foreign currency risk policy. The County does not have any investments with foreign currency risk exposure.

(C) Inventory:

The County's inventory consists of the following:

Fund	Type	Amount
General	Deed stamps	\$10,914
County Health	Immunizations	8,199
		\$19,113

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(D) Capital Assets:

The governmental activities capital asset activity for the year ended November 30, 2012 is as follows:

Governmental activities:	Balance 12/1/11	Additions	Deletions	Balance 11/30/12
Capital assets, not being depreciated -				
Land	\$762,065			\$762,065
Work in progress	544,874	\$699,493		1,244,367
Total capital assets, being depreciated	1,306,939	699,493	\$0	2,006,432
Capital assets, being depreciated:				
Buildings and improvements	14,678,986	441,815		15,120,801
Equipment	3,538,729	77,734		3,616,463
Furniture and fixtures	107,867			107,867
Vehicles	2,107,352	136,372	(11,513)	2,232,211
Infrastructure	49,719,205			49,719,205
Total capital assets, being depreciated	70,152,139	655,921	(11,513)	70,796,547
Accumulated depreciation:				
Buildings and improvements	(4,560,837)	(550,133)		(5,110,970)
Equipment	(2,923,241)	(226,233)		(3,149,474)
Furniture and fixtures	(73,978)	(9,440)		(83,418)
Vehicles	(1,707,885)	(175,752)	11,513	(1,872,124)
Infrastructure	(6,506,646)	(1,342,656)		(7,849,302)
Total accumulated depreciation	(15,772,587)	(2,304,214)	11,513	(18,065,288)
Total capital assets, being depreciated, net	54,379,552	(1,648,293)	0	52,731,259
Governmental activities capital assets, net	\$55,686,491	(\$948,800)	\$0	\$54,737,691

Business-Type activities:	Balance 12/1/11	Additions	Deletions and Transfers	Balance 11/30/12
Capital assets, not being depreciated -				
Land	\$1,174,645			\$1,174,645
Construction in progress	0			0
Total capital assets, being depreciated	1,174,645	\$0	\$0	1,174,645

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(D) Capital Assets (continued):

The business-type activities capital asset activity for the year ended November 30, 2012 is as follows:

Business-Type activities:	Balance 12/1/11	Additions	Deletions and Transfers	Balance 11/30/12
Capital assets, being depreciated:				
Land improvements	3,663,618	130,634		3,794,252
Buildings and improvements	7,571,055	158,320		7,729,375
Equipment and machinery	5,946,729	127,570	(97,000)	5,977,299
Furniture and fixtures	601,053			601,053
Vehicles	193,167	106,500		299,667
Infrastructure	205,218			205,218
Total capital assets, being depreciated	18,180,840	523,024	(97,000)	18,606,864
Accumulated depreciation:				
Land improvements	(3,269,080)	(69,310)		(3,338,390)
Buildings and improvements	(3,719,088)	(245,743)		(3,964,831)
Equipment and machinery	(3,501,538)	(468,395)	97,000	(3,872,933)
Furniture and fixtures	(491,288)	(31,762)		(523,050)
Vehicles	(176,767)	(24,175)		(200,942)
Infrastructure	(63,520)	(29,317)		(92,837)
Total accumulated depreciation	(11,221,281)	(868,702)	97,000	(11,992,983)
Total capital assets, being depreciated, net	6,959,559	(345,678)	0	6,613,881
Business-type activities capital assets, net	\$8,134,204	(\$345,678)	\$0	\$7,788,526

Depreciation expense was charged to the functions as follows:

Governmental activities:	
General control and administration	\$128,656
Public safety	370,717
Judiciary and court related	20,715
Transportation	1,522,500
Public health	261,626
Total depreciation expense-governmental activities	2,304,214
Business-type activities -	
Nursing Home	285,146
Landfill	583,556
Total depreciation expense-business-type activities	868,702
Total depreciation expense	\$3,172,916

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(E) Long-Term Debt:

In December 2009, the County defeased the 2006 debt certificates by placing the proceeds of the Series 2009 general obligation refunding bond issue in an irrevocable trust to provide for all future debt service payments on the defeased portion of the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. As of November 30, 2012, the County has \$663,551 of the debt certificates outstanding which are considered defeased.

Long term liability activity for the year ended November 30, 2012 is as follows:

	Balance 12/1/11	Additions	Reductions	Balance 11/30/12	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$9,080,000		(\$845,000)	\$8,235,000	\$870,000
Less: discount on bonds	(33,503)		2,517	(30,986)	(2,119)
Note payable	1,031,265		(51,505)	979,760	45,146
Compensated absences	397,846	\$471,716	(484,573)	384,989	99,895
Governmental activity					
long-term liabilities	\$10,475,608	\$471,716	(\$1,378,561)	\$9,568,763	\$1,012,922

	Balance 12/1/11	Additions	Reductions	Balance 11/30/12	Due Within One Year
Business-type activities:					
General obligation bonds	\$1,000,000		(\$50,000)	\$950,000	\$55,000
Less: discount on bonds	(8,899)		634	(8,265)	(634)
Capital lease	1,025,343	\$234,070	(292,498)	966,915	278,395
Compensated absences	143,967	360,448	(348,532)	155,883	40,448
Business-type activity					
Long-term liabilities	\$2,160,411	\$594,518	(\$690,396)	\$2,064,533	\$373,209

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(E) Long-Term Debt (continued):

Detail of the debt as of November 30, 2012 are as follows:

1. The general obligation alternate refunding bonds, Series 2003, bear interest at 1.10 to 4.00 percent, which is due June 15 and December 15 of each year, while principal amounts mature serially on December 15 of each year, with final maturity on December 15, 2018. The original issue was \$7,390,000. The bond proceeds were used 100.00% for the purchase of capital assets. It is the intent of the County officials to service this debt from sales tax revenue. The annual debt service requirements on these bonds are due as follows:

During the year ending November 30	Interest Rate	Principal	Interest	Total
2013	3.45	\$595,000	\$164,871	\$759,871
2014	3.55	620,000	143,603	763,603
2015	3.55	640,000	120,917	760,917
2016	3.75	665,000	96,769	761,769
2017	3.80	690,000	71,190	761,190
2018 – 2019	3.90- 4.00	1,470,000	59,040	1,529,040
Total		\$4,680,000	\$656,390	\$5,336,390

2. The general obligation refunding bonds, Series 2009, bear interest at 2.00 to 2.50 percent, which is due along with the principal amounts on December 1 each year, with final maturity on December 1, 2014. The original issue was \$1,350,000. The bond proceeds were used 100.00% to defease the 2006 debt certificates. It is the intent of the County officials to service this debt from property tax revenue. The annual debt service requirements on these bonds are due as follows:

During the year ending November 30	Interest Rate	Principal	Interest	Total
2013	2.50	\$275,000	\$13,875	\$288,875
2014	2.50	280,000	7,000	287,000
Total		\$555,000	\$20,875	\$575,875

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(E) Long-Term Debt (continued):

3. On March 24, 2010, the County authorized issuing \$4,000,000 of General Obligation Alternate Revenue Bonds Series 2010A and 2010B for the purpose of renovating the County courthouse and acquiring land for landfill purposes. Of the \$4,000,000 General Obligation Alternate Revenue Bonds, \$1,000,000 of General Obligation Alternate Revenue Bonds must be paid by the revenue of the Landfill Fund and \$3,000,000 of General Obligation Alternate Revenue Bonds must be paid by public safety and sales taxes for them not to be classified as general obligation only bonds.

Of the \$4,000,000 bond issuance, \$50,000 is general obligation alternate revenue bonds (taxable) Series 2010A, \$2,005,000 is general obligation alternate revenue bonds (taxable Build America Bonds – direct pay) Series 2010A, and \$1,945,000 is general obligation alternate revenue bonds (taxable recovery zone economic development bonds) Series 2010B. Direct Pay Build America Bonds (BABs) allow the County to receive a 35% treasury rebate on each interest payment date and the bond proceeds must be used for capital purchases. Recovery Zone Bonds allow the County to receive a 45% treasury rebate on each interest payment date and the bond proceeds must be used for qualified economic development purposes in a designated recovery zone. Qualified economic development purposes include capital expenditures with respect to property located in a recovery zone. A recovery zone is any area designated as having significant poverty, unemployment, rate of home foreclosures, or general distress.

- A. Of the Series 2010A BABs, \$1,055,000 was used for renovating the County courthouse. These bonds are due on June 15 and December 15 of each year, while principal amounts mature serially on December 15 of each year beginning on December 15, 2019, with final maturity on December 15, 2023. The County anticipates receiving \$155,014 in treasury rebates. The amount of treasury rebates due to the County in the next fiscal year total \$17,940. The bond proceeds were used 21.40% to purchase capital assets and remaining proceeds will be used to purchase capital assets in the future. It is the intent of the County officials to service this debt from public safety tax revenue. The annual debt service requirements for this project on these 2010A bonds are due as follows:

During the year ending November 30	Interest Rate	Principal	Interest	Total
2013	4.55	\$0	\$33,317	\$33,317
2014	4.55	0	33,317	33,317
2015	4.55	0	33,317	33,317
2016	4.55	0	33,318	33,318
2017	4.55	0	33,317	33,317
2018-2022	4.55 – 4.95	765,000	138,763	903,763
2023-2024	5.10 – 5.55	290,000	8,162	298,162
Total		\$1,055,000	\$313,511	\$1,368,511

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(E) Long-Term Debt (continued):

- B. The remaining \$1,000,000 of the Series 2010A bonds were used to purchase additional land at the landfill. These bonds are due June 15 and December 15 of each year beginning June 15, 2012, while principal amounts mature serially on December 15 of each year beginning 2012, with final maturity on December 15, 2025. The County anticipates receiving \$115,683 in treasury rebates. The amount of treasury rebates due to the County in the next fiscal year total \$13,858. The bond proceeds were used 100.00% to purchase capital assets. It is the intent of the County officials to service this debt from landfill tipping fee revenues. The annual debt service requirements on these bonds are due as follows:

During the year ending November 30	Interest Rate	Principal	Interest	Total
2013	1.75	\$55,000	\$26,216	\$81,216
2014	2.35	55,000	25,542	80,542
2015	2.85	55,000	24,660	79,660
2016	3.15	60,000	23,593	83,593
2017	3.60	60,000	22,324	82,324
2018-2022	3.75 – 4.95	345,000	86,220	431,220
2023-2026	5.10 – 5.55	320,000	26,567	346,567
Total		\$950,000	\$235,122	\$1,185,122

- C. The County used \$1,945,000 of the Series 2010B Recovery Zone Economic Development Bonds for additional renovations to the County courthouse. These bonds are due June 15 and December 15 of each year, while principal amounts mature serially on December 15 of each year beginning on December 15, 2023, with final maturity on December 15, 2029. The County anticipates receiving \$694,861 in treasury rebates. The amount of treasury rebates due to the County in the next fiscal year total \$48,647. The bond proceeds were used 58.00% to purchase capital assets and remaining proceeds will be used to purchase capital assets in the future. It is the intent of the County officials to service this debt from public safety tax revenue. The annual debt service requirements on these bonds are due as follows:

During the year ending November 30	Interest Rate	Principal	Interest	Total
2013	5.20	\$0	\$59,458	\$59,458
2014	5.20	0	59,458	59,458
2015	5.20	0	59,458	59,458
2016	5.20	0	59,458	59,458
2017	5.20	0	59,458	59,458
2018-2022	5.20	0	297,289	297,289
2023-2027	5.20 – 5.55	1,025,000	251,986	1,276,986
2028-2030	5.65 – 5.80	920,000	56,767	976,767
Total		\$1,945,000	\$903,332	\$2,848,332

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(E) Long-Term Debt (continued):

4. The County obtained a \$1,150,000 loan from Farmers and Mechanics Bank for the Health Department building with an interest rate of 3.83% payable in monthly installments of \$6,866 through February 5, 2018 and one balloon payment of \$724,227 on March 5, 2018. The annual debt service requirements on this loan are as follows:

	During the year ending November 30	Principal	Interest	Total
2013		\$45,146	\$37,246	\$82,392
2014		46,930	35,462	82,392
2015		48,786	33,606	82,392
2016		50,624	31,768	82,392
2017		52,714	29,678	82,392
2018		735,560	7,003	742,563
Total		\$979,760	\$174,763	\$1,154,523

5. The County obtained a capital lease with Key Government Finance, Inc. for an 2009 International Dump Truck for the Landfill. The value of the lease is \$91,355 with an interest rate of 5.80% payable in monthly installments of \$2,142 through January 20, 2013. The annual debt service requirements on this loan are as follows:

	During the year ending November 30	Principal	Interest	Total
2013		\$4,252	\$32	\$4,284

6. The County obtained a capital lease with Caterpillar for a Landfill Compactor. The value of the lease is \$558,025 with an interest rate of 3.50% payable in annual installments of \$104,252 - \$199,902 through May 14, 2015. The annual debt service requirements on this loan are as follows:

	During the year ending November 30	Principal	Interest	Total
2013		\$91,010	\$13,242	\$104,252
2014		94,196	10,057	104,253
2015		193,142	6,760	199,902
Total		\$378,348	\$30,059	\$408,407

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(E) Long-Term Debt (continued):

7. The County obtained a capital lease with Bank of America National Association for an International Workstar Roll-off Truck for the Landfill. The value of the lease is \$143,880 with an interest rate of 4.30% payable in monthly installments of \$2,660 through July 25, 2015. The annual debt service requirements on this loan are as follows:

	During the year ending November 30	Principal	Interest	Total
2013		\$29,032	\$2,882	\$31,914
2014		30,302	1,612	31,914
2015		20,938	338	21,276
Total		\$80,272	\$4,832	\$85,104

8. The County obtained a capital lease with Merchants Capital Resources, Inc. for an Earth Mover for the Landfill. The value of the lease is \$534,343 with an interest rate of 2.50% payable in annual installments of \$112,272 through October 12, 2015. The annual debt service requirements on this loan are as follows:

	During the year ending November 30	Principal	Interest	Total
2013		\$104,168	\$8,104	\$112,272
2014		106,802	5,470	112,272
2015		109,503	2,769	112,272
Total		\$320,473	\$16,343	\$336,816

9. The County obtained a capital lease with Merchants Capital Resources, Inc. for a Wheel Loader for the Landfill. The value of the lease is \$127,570 with an interest rate of 4.776% payable in annual installments of \$34,208 through June 12, 2015. The annual debt service requirements on this loan are as follows:

	During the year ending November 30	Principal	Interest	Total
2013		\$29,649	\$4,558	\$34,207
2014		31,098	3,110	34,208
2015		32,615	1,592	34,207
Total		\$93,362	\$9,260	\$102,622

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(E) Long-Term Debt (continued):

11. The County obtained a capital lease with GE Capital. for a 2012 International Truck for the Landfill. The value of the lease is \$106,500 with an interest rate of 4.02% payable in monthly installments of \$1,962 through February 1, 2017. The annual debt service requirements on this loan are as follows:

	During the year ending November 30	Principal	Interest	Total
2013		\$20,284	\$3,255	\$23,539
2014		21,116	2,423	23,539
2015		21,980	1,559	23,539
2016		22,878	661	23,539
2017		3,950	20	3,970
Total		\$90,208	\$7,918	\$98,126

12. The County must pledge future public safety and 0.25% sales tax revenues to repay the Series 2003, Series 2010A, and Series 2010B bonds. The bonds are payable through fiscal year 2030. Total principal and interest remaining on these bonds is \$10,738,355, payable through fiscal year 2030. For the current year, principal and interest paid and total pledged revenues were \$929,097 and \$2,321,498, respectively.
13. Leased machinery and equipment under capital leases in capital assets at November 30, 2012, included the following:

Machinery and equipment	\$1,700,523
Less: Accumulated depreciation	(463,526)
Total	\$1,236,997

Amortization of leased machinery and equipment under capital assets is included with depreciation expense.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(E) Long-Term Debt (continued):

The annual requirements to amortize all debt outstanding as of November 30, 2012, including interest, are as follows:

Governmental activities

Year ending November 30:	Compensated Absences Payable	Note Payables		Bonds Payable		Total
		Principal	Interest	Principal	Interest	
2013	\$99,895	\$45,146	\$37,246	\$870,000	\$271,521	\$1,323,808
2014	285,094	46,930	35,462	900,000	243,378	1,510,864
2015		48,786	33,606	640,000	213,692	936,084
2016		50,624	31,768	665,000	189,545	936,937
2017		52,714	29,678	690,000	163,965	936,357
2018 – 2022		735,560	7,003	2,235,000	495,092	3,472,655
2023 – 2027				1,315,000	260,148	1,575,148
2028 – 2030				920,000	56,767	976,767
	\$384,989	\$979,760	\$174,763	\$8,235,000	\$1,894,108	\$11,668,620

Business-type activities

Year ending November 30:	Compensated Absences Payable	Leases Payable		Bonds Payable		Total
		Principal	Interest	Principal	Interest	
2013	\$40,448	\$278,395	\$32,073	\$55,000	\$26,216	\$432,132
2014	115,435	283,514	22,672	55,000	25,542	502,163
2015		378,178	13,018	55,000	24,660	470,856
2016		22,878	661	60,000	23,593	107,132
2017		3,950	20	60,000	22,324	86,294
2018 – 2022				345,000	86,220	431,220
2023 – 2026				320,000	26,567	346,567
	\$155,883	\$966,915	\$68,444	\$950,000	\$235,122	\$2,376,364

(F) Legal Debt Margin:

The following schedule illustrates the legal debt margin of the County as of November 30, 2012.

	2011 Tax Year
Assessed valuation	\$704,216,819
Statutory debt limitation (2.875% of assessed valuation)	\$20,246,234
Less indebtedness	(9,183,774)
Available debt margin	\$11,062,460

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(G) Deferred Revenues:

The County deferred \$8,914,518 of estimated revenue due from the 2012 tax levy that is intended to finance the fiscal year 2013 operations.

In addition, the County deferred \$11,545 of revenues relating to prepaid services at the Mary Davis Home.

(H) Operating Leases:

The County leases software under an operating lease agreement which expires in 2013. Total lease expense paid for November 30, 2012 was \$45,576. The following is a schedule of future minimum lease payments under operating leases at November 30, 2012:

Fiscal Year Ended November 30,	Operating Leases
2013	\$45,576

(I) Deferred Compensation Plan:

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue code Section 457. The plan, available to all eligible County employees, permits them to defer a portion of their salary until future years. Payments to the plan are made by County employees only. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

It is the opinion of the County that it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

(J) Pension and Retirement Systems:

Illinois Municipal Retirement Fund:

Plan Description. The County's defined benefit pension plan for Regular and Sheriff's Law Enforcement Personnel employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The plan is affiliated with the Illinois Municipal Retirement (IMRF), an agent multiple employer plan. Benefit provision 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 online at www.imrf.org.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(J) Pension and Retirement Systems (continued):

Non-Sheriff's Law Enforcement Personnel (Non-SLEP):

Funding Policy. As set by statute, the Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2011 was 10.20 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2011 was 11.80 percent. The County also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by the statute.

Annual Pension Cost and Net Pension Obligation. For calendar year 2011, the County's annual pension cost and net pension obligation to the regular employees IMRF plan are:

Annual required contribution	\$1,418,512
Interest on net IMRF pension obligation	13,974
Adjustment to annual required contribution	(9,506)
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Annual pension cost	1,422,980
<hr/>	
Annual contributions made	(1,226,171)
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Increase in IMRF pension obligation	196,809
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Net IMRF pension obligation, beginning of year	186,322
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Net IMRF pension obligation, end of year	\$383,131
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The IMRF fund will liquidate the IMRF obligation in future years.

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

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(J) Pension and Retirement Systems (continued):

Non-Sheriff's Law Enforcement Personnel (Non-SLEP) (continued):

Three-Year Trend Information for the Regular Plan			
Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
12/31/11	\$1,422,980	86%	\$383,131
12/31/10	1,143,596	84%	186,322
12/31/09	806,495	100%	0

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Regular plan was 75.53 percent funded. The actuarial accrued liability for benefits was \$25,569,567 and the actuarial value of assets was \$19,312,573, resulting in an underfunded actuarial accrued liability (UAAL) of \$6,256,994. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$12,021,287 and the ratio of the UAAL to the covered payroll was 52 percent.

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

Sheriff's Law Enforcement Personnel (SLEP):

Funding Policy. As set by statute, the Sheriff's Law Enforcement Personnel plan members are required to contribute 7.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2011 was 17.20 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2011 was 21.34 percent. The County also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by the statute.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(J) Pension and Retirement Systems (continued):

Annual Pension Cost and Net Pension Obligation. For calendar year 2011, the County's annual pension cost and net pension obligation to the SLEP employees IMRF plan are:

Annual required contribution	\$219,965
Interest on net IMRF pension obligation	3,659
Adjustment to annual required contribution	(2,489)
Annual pension cost	221,135
Annual contributions made	(177,291)
Increase in IMRF pension obligation	43,844
Net IMRF pension obligation, beginning of year	48,786
Net IMRF pension obligation, end of year	\$92,630

The IMRF fund will liquidate the IMRF obligation in future years.

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

Three-Year Trend Information for the Sheriff's Law Enforcement Personnel Plan			
Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
12/31/11	\$221,135	81%	\$92,630
12/31/10	192,989	75%	48,786
12/31/09	121,975	100%	0

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Sheriff's Law Enforcement Personnel plan was 60.95 percent funded. The actuarial accrued liability for benefits was \$3,723,838 and the actuarial value of assets was \$2,269,755, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,454,083. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$1,030,765 and the ratio of the UAAL to the covered payroll was 141 percent.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(J) Pension and Retirement Systems (continued):

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

(K) Other Required Individual Fund Disclosures:

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

- 1) Individual fund interfund receivable and payable balances. Balances at November 30, 2012 were as follows:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental fund	\$42,454
Nonmajor governmental fund	Nonmajor governmental fund	60,061
		\$102,515

The outstanding balances between funds result from negative commingled cash within the Mary Davis Home and Drug Court funds. These interfund payables are expected to be repaid in fiscal year 2013.

- 2) Excess of expenditures over budgeted amounts in individual funds:

Fund	Amount
Hospitalization	\$46,207

- 3) Interfund transfers during the year were as follows:

Fund	Transfer In	Transfer Out
Major funds:		
General Fund	\$1,213,792	\$1,556,390
Non-major funds	421,165	405,586
Proprietary funds:		
Hospitalization Fund	1,000,000	
Nursing Home	158,320	6,491
Landfill Fund		824,810
	\$2,793,277	\$2,793,277

All transfers were made to simplify cash flows within the County, for budgeted capital outlays, and accumulation of funds for future needs of the County.

- 4) As of November 30, 2012, the Drug Court fund had a deficit balance of \$31,934.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(L) Other Postemployment Benefits:

In July 2004, the Governmental Accounting Standards Board issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires a systematic, accrual basis measurement and recognition of other postemployment benefit (OPEB) expense over a period that approximates employees' years of service. The Statement also requires the information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The County elected to not adopt the new standards related to other postemployment benefits.

(M) Risk Management:

The County maintains a comprehensive self-insurance plan through a third party administrator as an option for its employees' health coverage. Under this plan, the County had coverage for medical claims when individual claims exceeded \$100,000 with an unlimited maximum benefit per individual per life time and aggregate claims exceeded \$3,101,517 over an annual liability period. Coverage from a private insurance company was maintained for losses in excess of the stop-loss amounts.

Liabilities were reported when it was probable that a loss had occurred and the amount of the loss could be reasonably estimated. This liability is reported in the Internal Service Fund. Claims payable included all known claims and an amount for claims that had been incurred but not reported (IBNR). Claim liabilities were estimated by considering the effects of inflation, recent claim settlement trends, including frequency and accrued liabilities on the statements of net assets.

The change in the aggregate liability for claims for the year ended November 30 were as follows:

	2012	2011	2010
Claims payable including IBNR, beginning of year	\$561,064	\$121,244	\$70,066
Claims expense	3,076,280	2,909,356	2,079,022
Claim payments	(3,029,724)	(2,469,516)	(2,027,844)
Claims payable including IBNR, end of year	\$607,620	\$561,064	\$121,244

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters; workers' compensation claims of its employees; and medical claims of its employees and their dependents. In order to protect against such risks of loss, the County purchases insurance coverage. The maximum deductible in effect through these policies as of November 30, 2012 was \$50,000 for flood insurance; \$25,000 for earthquake, general, law enforcement, and public officials liability; \$1,000 for auto; and \$10,000 for building and business property. During the year ended November 30, 2012, there were no significant reductions in coverage. Also, there have been no settlements which have exceeded insurance coverage in the past three years.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(M) Risk Management (continued):

For risks of loss related to injuries to employees, the County purchases coverage through the Illinois Counties Risk Management Pool. Potentially the County could be assessed additional premiums for its share of any losses of the pool. Historically, the County has not been assessed any additional premiums.

The County maintains a comprehensive self-insurance plan through a third party administrator for workers' compensation. Under this plan, the County had coverage for workers' compensation claims when individual claims exceeded \$400,000 with a maximum benefit of \$1,000,000 per each accident and \$1,000,000 per each employee for disease. Coverage from a private insurance company was maintained for losses in excess of the stop-loss amounts.

Liabilities were reported when it was probable that a loss had occurred and the amount of the loss could be reasonably estimated. Claims payable included all known claims and are recorded in the Self Insurance Fund. Claim liabilities were estimated by considering the effects of inflation, recent claim settlement trends, including frequency and accrued liabilities on the statements of net assets. The change in the aggregate liability for claims for the year ended November 30 were as follows:

	2012	2011	2010
Claims payable, beginning of year	\$110,841	\$245,140	\$197,031
Claims expense	237,664	98,144	262,020
Claim payments	(160,137)	(232,443)	(213,911)
Claims payable, end of year	\$188,368	\$110,841	\$245,140

(N) Contingent Liabilities:

The County is periodically involved in various lawsuits. It is the opinion of management that as of November 30, 2012, there are no matters that will have a material adverse effect on the financial condition of the County.

(O) Major Customers:

Waste Management, Kewanee Transfer Station, and City of Galesburg accounted for 32.6%, 17.5%, and 11.2%, respectively, of the Knox County Landfill's 2012 tipping fee revenues.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(P) Landfill Closure and Post-Closure Care Costs:

State and federal laws and regulations require Knox County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closures and post-closure care costs is based on the amount of the landfill used during the year.

The landfill has expanded throughout the years and the total in-place capacity as of November 30, 2012 is approximately 5,756,000 cubic yards. Based on this capacity the estimated liability for landfill closure and post-closure care costs has a balance of \$3,875,382 as of November 30, 2012, which is based on 67.29% usage (filled) of the landfill. Although the majority of closure and post-closure care costs will be paid only near or after the date that a landfill site stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each statement of net assets date. The current year operating expense of the landfill closure and post-closure care is \$579,867. It is estimated that an additional \$1,884,223 will be recognized as closure and post-closure care expenses between the date of the balance sheet and the date the landfill is currently expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care (\$5,759,605) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of November 30, 2012. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. Based on current demographic information and engineering estimates of landfill consumption, the County expects to close the landfill in approximately 2027.

(Q) Landfill Closure Reserve:

Effective January 1, 1994, the landfill was required to establish a local solid waste management reserve. This is to be funded with approximately \$.95 per ton of waste that the landfill takes in for disposal. From December 1, 1997 through November 30, 2012, Knox County has complied with this requirement by increasing the fund to \$6,993,270.

The landfill also established a Landfill Composting Closure cash reserve to be used to close the composting area. This cash reserve was funded by a one-time deposit of \$5,000 and has a balance of \$8,737 as of November 30, 2012.

(R) Commitments:

In June 2011, the County signed a contract with Hein Construction Company for project manager for renovations to the County Courthouse. In June 2012, the County signed a contract with Metzger Johnson Architects for designing a master plan for courthouse renovations. As of November 30, 2012, the County expended \$934,495 for these contracts. There is not an estimated total cost or an estimated completion date because the project is in too early of a phase to estimate.

KNOX COUNTY, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
November 30, 2012

(R) Commitments (continued):

In December 2009, the County signed a contract for the engineering design for the reconstruction of County Highway Number 4. The contract was for \$323,540 and as of November 30, 2012, the County expended \$187,897 for this contract. In February 2012, the County signed a contract for the engineering design for the reconstruction of County Highway Number 4. The contract was for \$95,000, and as of November 30, 2012, the County expended \$90,807 for this contract. The estimated total cost of the project is \$4.2 million and the estimated date of completion is November 2014.

(S) New Reporting Standards:

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement 61 "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34." The County is required to implement this standard for the fiscal year ending November 30, 2013. The County has not yet determined the full impact that adoption of GASB Statement 61 will have on the financial statements

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The County is required to implement this standard for the fiscal year ending November 30, 2013. The County has not yet determined the full impact that adoption of GASB Statement 63 will have on the financial statements.

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement 65 "Items Previously Reported as Assets and Liabilities." The County is required to implement this standard for the fiscal year ending November 30, 2014. The County has not yet determined the full impact that adoption of GASB Statement 65 will have on the financial statements.

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement 66 "Technical Corrections – 2012 – an amendment of GASB Statements Nos. 10 and 62." The County is required to implement this standard for the fiscal year ending November 30, 2014. The County has not yet determined the full impact that adoption of GASB Statement 66 will have on the financial statements.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement 67 "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25." The County is required to implement this standard for the fiscal year ending November 30, 2014. The County has not yet determined the full impact that adoption of GASB Statement 67 will have on the financial statements.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27." The County is required to implement this standard for the fiscal year ending November 30, 2015. The County has not yet determined the full impact that adoption of GASB Statement 68 will have on the financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

KNOX COUNTY, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED
WITH BUDGET REQUIRED SUPPLEMENTARY INFORMATION

For the year ended November 30, 2012

	Budgeted Amount		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Property	\$1,926,000	\$1,926,000	\$1,884,568	(\$41,432)
Replacement	600,000	600,000	486,805	(113,195)
Sales	1,615,000	1,678,450	1,679,268	818
Income	810,000	835,090	835,090	0
Charges for services	3,284,400	3,471,683	3,163,054	(308,629)
Intergovernmental	848,856	890,082	847,943	(42,139)
Investment income	86,613	86,613	57,063	(29,550)
Miscellaneous	35,050	35,050	21,067	(13,983)
Total revenues	9,205,919	9,522,968	8,974,858	(548,110)
Expenditures:				
General control and administration	3,221,661	3,313,070	2,895,478	417,592
Public safety	2,421,281	2,724,982	2,711,622	13,360
Judiciary and court related	3,257,589	3,328,237	3,060,791	267,446
Transportation	0	0	0	0
Corrections	1,278,037	1,394,430	1,394,430	0
Public welfare	0	0	0	0
Public health	0	0	0	0
Debt service	8,385	8,385	8,252	133
Total expenditures	10,186,953	10,769,104	10,070,573	698,531
Excess (deficiency) of revenues over (under) expenditures	(981,034)	(1,246,136)	(1,095,715)	150,421
Other financing sources (uses):				
Transfers in	1,235,675	1,255,675	1,213,792	(41,883)
Transfers out	(850,000)	(1,650,000)	(1,556,390)	(93,610)
Total other financing sources (uses)	385,675	(394,325)	(342,598)	51,727
Net change in fund balance	(\$595,359)	(\$1,640,461)	(1,438,313)	\$202,148
Adjustment from budgetary basis to generally accepted accounting principles basis			(123,287)	
Fund balance, beginning of year			4,778,321	
Fund balance, end of year			\$3,216,721	

See Notes to Required Supplementary Information.

KNOX COUNTY, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
For the year ended November 30, 2012

	Budgeted Amount		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Property	\$1,350,000	\$1,350,000	\$1,336,838	(\$13,162)
Replacement	20,000	20,000	20,000	0
Investment income	6,000	6,000	8,855	2,855
Total revenues	1,376,000	1,376,000	1,365,693	(10,307)
Expenditures:				
Current:				
Employer's IMRF	1,354,000	1,400,947	1,372,313	28,634
Total expenditures	1,354,000	1,400,947	1,372,313	28,634
Excess (deficiency) of revenues over (under) expenditures	22,000	(24,947)	(6,620)	18,327
Other financing sources (uses):				
Transfers in	0	0	0	0
Transfers out	0	0	0	0
Total other financing sources (uses)	0	0	0	0
Net change in fund balance	<u>\$22,000</u>	<u>(\$24,947)</u>	(6,620)	<u>\$18,327</u>
Adjustment from budgetary basis to generally accepted accounting principles basis			(473,620)	
Fund balance, beginning of year			380,107	
Fund balance, end of year			<u>(\$100,133)</u>	

See Notes to Required Supplementary Information.

KNOX COUNTY, ILLINOIS
COUNTY HEALTH FUND
SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION

For the year ended November 30, 2012

	Budgeted Amount		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$605,000	\$605,000	\$600,413	(\$4,587)
Charges for service -				
Health department fees	767,000	772,000	708,484	(63,516)
Intergovernmental	822,000	1,023,000	1,012,228	(10,772)
Investment income	21,000	21,000	24,761	3,761
Miscellaneous	107,000	79,500	65,368	(14,132)
Total revenues	2,322,000	2,500,500	2,411,254	(89,246)
Expenditures:				
Current:				
Salaries	1,685,000	1,754,600	1,673,541	81,059
Program costs	481,500	479,700	382,246	97,454
Operational costs	177,500	234,700	145,028	89,672
Building expenses	95,000	98,000	97,424	576
Debt service	83,000	83,000	82,392	608
Total expenditures	2,522,000	2,650,000	2,380,631	269,369
Excess (deficiency) of revenues over (under) expenditures	(200,000)	(149,500)	30,623	180,123
Other financing sources (uses):				
Transfers in	0	0	0	0
Transfers out	0	0	0	0
Total other financing sources (uses)	0	0	0	0
Net change in fund balance	<u>(\$200,000)</u>	<u>(\$149,500)</u>	30,623	<u>\$180,123</u>
Adjustment from budgetary basis to generally accepted accounting principles basis			(2,538)	
Fund balance, beginning of year			959,815	
Fund balance, end of year			<u>\$987,900</u>	

See Notes to Required Supplementary Information.

KNOX COUNTY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF IMRF FUNDING PROGRESS
November 30, 2012

IMRF – Regular Members						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	\$19,312,573	\$25,569,567	\$6,256,994	75.53%	\$12,021,287	52.05%
12/31/10	17,161,128	23,003,980	5,842,852	74.60%	11,157,035	52.37%
12/31/09	15,650,873	21,338,003	5,687,130	73.35%	11,232,522	50.63%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$18,062,278. On a market basis, the funded ratio would be 70.64%.

IMRF – SLEP Members						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	\$2,269,755	\$3,723,838	\$1,454,083	60.95%	\$1,030,765	141.07%
12/31/10	1,857,253	3,263,225	1,405,972	56.91%	979,638	143.52%
12/31/09	1,549,755	2,928,023	1,378,268	52.93%	982,084	140.34%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$2,077,985. On a market basis, the funded ratio would be 55.80%.

KNOX COUNTY, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
November 30, 2012

(A) Budgetary Basis:

The budgets are prepared for County funds on a cash basis and include a statement of the cash revenue and expenditures of the immediately preceding fiscal year and a projection of the cash revenue (including the available beginning cash balance) and the proposed itemized appropriations of the ensuing fiscal year. All appropriations cease with the close of the fiscal year.

(B) Budgetary Information:

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 30 and is available for public inspection at least fifteen days prior to final adoption.

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, may make appropriations in excess of those authorized in the budget. The amounts reflected in the financial statements represent the original budget and the final amended budget. The ultimate level of control is the fund, but is carried down to department and line item.

(C) Excess Expenditures Over Appropriations:

The major funds did not have an excess of expenditures over appropriations.

OTHER SUPPLEMENTARY INFORMATION

KNOX COUNTY, ILLINOIS
GENERAL FUND
BALANCE SHEET
November 30, 2012

ASSETS	County General	Self Insurance	Special Contingency	Total General
Cash, deposits, and investments	\$1,303,300	\$791,511	\$424,736	\$2,519,547
Accounts receivable	557,472	0	0	557,472
Property tax receivable	1,941,915	0	0	1,941,915
Due from other governments	699,456	0	0	699,456
Inventory	10,914	0	0	10,914
Due from other funds	0	0	42,454	42,454
Total assets	\$4,513,057	\$791,511	\$467,190	\$5,771,758
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$287,176	\$188,368	\$0	\$475,544
Accrued payroll	102,698	0	0	102,698
Accrued compensated absences	62,258	0	0	62,258
Deferred property taxes	1,914,537	0	0	1,914,537
Deferred revenue	0	0	0	0
Due to other funds	0	0	0	0
Total liabilities	2,366,669	188,368	0	2,555,037
Fund balances:				
Nonspendable				
Inventory	10,914	0	0	10,914
Restricted				
Employee benefits	0	0	0	0
General control	0	603,143	0	603,143
Public safety	0	0	0	0
Judiciary and court related	0	0	0	0
Transportation	0	0	0	0
Corrections	0	0	0	0
Public health	0	0	0	0
Public welfare	0	0	0	0
Debt service	0	0	0	0
Capital projects	0	0	0	0
Special revenue	0	0	0	0
Committed	0	0	467,190	467,190
Unassigned	2,135,474	0	0	2,135,474
Total fund balance	2,146,388	603,143	467,190	3,216,721
Total liabilities and fund balance	\$4,513,057	\$791,511	\$467,190	\$5,771,758

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**KNOX COUNTY, ILLINOIS
BUDGETARY COMPARISON
FOR THE GENERAL FUND**

For the year ended November 30, 2012

	County General		
	Budgeted Amounts		Actual
	Original	Final	
Revenues:			
Taxes:			
Property	\$1,926,000	\$1,926,000	\$1,884,568
Replacement	600,000	600,000	486,805
Sales	1,615,000	1,678,450	1,679,268
Income	810,000	835,090	835,090
Charges for services	3,284,400	3,471,683	3,163,054
Intergovernmental	848,856	890,082	847,943
Investment income	11,113	11,113	9,690
Miscellaneous	25,050	25,050	21,067
Total revenues	9,120,419	9,437,468	8,927,485
Expenditures:			
General control and administration	2,863,636	2,940,045	2,632,750
Public safety	2,421,281	2,724,982	2,711,622
Judiciary and court related	3,257,589	3,328,237	3,060,791
Transportation	0	0	0
Corrections	1,278,037	1,394,430	1,394,430
Public welfare	0	0	0
Public health	0	0	0
Debt service	8,385	8,385	8,252
Total expenditures	9,828,928	10,396,079	9,807,845
Excess (deficiency) of revenues over (under) expenditures	(708,509)	(958,611)	(880,360)
Other financing sources (uses):			
Transfers in	585,675	605,675	395,473
Transfers out	0	0	0
Total other financing sources (uses)	585,675	605,675	395,473
Net change in fund balance	<u>(\$122,834)</u>	<u>(\$352,936)</u>	(484,887)
Adjustment from budgetary basis to generally accepted accounting principles basis			(46,067)
Fund balance, beginning of year			<u>2,677,342</u>
Fund balance, end of year			<u><u>\$2,146,388</u></u>

Self Insurance			Special Contingency			Total General		
Budgeted Amounts		Actual	Budgeted Amounts		Actual	Budgeted Amounts		Actual
Original	Final		Original	Final		Original	Final	
\$0	\$0	\$0	\$0	\$0	\$0	\$1,926,000	\$1,926,000	\$1,884,568
0	0	0	0	0	0	600,000	600,000	486,805
0	0	0	0	0	0	1,615,000	1,678,450	1,679,268
0	0	0	0	0	0	810,000	835,090	835,090
0	0	0	0	0	0	3,284,400	3,471,683	3,163,054
0	0	0	0	0	0	848,856	890,082	847,943
75,000	75,000	42,480	500	500	4,893	86,613	86,613	57,063
10,000	10,000	0	0	0	0	35,050	35,050	21,067
85,000	85,000	42,480	500	500	4,893	9,205,919	9,522,968	8,974,858
333,025	348,025	237,728	25,000	25,000	25,000	3,221,661	3,313,070	2,895,478
0	0	0	0	0	0	2,421,281	2,724,982	2,711,622
0	0	0	0	0	0	3,257,589	3,328,237	3,060,791
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	1,278,037	1,394,430	1,394,430
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	8,385	8,385	8,252
333,025	348,025	237,728	25,000	25,000	25,000	10,186,953	10,769,104	10,070,573
(248,025)	(263,025)	(195,248)	(24,500)	(24,500)	(20,107)	(981,034)	(1,246,136)	(1,095,715)
0	0	0	650,000	650,000	818,319	1,235,675	1,255,675	1,213,792
(200,000)	(1,000,000)	(1,000,000)	(650,000)	(650,000)	(556,390)	(850,000)	(1,650,000)	(1,556,390)
(200,000)	(1,000,000)	(1,000,000)	0	0	261,929	385,675	(394,325)	(342,598)
<u>(\$448,025)</u>	<u>(\$1,263,025)</u>	(1,195,248)	<u>(\$24,500)</u>	<u>(\$24,500)</u>	241,822	<u>(\$595,359)</u>	<u>(\$1,640,461)</u>	(1,438,313)
		(77,220)			0			(123,287)
		<u>1,875,611</u>			<u>225,368</u>			<u>4,778,321</u>
		<u>\$603,143</u>			<u>\$467,190</u>			<u>\$3,216,721</u>

KNOX COUNTY, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
November 30, 2012

A S S E T S	Total Nonmajor Governmental	Mary Davis Home	Federal Aid Matching
Cash, deposits, and investments	\$11,190,634	\$950	\$1,558,910
Accounts receivable	308,390	123,718	0
Property tax receivable	5,112,837	118,970	355,912
Due from other governments	510,652	85,003	0
Inventory	0	0	0
Due from other funds	60,061	0	0
Total assets	\$17,182,574	\$328,641	\$1,914,822
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$442,316	\$15,445	\$24,940
Accrued payroll	93,548	26,552	0
Accrued compensated absences	24,197	19,967	0
Deferred property taxes	5,050,484	117,277	350,842
Deferred revenue	11,545	11,545	0
Due to other funds	102,515	95,778	0
Total liabilities	5,724,605	286,564	375,782
Fund balances:			
Nonspendable:			
Inventory	0	0	0
Restricted:			
Employee benefits	467,598	0	0
General control	969,874	0	0
Public safety	515,611	42,077	0
Judiciary and court related	279,152	0	0
Transportation	4,250,812	0	1,539,040
Corrections	0	0	0
Public welfare	274,782	0	0
Public health	1,172,511	0	0
Debt service	1,657,362	0	0
Capital projects	1,787,048	0	0
Committed	115,153	0	0
Unassigned	(31,934)	0	0
Total fund balance	11,457,969	42,077	1,539,040
Total liabilities and fund balance	\$17,182,574	\$328,641	\$1,914,822

Special Revenue

Nursing Home Referendum	County Bridge	County Highway	County Motor Fuel Tax	Veterans' Assistance	Extension Education	Law Library	Animal Control
\$1,151,061	\$1,407,592	\$257,810	\$963,832	\$273,896	\$0	\$13,396	\$93,755
0	0	101,791	0	0	0	0	10,550
711,823	355,912	711,823	0	170,700	225,946	0	0
19,746	0	0	59,107	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
\$1,882,630	\$1,763,504	\$1,071,424	\$1,022,939	\$444,596	\$225,946	\$13,396	\$104,305

\$8,436	\$34,970	\$22,115	\$0	\$0	\$3,268	\$2,112	\$897
0	0	29,939	4,081	1,408	0	0	1,157
0	0	2,465	0	160	0	0	1,605
701,683	350,842	701,683	0	168,246	222,678	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
710,119	385,812	756,202	4,081	169,814	225,946	2,112	3,659

0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	100,646
0	0	0	0	0	0	11,284	0
0	1,377,692	315,222	1,018,858	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	274,782	0	0	0
1,172,511	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
1,172,511	1,377,692	315,222	1,018,858	274,782	0	11,284	100,646

\$1,882,630	\$1,763,504	\$1,071,424	\$1,022,939	\$444,596	\$225,946	\$13,396	\$104,305
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KNOX COUNTY, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(CONTINUED)

November 30, 2012

ASSETS	Special Revenue				
	Indemnity	Insurance Tort Levy	County Farm	911 Fund	Probation Service Fees
Cash, deposits, and investments	\$362,701	\$552,414	\$115,153	\$295,223	\$201,299
Accounts receivable	50,760	0	0	21,571	0
Property tax receivable	0	502,049	0	0	0
Due from other governments	0	0	0	86,620	0
Inventory	0	0	0	0	0
Due from other funds	0	0	0	0	60,061
Total assets	\$413,461	\$1,054,463	\$115,153	\$403,414	\$261,360
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$0	\$3,210	\$0	\$30,526	\$1,500
Accrued payroll	0	0	0	0	0
Accrued compensated absences	0	0	0	0	0
Deferred property taxes	0	494,840	0	0	0
Deferred revenue	0	0	0	0	0
Due to other funds	0	0	0	0	0
Total liabilities	0	498,050	0	30,526	1,500
Fund balances:					
Nonspendable:					
Inventory	0	0	0	0	0
Restricted:					
Employee benefits	0	0	0	0	0
General control	413,461	556,413	0	0	0
Public safety	0	0	0	372,888	0
Judiciary and court related	0	0	0	0	259,860
Transportation	0	0	0	0	0
Corrections	0	0	0	0	0
Public welfare	0	0	0	0	0
Public health	0	0	0	0	0
Debt service	0	0	0	0	0
Capital projects	0	0	0	0	0
Committed	0	0	115,153	0	0
Unassigned	0	0	0	0	0
Total fund balance	413,461	556,413	115,153	372,888	259,860
Total liabilities and fund balance	\$413,461	\$1,054,463	\$115,153	\$403,414	\$261,360

				Debt Service		Capital Projects	
Drug Court	Social Security	State's Attorney Automation Fee	Electronic Citation	2009 Debt Service	Public Safety Improvement Bonds	2010 Build America Bonds	2010 Recovery Zone Bonds
\$436	\$484,898	\$463	\$7,545	\$17,483	\$1,375,505	\$818,050	\$1,238,262
0	0	0	0	0	0	0	0
0	917,581	0	0	1,042,121	0	0	0
0	0	0	0	0	260,176	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
\$436	\$1,402,479	\$463	\$7,545	\$1,059,604	\$1,635,681	\$818,050	\$1,238,262

\$25,633	\$0	\$0	\$0	\$0	\$0	\$0	\$269,264
0	30,411	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	904,470	0	0	1,037,923	0	0	0
0	0	0	0	0	0	0	0
6,737	0	0	0	0	0	0	0
32,370	934,881	0	0	1,037,923	0	0	269,264

0	0	0	0	0	0	0	0
0	467,598	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	463	7,545	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	21,681	1,635,681	0	0
0	0	0	0	0	0	818,050	968,998
0	0	0	0	0	0	0	0
(31,934)	0	0	0	0	0	0	0
(31,934)	467,598	463	7,545	21,681	1,635,681	818,050	968,998

\$436	\$1,402,479	\$463	\$7,545	\$1,059,604	\$1,635,681	\$818,050	\$1,238,262
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KNOX COUNTY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended November 30, 2012

	Total Nonmajor Governmental	Mary Davis Home	Federal Aid Matching
Revenues:			
Taxes:			
Property	\$4,297,140	\$116,745	\$349,531
Replacement	0	0	0
Sales	1,064,200	0	0
State income	0	0	0
Charges for services	1,360,562	843,277	0
Intergovernmental revenue	2,675,209	383,896	0
Investment income	142,015	502	46,856
Miscellaneous	23,179	3,295	0
Total revenues	9,562,305	1,347,715	396,387
Expenditures:			
Current:			
General control and administration	786,443	0	0
Public safety	2,626,994	1,834,736	0
Judiciary and court related	347,708	0	0
Transportation	2,899,584	0	421,078
Corrections	82,281	0	0
Public welfare	138,739	0	0
Public health	434,316	0	0
Capital expenditures	1,195,066	0	127,589
Debt service:			
Principal	845,000	0	0
Interest	296,674	0	0
Total expenditures	9,652,805	1,834,736	548,667
Excess (deficiency) of revenues over expenditures	(90,500)	(487,021)	(152,280)
Other financing sources and (uses):			
Operating transfers in	421,165	328,390	0
Operating transfers out	(405,586)	0	0
Net change in fund balance	(74,921)	(158,631)	(152,280)
Fund balances, beginning of year	11,532,890	200,708	1,691,320
Fund balances, end of year	\$11,457,969	\$42,077	\$1,539,040

Special Revenue Funds

Nursing Home Referendum	County Bridge	County Highway	County Motor Fuel Tax	Veterans' Assistance	Extension Education	Law Library	Animal Control
\$699,061	\$349,531	\$699,061	\$0	\$169,170	\$223,722	\$0	\$0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	19,430	100,297
19,746	394,321	341,879	985,240	0	0	0	0
11,664	29,957	5,161	791	6,023	0	192	2,139
0	0	2,475	1,747	600	0	0	25
730,471	773,809	1,048,576	987,778	175,793	223,722	19,622	102,461
0	0	0	0	0	223,722	0	0
0	0	0	0	0	0	0	96,197
0	0	0	0	0	0	25,743	0
0	570,522	893,971	957,033	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	132,686	0	0	0
77,268	0	0	0	0	0	0	0
0	29,050	93,918	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
77,268	599,572	987,889	957,033	132,686	223,722	25,743	96,197
653,203	174,237	60,687	30,745	43,107	0	(6,121)	6,264
0	0	0	0	0	0	0	0
(158,320)	0	(6,491)	0	0	0	0	0
494,883	174,237	54,196	30,745	43,107	0	(6,121)	6,264
677,628	1,203,455	261,026	988,113	231,675	0	17,405	94,382
\$1,172,511	\$1,377,692	\$315,222	\$1,018,858	\$274,782	\$0	\$11,284	\$100,646

KNOX COUNTY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended November 30, 2012

	Special Revenue				
	Indemnity	Insurance Tort Levy	County Farm	911 Fund	Probation Service Fees
Revenues:					
Taxes:					
Property	\$0	\$497,026	\$0	\$0	\$0
Replacement	0	0	0	0	0
Sales	0	0	0	0	0
State income	0	0	0	0	0
Charges for services	50,760	0	0	270,322	65,196
Intergovernmental revenue	0	0	0	295,228	0
Investment income	10,385	6,386	2,244	414	6,456
Miscellaneous	0	0	15,037	0	0
Total revenues	61,145	503,412	17,281	565,964	71,652
Expenditures:					
Current:					
General control and administration	15,976	421,759	957	0	0
Public safety	0	0	0	383,342	0
Judiciary and court related	0	0	0	0	9,200
Transportation	0	0	0	0	0
Corrections	0	0	0	0	0
Public welfare	0	0	0	0	0
Public health	0	0	0	0	0
Capital expenditures	0	0	0	0	0
Debt service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Total expenditures	15,976	421,759	957	383,342	9,200
Excess (deficiency) of revenues over expenditures	45,169	81,653	16,324	182,622	62,452
Other financing sources and (uses):					
Operating transfers in	0	0	0	0	0
Operating transfers out	(50,000)	0	0	0	0
Net change in fund balance	(4,831)	81,653	16,324	182,622	62,452
Fund balances, beginning of year	418,292	474,760	98,829	190,266	197,408
Fund balances (deficit), end of year	\$413,461	\$556,413	\$115,153	\$372,888	\$259,860

				Debt Service		Capital Projects	
Drug Court	Social Security	State's Attorney Automation Fee	Electronic Citation	2009 Debt Service	Public Safety Improvement Bonds	2010 Build America Bonds	2010 Recovery Zone Bonds
\$0	\$903,883	\$0	\$0	\$289,410	\$0	\$0	\$0
0	0	0	0	0	0	0	0
0	0	0	0	0	1,064,200	0	0
0	0	0	0	0	0	0	0
5,358	0	463	5,459	0	0	0	0
111,356	0	0	0	0	0	143,543	0
494	4,890	0	4	585	1,259	1,623	3,990
0	0	0	0	0	0	0	0
117,208	908,773	463	5,463	289,995	1,065,459	145,166	3,990
0	75,161	0	0	0	0	14,880	33,988
0	217,129	0	0	1,220	94,370	0	0
181,290	131,475	0	0	0	0	0	0
0	56,980	0	0	0	0	0	0
0	82,281	0	0	0	0	0	0
0	6,053	0	0	0	0	0	0
0	357,048	0	0	0	0	0	0
0	0	0	0	0	57,830	35,773	850,906
0	0	0	0	270,000	575,000	0	0
0	0	0	0	19,275	184,623	33,318	59,458
181,290	926,127	0	0	290,495	911,823	83,971	944,352
(64,082)	(17,354)	463	5,463	(500)	153,636	61,195	(940,362)
0	0	0	0	0	0	33,317	59,458
0	0	0	0	0	(190,775)	0	0
(64,082)	(17,354)	463	5,463	(500)	(37,139)	94,512	(880,904)
32,148	484,952	0	2,082	22,181	1,672,820	723,538	1,849,902
(\$31,934)	\$467,598	\$463	\$7,545	\$21,681	\$1,635,681	\$818,050	\$968,998

KNOX COUNTY, ILLINOIS
SCHEDULE OF EXPENDITURES
FROM TAXES EXTENDED FOR TORT IMMUNITY
PURPOSES

For the year ended November 30, 2012

Salaries	\$27,871
Property and liability insurance	268,171
Unemployment	70,571
Professional services	55,146
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Total	\$421,759
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