West & Company, LLC
Certified Public Accountants

501 East Evergreen Avenue
P.O. Box 1308
Effingham, Illinois 62401

(217) 347-5181
www.westcpa.com

May 27, 2020

Shelby County Board
301 E. Main
Shelbyville, IL 62565

We have audited the basic financial statements of Shelby County, Illinois as of and for the year ended August 31, 2019 and have issued our report thereon dated May 27, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 1, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Shelby County, Illinois solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material weaknesses and material noncompliance, and other matters noted during our audit in a separate letter to you dated May 27, 2020.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Performing multiple non-attest services including preparation of the financial statements creates a significant self-review and management participation threat. Performing an independent review of the financial statements is the safeguard we have applied to reduce this threat to an acceptable level.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Shelby County, Illinois is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended August 31, 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Management made no significant accounting estimates.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure about the County's revenue recognition policy in

Note 1 to the financial statements. Financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

Although we received full cooperation of management and believe that we were given direct and unrestricted access to Shelby County, Illinois's officials and senior management, we experienced difficulties in the performance of the audit owing to difficulties and delays by management in preparing schedules upon which we report or use to prepare the financial statements.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: 1) Capital outlay of $50,388 in the CEFS fund not identified by management was reclassified from a non-capital outlay expense account and 2) An adjustment of $417,484 was made to beginning net position and net capital assets to correct a prior period error.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Shelby County, Illinois's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated May 27, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with Shelby County, Illinois, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Shelby County, Illinois's auditors.

Noncompliance with Laws and Regulations, Violations of Contract Provisions or Grant Agreements

We have identified the following matters involving noncompliance with laws and regulations, violations of contract or grant agreements that came to our attention during the course of the audit.

The coroner receives a $2,500 payment from the County every year. It was explained to us that this payment is to compensate him for use of his personal office and supplies for County purposes. To comply with IRS regulations, this payment should be run as compensation through payroll unless other requirements are met.

The sheriff's office reimbursed employees through a clothing allowance for items up to $750. Some of these items did not qualify as a uniform. Per IRS regulations, these items should have been paid as taxable fringe benefit. In fiscal year 2020, management has corrected this issue by paying employees a flat $750 stipend that is included in compensation.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Shelby County, Illinois's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Existence of a Material Misstatement that Affects the Financial Statements of a Prior Period in Which There Was a Predecessor Auditor

We have identified the existence of a material misstatement that affects the prior period financial statements on which the predecessor auditor had previously reported without modification. In the fiscal year ending August 31, 2018, the County changed their accounting policy for recognizing non-cash grants and related assets. Since the County reports on the modified cash basis and these transactions do not result from a cash transaction, the revenue and capital assets are no longer recognized on the financial statements. This should have resulted in a decrease in beginning net capital assets and net position on the financial statements in the prior year. The County made the correction by decreasing net capital assets and net position $417,484 at the beginning of the current year.

Related Matters

Shelby County is involved in litigation involving a request for development of a subdivision. Although it appears likely the County will incur a liability due to this case, is not reported as a liability on the face of the financial statements due to the County reporting on the modified cash basis. Management estimates the liability to be between $50,000 and $250,000 depending on the requirements from the circuit court.

This report is intended solely for the information and use of the Shelby County Board and management of Shelby County, Illinois and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

West & Company, LLC

West & Company, LLC

SUMMARY AND EVALUATION OF MISSTATEMENTS
AND OMITTED, INACCURATE, OR INCOMPLETE DISCLOSURES

SHELBY COUNTY, ILLINOIS
UNCORRECTED MISSTATEMENTS
For the year ended August 31, 2019
OPINION UNIT: General Fund

		General Ledger Account					*Assets Debt/(Credit)*			*Liabilities Debit/(Credit)*			*Net Position (Debit/(Credit))*	*Statement of Net Position Debit/(Credit)*				
No.	*Description*	*No.*	*Description*	*Amount*	*Amount of Known Misstatement*	*Amount of Likely Misstatement*	*Total Assets (Sum of Columns J-L)*	*Long Term Assets*	*Current Assets*	*Total Liabilities (Sum of Columns N-P)*	*Long Term Liabilities*	*Current Liabilities*	*Net Position*	*Results of Operations*	*Change in Net Position*	*Other (specify)*	*Other (specify)*	*Net Net Position (Sum of cols Q-R)*
1	Payroll reimbursements misclassified	Various	Payroll expense accounts	21,894	21,894		-			-				21,894				21,894
		Various	Misc. revenue or reimbursement	-21,894	-21,894		-			-				(21,894)				(21,894)
2							-			-								-
							-			-								-
3							-			-								-
							-			-								-
4							-			-								-
							-			-								-
5							-			-								-
							-			-								-
6							-			-								-
							-			-								-
7							-			-								-
							-			-								-
8							-			-								-
							-			-								-
9							-			-								-
							-			-								-
			Effect of Uncorrected Misstatements: Current-Period				-	-	-	-		-	-	-	-	-	-	
			Effect of Prior-Period Uncorrected Misstatements															
			Net Effect of Uncorrected Misstatements				-	-	-	-		-	-	-	-	-	-	-

Erica Firnhaber

Shelby County Treasurer
301 East Main Street
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Phone: 217/774-3841
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Office Hours: 8-4 Monday-Friday

May 27, 2020

West & Company, LLC
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P.O. Box 1308
Effingham, Illinois 62401

This representation letter is provided in connection with your audit of the financial statements of Shelby County, Illinois, which comprise the statement of financial position as of August 31, 2019, and the related statements of operations for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the basic financial statements present fairly, in all material respects, the net position and results of operations in accordance with the modified cash basis of accounting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than $10,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of May 27, 2020:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 1, 2019, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with modified cash basis of accounting.
2. The financial statements referred to above have been fairly presented in accordance with the modified cash basis of accounting and include all properly classified funds and notes to the basic financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. With regard to preparation of depreciation schedules, the financial statements and related notes, the schedule of expenditures of federal awards, and the comptroller's annual financial report performed by you, we have performed the following:

   a. Made all management decisions and performed all management functions;

   b. Assigned a competent individual to oversee the services;

   c. Evaluated the adequacy of the services performed;

   d. Evaluated and accepted responsibility for the result of the services performed; and

   e. Established and maintained internal controls, including monitoring ongoing activities.

6. Significant assumptions used by us in making accounting estimates are reasonable.

7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the modified cash basis of accounting.

8. All events subsequent to the date of the financial statements and for which the modified cash basis of accounting requires adjustment or disclosure have been adjusted or disclosed.

9. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.

10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with the modified cash basis of accounting.

11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.

12. All funds and activities are properly classified.

13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus,* for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.

14. All net position components and fund balance classifications have been properly reported.

15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.

17. All interfund and intra-entity transactions and balances have been properly classified and reported.

18. Special items and extraordinary items have been properly classified and reported.

19. Deposit and investment risks have been properly and fully disclosed.

20. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.

21. Nonexchange and exchange financial guarantees, either written or oral, under which it is more likely than not that a liability exists have been properly recorded, or if we are obligated in any manner, are disclosed, if any.

Supplementary Information in Relation to the Financial Statements as a Whole

With respect to the supplementary information accompanying the financial statements:

22. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the modified cash basis of accounting.
23. We believe the supplementary information, including its form and content, is measured and fairly presented in accordance with the modified cash basis of accounting.
24. The methods of measurement or presentation have not changed from those used in the prior period.

Information Provided

25. We have provided you with:
    a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
    b. Additional information that you have requested from us for the purpose of the audit; and
    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
26. All transactions have been recorded in the accounting records, and are reflected in the financial statements.
27. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
28. We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
29. We have disclosed to you all information that we are aware of regarding fraud or suspected fraud that affects the entity and involves:
    a. Management;
    b. Employees who have significant roles in internal control; or
    c. Others where the fraud could have a material effect on the financial statements
30. We have identified and disclosed to you all information that we are aware of regarding instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.
31. We have a process to track the status of audit findings and recommendations.

32. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

33. We have identified and disclosed to you all information that we are aware of regarding instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

34. We have identified and disclosed to you all information that we are aware of regarding instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

35. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.

36. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

37. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

38. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

39. We have disclosed to you all communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.

40. Shelby County has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

41. We have disclosed to you all guarantees, whether written or oral, under which Shelby County is contingently liable.

42. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

43. There are no:

    a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.

    b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.

44. Shelby County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.

45. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

46. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at

the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

47. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.

Single Audit

48. With respect to federal awards, we represent the following to you:

    a. We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

    b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.

    c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.

    d. The methods of measurement or presentation have not changed from those used in the prior period.

    e. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.

    f. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.

    g. We have notified you of federal awards and funding increments that were received before December 26, 2014 (if any), and differentiated those awards from awards and funding increments received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.

    h. When the schedule of expenditures of federal awards is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.

    i. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.

    j. We have provided to you our interpretations of any compliance requirements that are subject to varying interpretations.

    k. We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.

l. We have received no requests from a federal agency to audit one or more specific programs as a major program.

m. We have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits or program reviews, or stated that there was no such noncompliance. We also know of no instances of noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report.

n. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

o. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

p. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).

q. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

r. We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Uniform Guidance, as applicable.

s. We have charged costs to federal awards in accordance with applicable cost principles.

t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

u. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

v. The reporting package does not contain personally identifiable information.

w. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.

x. We have reviewed, approved, and taken responsibility for the financial statements and related notes and an acknowledgment of the auditor's role in the preparation of this information.

y. We have reviewed, approved, and taken responsibility for modified cash basis adjustments and an acknowledgment of the auditor's role in the preparation of the adjustments.

z. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

In addition:

aa. We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program; and we have complied with these direct and material compliance requirements.

bb. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on our federal programs. Also, no changes have been made in the internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.

cc. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form and we are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

Signed: ____________________ Signed: ____________________

Title: SHELBY COUNTY TREASURER Title: ____________________

West & Company, LLC
Certified Public Accountants

501 East Evergreen Avenue
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May 27, 2020

To the Shelby County Board
County of Shelby, Illinois

In planning and performing our audit of the financial statements of Shelby County as of and for the year ended August 31, 2019, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered Shelby County, Illinois's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

The following material weaknesses and significant deficiency are discussed in more detail in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

We consider the following deficiencies in Shelby County, Illinois's internal control to be a material weakness:

> Shelby County lacks sufficient internal controls over the preparation of financial statements in accordance with the modified cash basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Shelby County, Illinois's internal control to be significant deficiencies:

> The sheriff's office does not employ a systematic process for tracking employee hours and calculating wages and overtime.

> Proper segregation of duties does not exist in the offices of the county clerk, sheriff, and tourism.

In addition, we have noted other matters involving the internal control and its operation:

Accounting records are typically centralized, which allows for more accurate and complete financial reporting. The fee offices activity and corresponding transfers, the sheriff's special account, and airport farm account are not recorded in the central accounting records maintained by the Treasurer's office. In addition, the Treasurer's office is not aware of the details of all bank accounts within the County. We recommend that the County record all governmental activity on the central trial balances throughout the year or have the Treasurer's office compile the financial information at year end. We also recommend that the Treasurer hold a listing of all bank accounts used within the County.

Various departments handle their own payroll-related record keeping. Due to the specialized nature of payroll processing, centralizing the payroll function would typically lead to efficiencies and better compliance in payroll, human resource, and related reporting functions.

Sheriff deputies are employed under an Illinois Fraternal Order of Police (FOP) union contract. The deputies were originally working 40 hours per week. In 2015, the County's law enforcement committee and the bargaining unit of the FOP agreed to a ten hour workday, four days on, four days off rotating schedule for deputies. Due to this change, deputies began working an average of seventy hours per pay period instead of eighty, but their wages did not decrease. The contract contains language of five eight-hour workdays per week. The contract also includes a wage table for deputies that displays an hourly rate, which appears to be calculated based upon on a forty hour workweek. The sheriff's department stated that deputies receive the base pay outlined in the contract regardless of how many hours per week that they work. The Department also noted that management can adjust the required amount of hours work per week as the FOP contract states that shifts may be rotated pursuant to management needs. The Shelby County State's Attorney has not provided a legal opinion on the handling of deputies' wages in fiscal year 2019. We recommend the County obtain an opinion. In addition, we recommend any contract changes between negotiating years should be clearly formalized in writing. We noted that, in January 2020, the sheriff's department altered deputies' schedules so that they are working forty hours each week while the matter is being resolved.

The County's payroll period is a two week period from Sunday to Saturday with paychecks written on the Friday of the second week. Currently, time records must be submitted before employees finish the workweek in which they are paid. This system causes adjustments to possibly occur in future periods. To help prevent errors in recordkeeping, we recommend that the County adopt a pay schedule in arrears. We noted the board recently voted to change the pay schedule to be in arrears.

The State of Illinois, through the Grant Accountability and Transparency Act (GATA), now requires grantees to file The Consolidated Financial Year End Report. In the current year, the report was not prepared in a timely manner for review by the GATA coordinator or the external auditors. We recommend the County implement a process to accumulate the reporting information throughout the year in order assemble the report within one month after year-end.

The County prepares their financial statements on the modified cash basis of accounting, which requires the County to report their capital assets. In the current year, the County identified capital assets at year end. Through our testing, we noted two capital assets were not identified at year-end. We recommend the County implement a system to identify capital assets throughout the year in addition to reviewing the capital asset schedule at year end.

For most bank accounts maintained by the County, interest income is recorded in the general ledger in the month after interest income is posted to the County's bank account. Interest income should be recorded in the general ledger in the month interest income is posted to the County's bank account.

In various departments within the County, employees do not track their hours worked or employees' time worked is not reviewed. All employees should track their time for purposes of accurate hourly compensation and/or to document hours worked for IMRF participation.

We noted beginning fund balance had to be adjusted due to prior year journal entries not being posted or being posted in the incorrect period. All journal entries should be posted by the County in the correct period so that beginning fund balances carry forward to the following year correctly.

Receipts in the financial software are recorded using journal entries instead of a cash receipts function. We recommend that journal entries should be reserved for true adjustments. Management noted that they have not purchased the receipts module in their software.

Concerning the two rural public transit grants, most of the expenses reimbursed by the state are expenses of the operator, CEFS. However, the County expended some amounts for supplies and the salary of the Program Compliance and Oversight Manager. When the County receives rural public transit grant proceeds, they forward the entire amount to the operator. After the end of the grant period, the operator reimburses the County for the salary and supplies. We recommend that the County expenses be withheld from the payments to the operator.

We noted the indemnity fund is not budgeted. Management stated that they will budget this fund in the future.

The Township Bridge Supervisory Fund, fund 27, is presented as a private purpose trust fund in the financial statements. The County highway engineering payroll is paid from this fund. However, the County Bridge or Federal Aid matching reimburses this fund for engineering payroll costs through the budget line item "materials" or "construction of roads." The County Highway Department management believes fund 27 should be eliminated and County highway engineering payroll be paid through the County Highway fund. We recommend reviewing the purpose of the fund and eliminating it if the fund is unnecessary.

Several of the County's expense account balances appear lower than they actually are due to offsetting expenses with revenues, including vehicle expense accounts offset by insurance proceeds and County bridge expense accounts offset by receipts from townships. Revenues from outside the County should be recorded in revenue accounts. Reimbursements from outside the County should also be recorded in a revenue account unless the reimbursements are dollar-for-dollar amounts and closely match the timing of the expense. This allows for greater transparency in reporting of revenues and expenses.

The County must assess the benefits received versus the cost involved in implementing any recommendations. However, we believe that by making the above suggestions, the County will continue to improve upon the strong controls that are already in place. We will review the status of these comments during our next audit engagement.

West & Company, LLC