



SHELBY COUNTY, ILLINOIS

Annual Financial Report

Year ended August 31, 2022

(With Independent Auditors' Report Thereon)

SHELBY COUNTY, ILLINOIS

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PART I – FINANCIAL SECTION

Independent Auditors' Report

To the County Board of Trustees:
Shelby County, Illinois

Report on the Audit of the Financial Statements *Qualified and Unqualified Opinions*

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Illinois (County), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Qualified Opinion for Governmental Activities and on the General Fund

In our opinion, except for the possible effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities and on the General fund of Shelby County, Illinois, as of August 31, 2022, and the changes in modified cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 2.

Unmodified Opinions on Each Major Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the IMRF fund, ARPA Grant fund, Township Motor Fuel fund, and the aggregate remaining fund information of Shelby County, Illinois as of August 31, 2022, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unqualified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shelby County, Illinois, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matters Giving Rise to the Qualified Opinion for Governmental Activities and on the General Fund

We were unable to obtain sufficient appropriate audit evidence for capital assets and accrued compensated absences balances reported in the footnotes to the basic financial statements for the year ended August 31, 2022. The effects on these balances have not been determined.

We were unable to obtain sufficient appropriate audit evidence for the cash, revenues, expenses and fund balance accounts for the County Clerk fund, Sheriff's Office fund, Supervisor of Assessments fund, and Circuit Clerk Child Support fund, all of which are a part of the General fund. These accounts have not been included in the General fund financial statements.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining financial statements, schedule of expenditures federal awards (SEFA), which is required by the Title 2 *U.S. Code of Federal Regulations Federal Awards (Uniform Guidance)*; and the Consolidated Year-End Financial Report (CYEFR) which is required by the State of Illinois Grant Accountability and Transparency Act (GATA) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information contained in the combining financial statements, SEFA, and CYEFR 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 combining financial statements, SEFA, and CYEFR are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of changes in County net pension liability and related ratios, schedule of IMRF contributions, and schedule of expenditures of taxes extended for tort immunity purposes are the responsibility of management and are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2024, on our consideration of the County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Shelby County, Illinois’ internal control over financial reporting and compliance.

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Benford Brown & Associates, LLC

Chicago, IL

July 25, 2024

SHELBY COUNTY, ILLINOIS
Statement of Net Position - Modified Cash Basis
August 31, 2022

DRAFT	DRAFT Governmental activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 19,398,767
Total current assets	<u>19,398,767</u>
Capital assets:	
Capital assets not being depreciated	3,443,233
Capital assets, net depreciation	<u>13,450,915</u>
Total capital assets	<u>16,894,148</u>
Total assets	<u>\$ 36,292,915</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 30,526
Payroll liabilities	22,189
Note payable - current portion	<u>7,309</u>
Total current liabilities	<u>60,024</u>
Noncurrent liabilities:	
Note payable - noncurrent portion	<u>30,150</u>
Total noncurrent liabilities	<u>30,150</u>
Total liabilities	<u>90,174</u>
NET POSITION	
Net investment in capital assets	16,894,148
Restricted for:	
General control and administration	2,400,608
Public safety	2,296,591
Judiciary and legal	174,896
Public works and transportation	6,226,679
Health other than hospital	-
Health and welfare	4,085,370
Employee benefits	-
Culture and recreation	22,264
Unassigned	<u>4,139,644</u>
Total net position	<u>\$ 36,240,200</u>

See accompanying notes to the financial statements.

SHELBY COUNTY, ILLINOIS
Statement of Activities
For the year ended August 31, 2022

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Net (Expense)/
Revenues and
Changes in Net
Position

Functions/Programs	Program Revenues				Governmental
Expenses	Charges for	Operating	Capital	Primary	
Expenses	Services	Grants and	Grants and	Governmental	
Expenses	Services	Contributions	Contributions	Activities	
Primary Government					
Governmental activities:					
General control and administration	\$ 4,286,773	\$ 622,925	1,088,181	\$ 56,337	\$ (2,519,330)
Public safety	3,170,385	8,129	2,101,076	-	(1,061,180)
Judiciary and legal	523,600	-	-	-	(523,600)
Corrections	203,179	-	-	-	(203,179)
Public works and transportation	7,689,785	659,698	2,174,041	975,119	(3,880,927)
Health other than hospitals	-	-	202,675	-	202,675
Health and welfare	1,910,890	522,996	82,153	-	(1,305,741)
Culture and recreation	109,000	-	-	-	(109,000)
Interest	2,062	-	-	-	(2,062)
Total governmental activities	17,895,674	1,813,748	5,648,126	1,031,456	(9,402,344)
General Revenues					
Property taxes					4,981,253
Intergovernmental Revenue:					
Replacement taxes					447,142
State sales taxes					714,195
State income taxes					1,529,917
Other taxes					3,526,101
Unrestricted investment earnings					57,471
Miscellaneous					145,984
Total general revenues					11,402,063
Change in Net Position					1,999,719
Net Position					
Beginning of year					34,169,200
End of year					\$ 36,168,919

See accompanying notes to the financial statements.

SHELBY COUNTY, ILLINOIS
Balance Sheet - Modified Cash Basis - Governmental Funds
For the year ended August 31, 2022

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	General	IMRF	American Rescue Plan Act Grant	Township Motor Fuel Tax	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 4,158,158	1,046,724	1,605,070	4,108,096	8,480,719	\$19,398,767
Total assets	<u>4,158,158</u>	<u>1,046,724</u>	<u>1,605,070</u>	<u>4,108,096</u>	<u>8,480,719</u>	<u>19,398,767</u>
LIABILITIES						
Current liabilities:						
Accounts payable	-	27,862	-	-	2,664	30,526
Payroll liabilities	18,514	-	-	-	3,675	22,189
Total liabilities	<u>18,514</u>	<u>27,862</u>	<u>-</u>	<u>-</u>	<u>6,339</u>	<u>52,715</u>
FUND BALANCES						
Restricted for:						
General control and administration	-	1,018,862	-	-	1,381,746	2,400,608
Public safety	-	-	1,605,070	-	691,521	2,296,591
Judiciary and legal	-	-	-	-	174,896	174,896
Public works and transportation	-	-	-	4,108,096	2,118,583	6,226,679
Health other than hospital	-	-	-	-	-	-
Health and welfare	-	-	-	-	4,085,370	4,085,370
Employee benefits	-	-	-	-	-	-
Culture and recreation	-	-	-	-	22,264	22,264
Assigned	-	-	-	-	-	-
Unassigned	4,139,644	-	-	-	-	4,139,644
Total fund balances	<u>4,139,644</u>	<u>1,018,862</u>	<u>1,605,070</u>	<u>4,108,096</u>	<u>8,474,380</u>	<u>19,346,052</u>
Total liabilities and fund balances	<u>\$ 4,158,158</u>	<u>1,046,724</u>	<u>1,605,070</u>	<u>4,108,096</u>	<u>8,480,719</u>	<u>\$19,398,767</u>

See accompanying notes to the financial statements.

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SHELBY COUNTY, ILLINOIS
Reconciliation of the Balance Sheet - Modified Cash Basis - Governmental Funds
to the Statement of Net Position - Modified Cash Basis
August 31, 2022

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Total fund balances - governmental funds	\$ 19,346,052
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,894,148
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(37,459)</u>
Total net position - governmental activities	<u>\$ 36,202,741</u>

See accompanying notes to the financial statements.

SHELBY COUNTY, ILLINOIS
Statement of Revenues, Expenditures and Changes In Fund Balance - Modified Cash Basis - Governmental Funds
For the year ended August 31, 2022

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	General	IMRF	ARPA	Township Motor fuel Tax	Other Governmental Funds	DRAFT Total Governmental Funds			
REVENUES RECEIVED:									
Taxes	\$ 2,010,493	928,343	-	-	2,042,417	\$ 4,981,253	4,981,253.00	-	
Intergovernmental revenues	3,859,997	101,043	2,101,076	3,597,218	3,207,603	12,866,937	12,896,937.00	30,000.00	
Charges for services	592,662	-	-	3,446	1,217,640	1,813,748	1,813,748.00	-	
Licenses and permits	8,825	-	-	-	-	8,825		(8,825.00)	
Fines and forfeitures	462,600	-	-	-	413,606	876,206		(876,206.00)	
Interest	10,907	1,805	3,968	12,615	28,176	57,471	57,471.00	-	
Miscellaneous	105,513	-	-	-	40,471	145,984	145,984.00	-	
Total revenues received	7,050,997	1,031,191	2,105,044	3,613,279	6,949,913	20,750,424			
EXPENDITURES DISBURSED:									
General control and administration	2,862,684	909,133	-	-	514,956	4,286,773			
Public safety	2,652,645	-	469,974	-	47,766	3,170,385			
Judiciary and legal	516,414	-	-	-	7,186	523,600			
Corrections	203,179	-	-	-	-	203,179			
Public works and transportation	-	-	-	3,548,052	4,141,733	7,689,785			
Health other than hospitals	-	-	-	-	-	-			
Health and welfare	70,276	-	-	-	1,840,614	1,910,890			
Culture and recreation	30,000	-	-	-	79,000	109,000			
Debt service:									
Principal payments	-	-	-	-	6,954	6,954			
Interest expense	-	-	-	-	2,062	2,062			
Capital outlay	-	-	30,000	-	43,639	73,639			
Total expenditures	6,335,198	909,133	499,974	3,548,052	6,683,910	17,976,267	17,565,521.94	410,745.06	
Excess of revenues over expenditures	715,799	122,058	1,605,070	65,227	266,003	2,774,157	6,779,184.40	(95,274.40)	
OTHER FINANCING SOURCES/(USES):									
Transfers in	45,259	-	-	-	-	45,259			
Transfers out	-	-	-	-	(45,259)	(45,259)			
Total other financing sources/(uses)	45,259	-	-	-	(45,259)	-			
Net change in fund balance	761,058	122,058	1,605,070	65,227	220,744	2,774,157			
Fund balance, beginning of fiscal year	3,378,586	896,804	-	4,042,869	22,319	7,868,379			
Fund balance, end of fiscal year	\$ 4,139,644	1,018,862	1,605,070	4,108,096	243,063	\$ 10,618,745			

See accompanying notes to the financial statements.

SHELBY COUNTY, ILLINOIS
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis - Governmental Funds to the Statement of Activities
For the year ended August 31, 2022

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Net change in fund balance - governmental funds	\$ 2,774,157
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expenses to allocate those expenditures over the life of the assets:

Capital asset purchases	73,639
Depreciation expense	701,186

The issuance of long-term debt and related costs are shown on the fund financial statements as other financing sources/(uses) and current expenditures, but are recorded as long-term liabilities and deferred outflows of resources on the government-wide statements.

Issuance of long-term debt	-
Principle payments of note payable	6,954

Change in net position - governmental activities	\$ 3,555,936
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See accompanying notes to the financial statements.	\$ 1,556,217
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SHELBY COUNTY, ILLINOIS
Statement of Fiduciary Net Position - Modified Cash Basis
For the year ended August 31, 2022

DRAFT	DRAFT Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 5,700,967
Certificate of deposit	<u>10,000</u>
Total assets	<u>\$ 5,710,967</u>
LIABILITIES	
Accounts payable	<u>\$ 53,371</u>
Total liabilities	<u>53,371</u>
NET POSITION	
Restricted	<u>\$ 5,657,596</u>

See accompanying notes to the financial statements.

SHELBY COUNTY, ILLINOIS
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
For the year ended August 31, 2022

DRAFT	DRAFT Custodial Funds
ADDITIONS:	
Amount received as fiscal agent	\$ 902,447
Property taxes collected for other governments	37,414,545
Interest income	9,473
	<u>38,326,465</u>
Total additions	<u>38,326,465</u>
DEDUCTIONS:	
Property taxes distributed to other governments	35,635,617
Fines distributed to other governments	644,319
	<u>36,279,936</u>
Total deductions	<u>36,279,936</u>
Excess of revenues over expenditures	<u>2,046,529</u>
OTHER FINANCING SOURCES/(USES):	
Transfers in	42
Transfers out	-
	<u>42</u>
Total other financing sources/(uses)	<u>42</u>
Change in net position	<u>2,046,571</u>
Net position, beginning of the year	<u>3,611,025</u>
Net position, end of year	<u>\$ 5,657,596</u>

See accompanying notes to the financial statements.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(1) Organization

Shelby County, Illinois (County) was created on January 23, 1827 by an act of Illinois legislature. The County operates under the township form of county government. The County is governed by an elected twenty-two (22) member board and provides the following services: public safety, tax collection, highways and streets, health and social services, public improvements, planning and zoning, airport operations, corrections, public records, and general administration.

The financial statements of the County have been prepared using the modified cash basis of accounting for all of the County's activities. This modified cash basis differs from accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements is described below.

(2) Summary of Significant Accounting Policies

Reporting Entity

This report includes all the funds of Shelby County, Illinois, prepared in conformity with GAAP as applied to governmental units. The standards-setting body for establishing these principles is the Governmental Accounting Standards Board (GASB). As required by GAAP, the financial reporting entity for the County consists of the primary government, organizations for which the primary government is financially accountable, and other organizations whose exclusion would cause the financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the primary government appoints a voting majority of its governing body and can impose its will or if the organization provides specific financial benefits to or burdens on the primary government. An organization may also be considered financially accountable if it is fiscally dependent on the primary government.

Additionally, a legally separate, tax-exempt organization should be reported as a component unit if: (1) its economic resources are almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to or can access a majority of its economic resources; and (3) these resources are significant to the primary government. This report does not contain any component units, and the inclusion of potential component units was based on the significance of their operational or financial relationship with the primary government.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(2) Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position-modified cash basis and the statement of activities-modified cash basis) display information about the reporting government as a whole. These statements include all the financial activities of the County, except for the fiduciary funds. The fiduciary funds are only reported in the statement of fiduciary net position at the fund financial statement level. The governmental activities column incorporates data from governmental funds and internal service funds. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities-modified cash basis demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

The County reports the following major governmental funds:

General Fund – This fund is the County's primary operating 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 services which are administered by the Department and accounted for in the general fund include general control and administration, county development, public safety, judiciary and court related, public health, and other miscellaneous expenditures.

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

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(2) Summary of Significant Accounting Policies (continued)

Fund Financial Statements (continued)

American Rescue Plan Act Grant (ARPA) – This fund is used to fund wages and incentives.

Township Motor Fuel Fund – This fund is used to pay for the maintenance of township roads using state approved materials and contractors.

The County reports the following fiduciary funds:

Custodial Funds - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

Fund Accounting

The County uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into two (2) categories: governmental and fiduciary. Each category, in turn, is divided into separate “fund types.”

Governmental funds are used to account for all or most of the County’s general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general capital assets (capital projects funds), and the servicing of general long-term debt (debt services funds). The General Fund is used to account for all activities of the County not accounted for in some other fund.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the County. When these assets are held under the terms of a formal trust agreement, a permanent fund is used. Agency funds are generally used to account for assets that the County holds on behalf of others as their agent.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(2) Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the modified cash basis of accounting. Revenues and expenses are recorded when the related cash transaction takes place. Nonexchange transactions, in which the County gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations.

The County's basic financial statements include both the government-wide and fund financial statements. The County's general and special revenue funds are classified as governmental activities. The County does not have any enterprise or internal service funds to report. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary fund assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government.

The government-wide financial statements (i.e., the statement of net position-modified cash basis and the statement of activities-modified cash basis) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Shelby County does not have any business-type activities.

The statement of activities-modified cash basis demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(2) Summary of Significant Accounting Policies (continued)

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with the modified cash basis of accounting.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Appropriations in all budgeted funds lapse at the end of the fiscal year.

Assets, Liabilities, and Net Position or Fund Balance

Cash and Investments

The County considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The County considers deposits with financial institutions, including nonnegotiable certificates of deposit, to be nonparticipating contracts reported at cost.

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

Property Taxes

Property tax revenues are recognized when they are received on the modified cash basis of accounting. Taxes levied and uncollected are not carried as an asset of the related fund. The County must file its tax levy by the last Tuesday of December each year. The 2020 levy was approved on October 14, 2020. The 2021 levy was approved on December 9, 2021.

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 2021 became due and payable in two installments, generally in July 2022 and September 2022. Taxes levied in 2020 became due and payable in two installments, generally in July 2021 and September 2021. The owner of real property on January 1 (lien date) in any year is liable for taxes of that year. Due to timing of property tax collections, the County recognizes property tax revenue from the 2021 and 2020 in for the year ended August 31, 2022.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(2) Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Position or Fund Balance

Capital Assets

Purchased or constructed capital assets, including property, plant, equipment, and infrastructure (roads, bridges, and similar items), are reported at cost or estimated historical cost in the government-wide financial statements. The County defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life of one year or more.

Additions or improvements that significantly extend the useful life of an assets, or that significantly increase the capacity of an asset are capitalized. Expenditures for equipment, vehicles, real property acquisitions, improvements, and infrastructure are recorded as capital outlay. Donated assets are recorded at their acquisition value at the date of donation. Maintenance and repairs of a routine nature are charged to expenses/expenditures as incurred and are not capitalized.

Capital assets are depreciated using the straight-line method over the estimated useful lives:

Building and improvements	10-50 years
Land improvements	15 years
Equipment and vehicles	3-10 years
Infrastructure	20-50 years
Law enforcement canine	8 years
Orthoimagery	5 years

Capital assets not being depreciated include land and construction in progress.

Compensated Absences

Due to the fact that this area was not audited, the balances from the previous year have been carried forward. The County was not able to calculate the balances for FY2022.

Vacation - The County's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for vacation benefits includes salary-related benefits, where applicable. At August 31, 2022, the total amount of unused vacation time for services performed was \$134,898.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(2) Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Position or Fund Balance (continued)

Sick Leave - The County's policy permits employees to accumulate earned but unused sick benefits, which are eligible for payment upon separation from government service. The liability for sick benefits includes salary-related benefits, where applicable. At August 31, 2022, the total amount of unused sick time for services performed was \$571,322.

Compensated Absences (continued)

Comp Time - The County's policy permits employees to accumulate earned but unused comp time benefits, which are eligible for payment upon separation from government service. The liability for compensated absences includes salary-related benefits, where applicable. At August 31, 2022, the total amount of unused comp time for services performed was \$90,185.

These amounts are not reported as liabilities in the financial statements because the County reports on the modified cash basis of accounting.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the County's policy to use externally restricted resources first.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(2) Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Position or Fund Balance (continued)

Fund Balances

Effective January 1, 2011, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. In addition, GASB 54 modified certain fund type definitions and provided guidance for classifications of stabilization amounts on the face of the balance sheet.

In the fund financial statements, governmental funds report aggregate amounts for five (5) classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the County Board – the County’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the County Board removes the specified use by taking the same type of action that imposed the original commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance - This classification reflects the amounts constrained by the County’s “intent” to be used for specific purposes, but the amounts are neither restricted nor committed. The County Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(2) Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Position or Fund Balance (continued)

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the County's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Use of Estimates

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(3) Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

The following individual functional areas incurred expenditures in excess of appropriations:

Fund	Deficit
General	\$ 154
Mental Health	1,482
Sheriff's Office	241,414
Geographic Information Systems (GIS)	13,046
Capital Improvement	30,000
Coroner Special	\$ 17,773

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(4) Cash and Investments

Types of Accounts and Securities

The County's investment policies conform to Illinois State Statutes which authorize the County to invest in obligations such as government securities, money market mutual funds with portfolios limited to securities guaranteed by the United States, collateralized certificates of deposits issued by FDIC insured financial institutions and the Illinois Funds.

It is the policy of the County to invest public funds in a manner whereby its investment objectives are prioritized in the following order: safety of principle, liquidity, and rate of return. The County also seeks to maintain diversification of investments to avoid overconcentration of any one specific issuer or business sector. To mitigate interest risk, the County tries to structure the investment portfolio to meet daily cash flow needs so as to avoid needing to sell securities on the open market. The County seeks to attain market rates of return consistent with constraints imposed by safety and cash flow needs. The County invests to conform to all state and local statutes governing the investments of public funds. More detail is available in the County's investment policy.

Pooling of Cash and Investments

Except for cash and investments in certain restricted and special accounts, the County pools the cash of various funds to maximize interest earnings. Interest income is allocated to the various funds based upon their respective participation.

County Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County has a deposit policy for custodial credit risk. As of August 31, 2022, the County's bank balance was \$25,070,611 and the entire balance was insured and collateralized with securities in the County's name.

Investment Risk - Fiduciary Funds

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. In accordance with the funds' investment policies, the funds limit their exposure to interest rate risk by structuring their portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities. In addition, the funds diversify their investments to minimize the risk of loss resulting from over concentrations of assets in specific maturity, specific issuer, or specific class of securities.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(4) Cash and Investments (continued)

Types of Accounts and Securities (continued)

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The funds' help limit their exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The funds' investment policies establish criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the funds' will not be able to recover the value of their investments or collateral securities in the possession of an outside party. In accordance with the funds' investment policies, the funds limit their exposure to custodial credit risk by utilizing an independent third-party institution, selected by the funds, to act as custodian for its securities and collateral.

(5) Capital Assets

Governmental activities capital asset balances and activity for the year ended August 31, 2022, were as follows:

	Balance September 1, 2021	Increases	Decreases	Balance August 31, 2022
Capital assets, not being depreciated:				
Land	\$ 3,414,046	-	-	\$ 3,414,046
Construction in progress	29,187	-	-	29,187
Total capital assets, not being depreciated	<u>3,443,233</u>	<u>-</u>	<u>-</u>	<u>3,443,233</u>
Capital assets, being depreciated:				
Buildings and improvements	7,667,004	59,339	-	7,726,343
Equipment	3,093,332	177,111	-	3,270,443
Vehicles	2,215,470	70,408	-	2,285,878
Infrastructure	11,920,918	-	-	11,920,918
Total capital assets, being depreciated	<u>24,896,724</u>	<u>306,858</u>	<u>-</u>	<u>25,203,582</u>

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(5) Capital Assets (continued)

Accumulated depreciation:

Buildings and improvements	(3,145,048)	(204,501)	-	(3,349,549)
Equipment	(2,677,221)	(135,443)	-	(2,812,664)
Vehicles	(1,857,538)	(132,894)	-	(1,990,432)
Infrastructure	<u>(3,371,673)</u>	<u>(228,348)</u>	<u>-</u>	<u>(3,600,021)</u>
Total accumulated depreciation	<u>(11,051,480)</u>	<u>(701,186)</u>	<u>-</u>	<u>(11,752,666)</u>
Total capital assets, being depreciated, net	<u>13,845,244</u>	<u>(394,329)</u>	<u>-</u>	<u>13,450,915</u>
Governmental activities - capital assets, net	<u>\$ 17,288,477</u>	<u>(394,329)</u>	<u>-</u>	<u>\$ 16,894,148</u>

Depreciation expense was charged to functions/program as follows:

Governmental activities:

General government	\$ 441,592
Public safety	1,093,602
Public works	1,190,444
Building	-
Health and welfare	323,797
Economic/urban redevelopment	<u>269,511</u>

Total \$ 3,318,946

Business-type activities:

Water and sewer system	<u>\$ 221,671</u>
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SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(6) Interfund Receivables, Payables, and Transfers

The composition of interfund transfers as of August 31, 2022 is as follows:

Fund	Transfers in	Transfers out
Major funds:		
General fund	\$ 446,145	\$ -
Township Motor Fuel Tax	-	8,494
Nonmajor funds	<u>1,055,461</u>	<u>1,493,112</u>
Total all funds	<u>\$ 1,501,606</u>	<u>\$ 1,501,606</u>

(7) Due to Other Governmental Units

Due to Other Governmental Units shown in the Primary Government column in the Statement of Net Position-Modified Cash Basis and in the general fund column of the Statement of Assets, Liabilities and Fund Balance - Modified Cash Basis was \$49,598 for the fiscal year ended August 31, 2022. This balance represents fines and fees collected by the County Circuit Clerk's Office that are assessed by the court on individuals, and remitted to applicable external government units in the subsequent month.

(8) Long-Term Debt

Notes Payable – During fiscal year 2020, the County issued a note payable of \$60,161 to be used for the purchase of a John Deere Utility tractor with an interest rate of 5%. The loan repayments began in fiscal year 2020 with monthly payments, and the final payment scheduled to be paid in April 2027. Payments are made from the Airport Fund.

Long-term debt consisted of the following at August 31, 2022:

	Balance August 31, 2021	Additions	Deletions	Balance August 31, 2022
Note payable	\$ 44,413	-	6,954	\$ 37,459
Total governmental activities	<u>\$ 44,413</u>	<u>-</u>	<u>6,954</u>	<u>\$ 37,459</u>

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(8) Long-Term Debt

Long-term debt activity for the year ended August 31, 2022 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 7,309	\$ 1,707
2024	7,683	1,333
2025	8,076	940
2026	8,490	527
2027	5,901	111
Thereafter	-	-
	<u>\$ 37,459</u>	<u>\$ 4,618</u>

The County is subject to a debt limitation of 5.75% of its assessed valuation of \$461,378,687. As of August 31, 2022, the County had \$26,529,275 remaining legal debt margin.

(9) Leasehold Obligations

The County leases various software under operating lease agreements which expire in 2025. Total lease expense paid for August 31, 2022 was \$151,731. The following is a schedule of future minimum lease payments under operating leases at August 31, 2022:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 7,309	\$ 1,707
2024	7,683	1,333
2025	8,076	940
2026	8,490	527
2027	5,901	111
Thereafter	-	-
	<u>\$ 37,459</u>	<u>\$ 4,618</u>

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(10) Pension And Retirement Plan Commitments

Illinois Municipal Retirement Fund (IMRF)

Due to the County preparing its financial statements on the modified cash basis of accounting, pension liabilities and deferred inflows and outflows referred to throughout the note disclosure are not recognized in the actual financial statements.

Plan Description

The County's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The County's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent multi- employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Annual Comprehensive Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Plan Benefits

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three (3) IMRF benefit plans have two (2) tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight (8) years of qualifying service credit. Tier 1 employees who retire at age fifty-five (55) (at reduced benefits) or after age sixty (60) (at full benefits) with eight (8) years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first fifteen (15) years of service credit, plus 2% for each year of service credit after fifteen (15) years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive forty-eight (48) months within the last ten (10) years of service, divided by forty-eight (48). Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(10) Pension And Retirement Plan Commitments (continued)

Illinois Municipal Retirement Fund (IMRF) (continued)

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age sixty-two (62) (at reduced benefits) or after age sixty-seven (67) (at full benefits) with ten (10) years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first fifteen (15) years of service credit, plus 2% for each year of service credit after fifteen (15) years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any ninety-six (96) consecutive months within the last ten (10) years of service, divided by ninety-six (96). Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age sixty-seven (67), by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by the Benefit Terms

At December 31, 2021, the valuation date, the following employees were covered by the benefit terms:

Membership	RP	SLEP	ECO
Retirees and beneficiaries currently receiving benefits	89	20	9
Inactive plan member entitled to but not yet receiving benefits	53	10	-
Active employees	66	8	-
Total	208	38	9

Contributions

As set by statute, the County's RP members are required to contribute 4.5% 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 County's annual contribution rate for calendar year 2021 was 11.39%. For the fiscal year ended August 31, 2022, the County contributed \$380,893 to the plan. 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(10) Pension And Retirement Plan Commitments (continued)

Illinois Municipal Retirement Fund (IMRF) (continued)

As set by statute, the County's SLEP members are required to contribute 7.5% 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 County's annual contribution rate for calendar year 2021 was 20.92%. For the fiscal year ended August 31, 2022, the employer contributed \$156,447 to the plan. 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

As set by statute, the County's ECO members are required to contribute 7.5% 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 County's annual contribution rate for calendar year 2021 was 0%. For the fiscal year ended August 31, 2022, the employer contributed \$440,319 to the plan. 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The County's Net Pension Liability was measured as of December 31, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions – The following are the methods and assumptions used to determine total pension liability at December 31, 2021:

Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation:	3.25%
Price Inflation:	2.50%
Salary Increases:	2.85% to 13.75%
Investment Rate of Return:	7.25% (IMRF)
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017-2019.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(10) Pension And Retirement Plan Commitments (continued)

Illinois Municipal Retirement Fund (IMRF) (continued)

Mortality: Mortality For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

There were no benefit changes during the year.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2021:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic equity	39%	1.90%
International equity	15%	3.15%
Fixed income	25%	-0.60%
Real estate	10%	3.30%
Alternative investments	10%	1.70-5.50 %
Cash equivalents	1%	-0.90%
Total	<u>100%</u>	

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(10) Pension And Retirement Plan Commitments (continued)

Illinois Municipal Retirement Fund (IMRF) (continued)

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and,
2. the tax-exempt municipal bond rate based on an index of twenty (20) year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 1.84%, and the resulting single discount rate is 7.25%.

<u>RP</u>	Increase/(decrease)		
	Total pension liability (A)	Plan fiduciary net position (B)	Net pension liability(asset) (A) - (B)
Balances at January 1, 2021	\$ 21,779,301	\$ 22,685,129	\$ (905,828)
Changes for the year:			
Service cost	291,485	-	291,485
Interest on the total pension liability	1,545,908	-	1,545,908
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	109,512	-	109,512
Changes of assumptions	-	-	-
Contributions - employer	-	380,893	(380,893)
Contributions - employees	-	150,471	(150,471)
Net investment income	-	3,852,007	(3,852,007)
Benefit payments, including refunds of employee contributions	(1,204,346)	(1,204,346)	-
Other (net transfer)	-	(137,841)	137,841
Net changes	<u>742,559</u>	<u>3,041,184</u>	<u>(2,298,625)</u>
Balances at December 31, 2021	<u>\$ 22,521,860</u>	<u>\$ 25,726,313</u>	<u>\$ (3,204,453)</u>

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(10) Pension And Retirement Plan Commitments (continued)

Illinois Municipal Retirement Fund (IMRF) (continued)

<u>SLEP</u>	Increase/(decrease)		
	Total pension liability (A)	Plan fiduciary net position (B)	Net pension liability(asset) (A) - (B)
Balances at January 1, 2021	\$ 5,979,301	\$ 6,301,947	\$ (322,646)
Changes for the year:			
Service cost	105,376	-	105,376.00
Interest on the total pension liability	423,666	-	423,666
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	163,261	-	163,261
Changes of assumptions	-	-	-
Contributions - employer	-	156,447	(156,447.00)
Contributions - employees	-	56,090	(56,090.00)
Net investment income	-	1,118,923	(1,118,923)
Benefit payments, including refunds of employee contributions	(376,653)	(376,653)	-
Other (net transfer)	-	27,080	(27,080)
Net changes	<u>315,650</u>	<u>981,887</u>	<u>(666,237)</u>
Balances at December 31, 2021	<u>\$ 6,294,951</u>	<u>\$ 7,283,834</u>	<u>\$ (988,883)</u>
 <u>ECO</u>			
	Total pension liability (A)	Plan fiduciary net position (B)	Net pension liability(asset) (A) - (B)
Balances at January 1, 2021	\$ 4,451,379	\$ 3,742,673	\$ 708,706
Changes for the year:			
Service cost	-	-	-
Interest on the total pension liability	310,812	-	310,812.00
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	(837,246)	-	(837,246)
Changes of assumptions	-	-	-
Contributions - employer	-	440,319	(440,319.00)
Contributions - employees	-	-	-
Net investment income	-	630,010	(630,010)
Benefit payments, including refunds of employee contributions	(328,642)	(328,642)	-
Other (net transfer)	-	(470,237)	470,237
Net changes	<u>(855,076)</u>	<u>271,450</u>	<u>(1,126,526)</u>
Balances at December 31, 2021	<u>\$ 3,596,303</u>	<u>\$ 4,014,123</u>	<u>\$ (417,820)</u>

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(10) Pension And Retirement Plan Commitments (continued)

Illinois Municipal Retirement Fund (IMRF) (continued)

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate - The following presents the plan’s net pension liability, calculated using the single discount rate for each plan, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

	1% decrease (6.25%)	Current discount rate (7.25%)	1% increase (8.25%)
<u>RP</u>			
Net pension liability/(asset)	\$ (664,550)	\$ (3,204,453)	\$ (5,231,931)
	1% decrease (4.15%)	Current discount rate (5.15%)	1% increase (6.15%)
<u>SLEP</u>			
Net pension liability/(asset)	\$ (139,826)	\$ (988,883)	\$ (1,674,018)

(10) Pension And Retirement Plan Commitments (continued)

Illinois Municipal Retirement Fund (IMRF) (continued)

	1% decrease (5.75%)	Current discount rate (6.75%)	1% increase (7.75%)
<u>ECO</u>			
Net pension liability/(asset)	\$ (88,443)	\$ (417,820)	\$ (700,315)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – For year ended August 31, 2022, the County recognized pension expense/(income) of \$380,893 for the RP, \$156,447 for the SLEP, and \$440,319 for the ECO. At August 31, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(10) Pension And Retirement Plan Commitments (continued)

Illinois Municipal Retirement Fund (IMRF) (continued)

<u>RP</u>	Deferred outflows of resources	Deferred inflows of resources
Deferred amounts to be recognized in pension expense in future periods:		
Differences between expected and actual experience	\$ 143,363	\$ 44,833
Changes of assumptions	-	46,659
Net difference between projected and actual earnings on pension plan investments	491,148	3,526,626
Total deferred amounts to be recognized in pension expense in future periods	634,511	3,618,118
Pension contributions made subsequent to the measurement date	-	-
Total deferred amounts related to pensions	\$ 634,511	\$ 3,618,118
 <u>SLEP</u>	Deferred outflows of resources	Deferred inflows of resources
Deferred amounts to be recognized in pension expense in future periods:		
Differences between expected and actual experience	\$ 281,120	\$ 71,474
Changes of assumptions	31,843	48,357
Net difference between projected and actual earnings on pension plan investments	140,721	995,494
Total deferred amounts to be recognized in pension expense in future periods	453,684	1,115,325
Pension contributions made subsequent to the measurement date	-	-
Total deferred amounts related to pensions	\$ 453,684	\$ 1,115,325

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(10) Pension And Retirement Plan Commitments (continued)

Illinois Municipal Retirement Fund (IMRF) (continued)

<u>ECO</u>	Deferred outflows of resources	Deferred inflows of resources
Deferred amounts to be recognized in pension expense in future periods:		
Net difference between projected and actual earnings on pension plan investments	\$ 3,204,081	\$ (2,799,501)
Total deferred amounts to be recognized in pension expense in future periods	3,204,081	(2,799,501)
Pension contributions made subsequent to the measurement date	-	-
Total deferred amounts related to pensions	\$ 3,204,081	\$ (2,799,501)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year ending August 31	RP Net deferred outflows/ (inflows) of resources	SLEP Net deferred outflows/ (inflows) of resources	ECO Net deferred outflows/ (inflows) of resources
2022	\$ (675,161)	\$ (109,487)	\$ (132,421)
2023	(1,128,083)	(282,002)	(209,714)
2024	(733,016)	(163,294)	(134,738)
2025	(447,347)	(106,838)	(74,332)
Totals	\$ (2,983,607)	\$ (661,621)	\$ (551,205)

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(10) Pension And Retirement Plan Commitments (continued)

Illinois Municipal Retirement Fund (IMRF) (continued)

Aggregate Pension Amounts

At August 31, 2021, the County reported the following from all pension plans:

	<u>RP</u>	<u>SLEP</u>	<u>ECO</u>	<u>Totals</u>
Net pension liability/(asset)	\$ (3,204,453)	(988,883)	(417,820)	\$ (4,611,156)
Deferred outflows of resources	634,511	453,684	3,204,081	4,292,276
Deferred inflows of resources	3,618,118	1,115,325	(2,799,501)	1,933,942
Pension expense/(income)	\$ 380,893	156,447	440,319	\$ 977,659

Social Security

Employees not qualifying for coverage under the Illinois Municipal Retirement Fund are considered "non-participating employees." These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security. The County paid \$342,281, the total required employer contribution for the current year.

(11) Other Postemployment Benefits

The County has evaluated its potential other postemployment benefits liability. The County provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with Illinois statutes, which creates an implicit subsidy of retiree health insurance. Former employees who choose to retain their rights to health insurance through the County are required to pay 100% of the current premium. However, only one former employee has chosen to stay in the County's current health insurance plan. Therefore, there has been low utilization and, therefore, an immaterial implicit subsidy to calculate in accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Additionally, the County has no former employees for whom the County was providing an explicit subsidy and no employees with agreements for future explicit subsidies upon retirement. Therefore, the County has not recorded any postemployment benefit liability as of August 31, 2022.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(12) CEFS Agreement

Shelby County is the grant recipient of a Rural Transportation Program Section 18 Operating Assistance Grant. The grant represents federal funding from the Urban Mass Transportation Administration and is passed through the Illinois Department of Transportation to the County. There is a third party agreement between Shelby County and five (5) other participating counties - Clay, Montgomery, Fayette, Moultrie, and Christian.

The Section 18 Operating Grant allows Fayette, Clay, Shelby, Montgomery, Moultrie, and Christian counties to provide, via CEFS Economic Opportunity Corporation (a service provider), rural public transportation service.

The Section 18 Operating Grant proceeds and related purchased transportation service expenditures are accounted for in the Rural Transportation special revenue fund.

(13) Risk Management Activities

The County is exposed to various risks of loss including but not limited to, general liability, property casualty, auto liability, workers' compensation, and public official liability. To limit exposure to these risks the County purchased commercial insurance for all coverages except for workers' compensation.

The County participates in The Illinois Public Risk Fund (IPRF), Illinois' largest self-insured pool, for workers' compensation coverage. The County has pooled their workers' compensation exposures with over 500 public entities and governmental agencies. Members of the pool must be public entities or governmental agencies located within the State of Illinois, are required to participate in a loss prevention and claims management program, and must have favorable loss experience and be approved by the Board of Trustees of the Fund. A Board of Trustees elected by Fund participants oversees the operation of the Fund and governs it in accordance with State of Illinois rules and guidelines. Eighty percent of each IPRF premium dollar is added to the loss fund while 20% is allocated to the purchase of excess insurance and administration costs. All investment earnings accrue to the fund. Profits are based on the underwriting surplus realized by the group and members share in the surplus based upon individual and overall member claims experience. During the year ended August 31, 2022, there were no significant reductions in coverage. So, there have been no settlements which have exceeded insurance coverage in the past three (3) years.

For risks of loss related to injuries to employees, the County purchases coverage through the Counties of Illinois Risk Management Agencies. 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.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(14) Claims and Judgments

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal governmental. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. The County has adopted a general policy of non-settlement and vigorous defense for substantially all of these cases. Some of these cases are expected to come to trial in the next calendar year and be resolved within the amounts budgeted for liability payments.

(15) Accounting Pronouncements Issued But Not Yet Adopted

The following is a description of the GASB authoritative pronouncements which have been issued but have yet adopted by the County.

GASB Statement No. 87, *Leases*, is effective for the County beginning with its fiscal year ending August 31, 2023. This statement requires recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract.

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for the County beginning with its fiscal year ending August 31, 2023. The Statement clarifies the existing definition of a conduit debt obligation, establishes that a conduit debt obligation is not a liability of the issuer, and establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations. The Statement also requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognized liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(15) Accounting Pronouncements Issued But Not Yet Adopted (continued)

GASB Statement No. 92, *Omnibus 2020*, is effective for the County beginning with its fiscal year ended August 31, 2023. The Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements including: 1) the effective date of Statement 87 and Implementation Guide 2019-3 for interim financial reports; 2) reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan; 3) the applicability of Statement 73 and Statement 74 to reporting assets accumulated for postemployment benefits; 4) the applicability of certain requirements of Statement 84 to postemployment benefit arrangements; 5) measurement of liabilities related to asset retirement obligations in a government acquisition; 6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; 7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and 8) terminology used to refer to derivative instruments.

GASB Statement No. 93 *Replacement of Interbank Offered Rates* is effective for the County beginning with its year ended August 31, 2023. This Statement establishes how the County will report the change of any of its variable payment debt that are tied to the London Interbank Offered Rate (LIBOR) when the LIBOR standard is no longer used after December 31, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, is effective for the County beginning with its fiscal year ending August 31, 2024. This Statement provides the following financial and accounting requirements for public-private and public-public partnerships (PPPs): a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP; a government to account for PPP and non-PPP components of a PPP as separate accounts; an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. This Statement also provides financial and reporting guidelines for availability payment arrangements (APAs). It requires that a government engaged in an APA with multiple components to recognize each component as a separate arrangement.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for the County beginning with its fiscal year ending August 31, 2024. This Statement requires the disclosure of descriptive information about subscription-based information technology arrangements (SBITAs) other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(15) Accounting Pronouncements Issued But Not Yet Adopted (continued)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, is effective for the County beginning with its fiscal year ending August 31, 2023. This Statement requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

GASB Statement No. 99, *Omnibus 2022*, addresses several topics, including:

- The classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument. (Effective for the year ending August 31, 2024)
- Clarification of provisions in Statement No. 87, *Leases*, related to determination of least term, short-term lease classification, recognition and measurement of a lease liability and lease asset, and identification of lease incentives. (Effective for the year ending August 31, 2024)
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to determination of partnership term and recognition and measurement of installment payments and the transfer of underlying assets. (Effective for the year ending August 31, 2024).
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to subscription-based information technology arrangement (SBITA) term, short-term SBITA classifications and recognition and measurement of a subscription liability. (Effective for the year ending December 31, 2023).
- Extension of the period during which London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the evaluation of effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt. (Effective upon issuance of the Statement).
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP). (Effective upon issuance of the Statement).
- Disclosures related to nonmonetary transaction. (Effective upon issuance of the Statement).
- Pledges of future revenues when resources are not received by the pledging government. (Effective upon issuance of the Statement).

SHELBY COUNTY, ILLINOIS

Notes to Financial Statements

August 31, 2022

(15) Accounting Pronouncements Issued But Not Yet Adopted (continued)

- Clarification related to the focus of the government-wide financial statements. (Effective upon issuance of the Statement).
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. (Effective upon issuance of the Statement).
- Terminology used in Statement No. 53 to refer to resource flows statement. (Effective upon issuance of the Statement).

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, is effective for the County for the year ending December 31, 2024. The Statement requires that a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, b) change to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Statement also requires note disclosures and addresses how information affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information.

GASB Statement No. 101, *Compensated Absences*, is effective for the County for the year ending August 31, 2025. The Statement is to update the recognition and measurement guidance for compensated absences.

Management has not determined what impact, if any, these GASB statements may have on its financial statements. Implementation of GASB No. 87 is expected to have a material impact on the financial statements of the County.

(15) Commitments

The County regularly enters into contractual agreements for construction, construction-related projects and capital assets. The County has several such agreements in place that contain commitments of approximately \$1,456,789 beyond August 31, 2022.

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PART II – OTHER INFORMATION

SHELBY COUNTY, ILLINOIS
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios
Illinois Municipal Retirement Fund
Last Ten Calendar Years
(schedule to be built prospectively from 2014)

IMRF Regular Plan	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Calendar year ending December 31											
Total pension liability:											
Service cost	\$ 291,485	333,155	326,614	322,795	343,404	369,697	346,362	375,636	-	-	\$ -
Interest on total pension liability	1,545,908	1,495,851	1,464,330	1,410,032	1,415,193	1,357,496	1,269,826	1,176,572	-	-	-
Changes of benefit changes	-	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience of the total pension liability	109,512	156,846	(239,026)	139,995	(312,381)	(100,500)	276,869	(172,147)	-	-	-
Changes of assumption	-	(107,873)	-	561,047	(553,800)	(46,565)	22,760	576,116	-	-	-
Benefit payments, including refunds of employee contributions	(1,204,346)	(1,129,055)	(1,111,767)	(965,340)	(936,520)	(755,652)	(709,855)	(641,236)	-	-	-
Net change in total pension liability	742,559	748,924	440,151	1,468,529	(44,104)	824,476	1,205,962	1,314,941	-	-	-
Total pension liability, beginning	21,779,301	21,030,377	20,590,226	19,121,697	19,165,801	18,341,325	17,135,363	15,820,422	-	-	-
Total pension liability, ending (a)	22,521,860	21,779,301	21,030,377	20,590,226	19,121,697	19,165,801	18,341,325	17,135,363	-	-	-
Plan fiduciary net position:											
Contributions - employer	380,893	356,777	302,361	386,333	377,825	397,804	414,553	394,542	-	-	-
Contributions - employees	150,471	151,346	153,482	155,876	148,518	152,753	151,233	158,319	-	-	-
Net investment income	3,852,007	2,920,317	3,399,373	(1,050,092)	2,918,857	1,061,012	78,964	905,450	-	-	-
Benefit payments, including refunds of employee contributions	(1,204,346)	(1,129,055)	(1,111,767)	(965,340)	(936,520)	(755,652)	(709,855)	(641,236)	-	-	-
Other (net transfers)	(137,841)	32,846	(67,032)	392,540	(387,613)	165,125	(184,634)	160,084	-	-	-
Net change in plan fiduciary net position	3,041,184	2,332,231	2,676,417	(1,080,683)	2,121,067	1,021,042	(249,739)	977,159	-	-	-
Plan net position, beginning	22,685,129	20,352,898	17,676,481	18,757,164	16,636,097	15,615,055	15,864,794	14,887,635	-	-	-
Plan net position, ending (b)	25,726,313	22,685,129	20,352,898	17,676,481	18,757,164	16,636,097	15,615,055	15,864,794	-	-	-
Net pension liability (asset) - Ending (a) - (b)	\$ (3,041,184)	(2,332,231)	(2,676,417)	1,080,683	(2,121,067)	(1,021,042)	249,739	(977,159)	-	-	\$ -
Plan fiduciary net position as a percentage of the total pension liability											
	114.23%	104.16%	96.78%	85.85%	98.09%	86.80%	85.14%	92.59%	#DIV/0!	#DIV/0!	#DIV/0!
Covered valuation payroll	\$ 3,343,777	\$ 3,196,923	\$ 3,210,706	\$ 3,257,515	\$ 3,210,590	\$ 3,257,260	\$ 3,356,791	\$ 3,061,225	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered valuation payroll	-95.83 %	-28.33%	21.10 %	89.45 %	11.35 %	77.66 %	81.22 %	41.51 %			

SHELBY COUNTY, ILLINOIS
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios
Illinois Municipal Retirement Fund
Last Ten Calendar Years
(schedule to be built prospectively from 2014)

IMRF SLEP Plan	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Calendar year ending December 31:											
Total pension liability:											
Service cost	\$ 105,376	128,649	136,659	122,157	128,862	128,451	111,643	128,976	-	-	\$ -
Interest on total pension liability	423,666	396,513	390,359	369,168	343,358	331,120	293,662	272,090	-	-	-
Changes of benefit changes	-	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience of the total pension liability	163,261	268,047	(190,535)	26,616	142,494	(120,449)	240,639	(21,213)	-	-	-
Changes of assumption	-	(87,856)	-	172,099	(50,973)	-	-	67,159	-	-	-
Benefit payments, including refunds of employee contributions	(376,653)	(261,747)	(233,434)	(237,108)	(195,406)	(156,897)	(152,922)	(148,511)	-	-	-
Net change in total pension liability	315,650	443,606	103,049	452,932	368,335	182,225	493,022	298,501	-	-	-
Total pension liability, beginning	5,979,301	5,535,695	5,432,646	4,979,714	4,611,379	4,429,154	3,936,132	3,637,631	-	-	-
Total pension liability, ending (a)	6,294,951	5,979,301	5,535,695	5,432,646	4,979,714	4,611,379	4,429,154	3,936,132	-	-	-
Plan fiduciary net position:											
Contributions - employer	156,447	103,912	83,939	88,037	107,634	81,277	90,067	92,845	-	-	-
Contributions - employees	56,090	52,694	55,030	55,346	55,084	53,472	53,488	54,487	-	-	-
Net investment income	1,118,923	778,999	929,750	(321,027)	760,722	287,234	20,786	238,249	-	-	-
Benefit payments, including refunds of employee contributions	(376,653)	(261,747)	(233,434)	(237,108)	(195,406)	(156,897)	(152,922)	(148,511)	-	-	-
Other (net transfers)	27,080	73,889	(68,870)	109,054	(54,449)	58,212	(76,619)	18,413	-	-	-
Net change in plan fiduciary net position	981,887	747,747	766,415	(305,698)	673,585	323,298	(65,200)	255,483	-	-	-
Plan net position, beginning	6,301,947	5,554,200	4,787,785	5,093,483	4,419,898	4,096,600	4,161,800	3,906,317	-	-	-
Plan net position, ending (b)	7,283,834	6,301,947	5,554,200	4,787,785	5,093,483	4,419,898	4,096,600	4,161,800	-	-	-
Net pension liability (asset) - Ending (a) - (b)	\$ (988,883)	(322,646)	(18,505)	644,861	(113,769)	191,481	332,554	(225,668)	-	-	\$ -
Plan fiduciary net position as a percentage of the total pension liability											
Covered valuation payroll	115.71 %	105.40 %	100.33 %	88.13 %	102.28 %	95.85 %	92.49 %	105.73 %	0.00 %	0.00 %	0.00 %
Net pension liability as a percentage of covered valuation payroll	-132.23%	-45.92%	-2.52%	87.39%	-15.49%	26.86%	46.89%	-37.09%	0.00%	0.00%	0.00%

SHELBY COUNTY, ILLINOIS
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios
Illinois Municipal Retirement Fund
Last Ten Calendar Years
(schedule to be built prospectively from 2014)

IMRF ECO Plan	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Calendar year ending December 31:											
Total pension liability:											
Interest on total pension liability	\$ 310,812	314,750	316,865	322,746	337,355	331,890	330,713	316,944	-	-	\$ -
Changes of benefit changes	-	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual	(837,246)	59,354	93,729	119,061	105,475	100,781	104,007	105,427	-	-	-
Changes of assumption	-	(59,236)	-	91,958	(179,131)	(186,226)	(45,085)	293,239	-	-	-
Benefit payments, including refunds of employee contributions	(328,642)	(409,726)	(469,820)	(463,164)	(453,815)	(444,906)	(435,629)	(420,352)	-	-	-
Net change in total pension liability	(855,076)	(94,858)	(59,226)	70,601	(190,116)	(198,461)	(45,994)	295,258	-	-	-
Total pension liability, beginning	4,451,379	4,546,237	4,605,463	4,534,862	4,724,978	4,923,439	4,969,433	4,674,175	-	-	-
Total pension liability, ending (a)	3,596,303	4,451,379	4,546,237	4,605,463	4,534,862	4,724,978	4,923,439	4,969,433	-	-	-
Plan fiduciary net position:											
Contributions - employer	440,319	437,608	487,822	708,918	244,566	270,031	276,901	265,706	-	-	-
Net investment income	630,010	550,895	594,182	(167,783)	466,029	166,485	10,383	123,553	-	-	-
Benefit payments, including refunds of employee contributions	(328,642)	(409,726)	(469,820)	(463,164)	(453,815)	(444,906)	(435,629)	(420,352)	-	-	-
Other (net transfers)	(470,237)	(509,713)	91,259	198,717	(62,115)	108,352	391,238	84,275	-	-	-
Net change in plan fiduciary net position	271,450	69,064	703,443	276,688	194,665	99,962	242,893	53,182	-	-	-
Plan net position, beginning	3,742,673	3,673,609	2,970,166	2,693,478	2,498,813	2,398,851	2,155,958	2,102,776	-	-	-
Plan net position, ending (b)	\$ 4,014,123	3,742,673	3,673,609	2,970,166	2,693,478	2,498,813	2,398,851	2,155,958	-	-	\$ -
Net pension liability (asset) - Ending (a) - (b)	(417,820)	708,706	872,628	1,635,297	1,841,384	2,226,165	2,524,588	2,813,475	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	111.62 %	84.08 %	80.81 %	64.49 %	59.39 %	52.89 %	48.72 %	43.38 %	0.00 %	0.00 %	0.00 %

SHELBY COUNTY, ILLINOIS
Schedule of Employer Contributions
Illinois Municipal Retirement Fund
Last Ten Calendar Years

IMRF Regular Plan

Fiscal Year August 31	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contributions as a Percentage of Covered Valuation Payroll
2021	\$ 334,043	380,893	(46,850)	\$ 3,343,777	11.39 %
2020	356,777	356,777	-	3,196,923	11.16 %
2019	296,348	302,361	(6,013)	3,210,706	9.42 %
2018	386,341	386,333	8	3,257,515	11.86 %
2017	\$ 377,886	377,825	61	\$ 3,210,590	11.77 %

* Estimated based on 9.99% 2022 calendar year contribution rate, 11.39% 2021 calendar year contribution rate, and covered valuation payroll of \$3,343,777.

The County implemented GASB Statement No. 68 in fiscal year 2015 but County's contributions only reported for fiscal year 2020 moving forward is available.

IMRF SLEP Plan

Fiscal Year August 31	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contributions as a Percentage of Covered Valuation Payroll
2021	\$ 110,140	156,447	(46,307)	\$ 747,868	20.92 %
2020	106,914	103,912	3,002	702,593	14.79 %
2019	83,939	83,939	-	733,931	11.44 %
2018	88,037	88,037	-	737,946	11.93 %
2017	\$ 97,389	107,634	(10,245)	\$ 734,455	14.65 %

* Estimated based on 13.39% 2022 calendar year contribution rate, 20.92% 2021 calendar year contribution rate,

The County implemented GASB Statement No. 68 in fiscal year 2015 but County's contributions only reported for fiscal year 2020 moving forward is available.

SHELBY COUNTY, ILLINOIS
Schedule of Employer Contributions
Illinois Municipal Retirement Fund
Last Ten Calendar Years

IMRF ECO Plan

Fiscal Year August 31	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contributions as a Percentage of Covered Valuation Payroll
2021	\$ -	440,319	(440,319)	\$ -	0.00 %
2020	-	437,608	(437,608)	-	0.00 %
2019	-	487,822	(487,822)	-	0.00 %
2018	-	708,918	(708,918)	-	0.00 %
2017	\$ -	244,566	(244,566)	\$ -	0.00 %

* Estimated based on 15.08% 2022 calendar year contribution rate, 0% 2021 calendar year contribution rate,

The County implemented GASB Statement No. 68 in fiscal year 2015 but County's contributions only reported for fiscal year 2020 moving forward is available.

SHELBY COUNTY, ILLINOIS

Notes to Other Information

For the year ended August 31, 2022

(1) Basis of Accounting

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. The County did not budget for the Township Motor Fuel Tax Fund.

(2) Excess of Disbursements Over Appropriations

The County had the following major funds with expenditures exceeding appropriations (legally adopted) for fiscal year 2022: Community Services, Sheriff's Office, Geographic Information Systems (GIS), Capital Improvement, Coroner Special,.

Budgetary Process

Budget amounts are originally adopted by the Board of Trustees and all annual appropriations lapse at fiscal year end. The County did not amend the budget during the year ended August 31, 2022. Prior to December 31, the County Clerk submits to the County Board a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to March 31, the budget is legally enacted through passage of an ordinance. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Special Revenue Funds. The County is authorized to change budgeted amounts within any fund, however, revisions must be approved by two-thirds of the members of the County Board. No revisions can be made increasing the budget unless funding is available for the purpose of the revision. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The appropriated budget is prepared by fund, function and department. The County Clerk is authorized to transfer budget amounts between departments within any fund; however, the County Board must approve revisions that alter the total expenditures of any fund.

**PART III – COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

SHELBY COUNTY, ILLINOIS
Combining Balance Sheet - Modified Cash Basis - General Fund
August 31, 2022

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	General	Insurance	Capital Improvement	Solid Waste	County Clerk	Supervisor of Assessments	Totals
ASSETS							
Cash and cash equivalents	\$ 3,662,469	372,105	83,573	888	39,105	18	\$ 4,158,158
Total assets	<u>\$ 3,662,469</u>	<u>372,105</u>	<u>83,573</u>	<u>888</u>	<u>39,105</u>	<u>18</u>	<u>\$ 4,158,158</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Payroll and related	\$ 18,514	-	-	-	-	-	\$ 18,514
Total liabilities	<u>18,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,514</u>
Fund balances:							
Assigned	-	372,105	83,573	888	39,105	18	495,689
Unassigned	3,643,955	-	-	-	-	-	3,643,955
Total fund balances	<u>3,643,955</u>	<u>372,105</u>	<u>83,573</u>	<u>888</u>	<u>39,105</u>	<u>18</u>	<u>4,139,644</u>
Total liabilities and fund balances	<u>\$ 3,662,469</u>	<u>372,105</u>	<u>83,573</u>	<u>888</u>	<u>39,105</u>	<u>18</u>	<u>\$ 4,158,158</u>

SHELBY COUNTY, ILLINOIS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Modified Cash Basis - General Funds
For the year ended August 31, 2022

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	General	Insurance	Capital Improvement	Solid Waste	County Clerk	Supervisor of Assessments	Totals
REVENUES RECEIVED:							
Taxes	\$ 2,010,493	-	-	-	-	-	\$ 2,010,493
Intergovernmental revenues	3,859,997	-	-	-	-	-	3,859,997
Charges for services	63,931	-	30,000	-	497,328	1,403	592,662
Licenses and permits	8,825	-	-	-	-	-	8,825
Fines and forfeitures	462,600	-	-	-	-	-	462,600
Interest	10,129	579	196	3	-	-	10,907
Miscellaneous	105,513	-	-	-	-	-	105,513
Total revenues received	6,521,488	579	30,196	3	497,328	1,403	7,050,997
EXPENDITURES DISBURSED:							
General control and administration	2,384,392	(12,635)	-	-	488,867	2,060	2,862,684
Public safety	2,652,645	-	-	-	-	-	2,652,645
Judiciary and legal	516,414	-	-	-	-	-	516,414
Corrections	203,179	-	-	-	-	-	203,179
Public works and transportation	-	-	-	-	-	-	-
Health and welfare	70,276	-	-	-	-	-	70,276
Capital outlay	-	-	30,000	-	-	-	30,000
Total expenditures	5,826,906	(12,635)	30,000	-	488,867	2,060	6,335,198
Excess (deficiency) of revenues over expenditures	694,582	13,214	196	3	8,461	(657)	715,799
OTHER FINANCING SOURCES (USES):							
Transfers in	45,259	-	-	-	-	-	45,259
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	45,259	-	-	-	-	-	45,259
Net change in fund balance	739,841	13,214	196	3	8,461	(657)	761,058
Fund balance, beginning	2,904,114	358,891	83,377	885	30,644	675	3,378,586
Fund balance, ending	\$ 3,643,955	372,105	83,573	888	39,105	18	\$ 4,139,644

SHELBY COUNTY, ILLINOIS
Combining Balance Sheet
Modified Cash Basis - Nonmajor Governmental Funds - Special Revenue Funds
August 31, 2022

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	County Health	Animal Control	Ambulance	Mental Health	Social Security	Indemnity	Court Security	County Bridge	County Highway	Federal Aid Secondary Matching Fund	County Motor Fuel Tax	Probation	Fees to Assist Court	Law Library
ASSETS														
Cash and cash equivalents	\$ 2,167,829	156,925	116,202	1,648,089	283,662	142,146	118,764	211,052	297,498	376,175	1,140,219	359,836	132,943	8,173
Total assets	<u>\$ 2,167,829</u>	<u>156,925</u>	<u>116,202</u>	<u>1,648,089</u>	<u>283,662</u>	<u>142,146</u>	<u>118,764</u>	<u>211,052</u>	<u>297,498</u>	<u>376,175</u>	<u>1,140,219</u>	<u>359,836</u>	<u>132,943</u>	<u>8,173</u>
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts payable	-	-	-	-	-	-	-	-	2,403	-	-	-	-	-
Payroll liabilities	3,675	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>3,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:														
Restricted for:														
General control and administration	-	-	-	-	283,662	142,146	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	118,764	-	-	-	-	359,836	-	-
Judiciary and legal	-	-	-	-	-	-	-	-	-	-	-	-	132,943	8,173
Public works and transportation	-	-	-	-	-	-	-	211,052	295,095	376,175	1,140,219	-	-	-
Health other than hospital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	2,164,154	156,925	116,202	1,648,089	-	-	-	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>2,164,154</u>	<u>156,925</u>	<u>116,202</u>	<u>1,648,089</u>	<u>283,662</u>	<u>142,146</u>	<u>118,764</u>	<u>211,052</u>	<u>295,095</u>	<u>376,175</u>	<u>1,140,219</u>	<u>359,836</u>	<u>132,943</u>	<u>8,173</u>
Total liabilities and fund balances	<u>\$ 2,167,829</u>	<u>156,925</u>	<u>116,202</u>	<u>1,648,089</u>	<u>283,662</u>	<u>142,146</u>	<u>118,764</u>	<u>211,052</u>	<u>297,498</u>	<u>376,175</u>	<u>1,140,219</u>	<u>359,836</u>	<u>132,943</u>	<u>8,173</u>

SHELBY COUNTY, ILLINOIS
Combining Balance Sheet
Modified Cash Basis - Nonmajor Governmental Funds - Special Revenue Funds
August 31, 2022

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	Automation	Recording	Drug Traffic Prevention	Airport	CEFS	Local Bridge	Township Construction	Arrestee's/ Prisoners Medical Cost	Minor Unknow n Heirs	Public Defender Records Automation	Shop With a Cop	Probation Drug Testing	Document Storage
ASSETS													
Cash and cash equivalents	46,131	338,697	1,588	69,009	2,706	24,325	2	5,835	-	685	9,970	29,870	142,118
Total assets	46,131	338,697	1,588	69,009	2,706	24,325	2	5,835	-	685	9,970	29,870	142,118
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund balances:													
Restricted for:													
General contol and administration	46,131	338,697	-	-	-	-	-	-	-	-	-	-	142,118
Public safety	-	-	1,588	-	-	-	-	5,835	-	-	9,970	29,870	-
Judiciary and legal	-	-	-	-	-	-	-	-	-	685	-	-	-
Public works and transportation	-	-	-	69,009	2,706	24,325	2	-	-	-	-	-	-
Health other than hospital	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	46,131	338,697	1,588	69,009	2,706	24,325	2	5,835	-	685	9,970	29,870	142,118
Total liabilities and fund balances	46,131	338,697	1,588	69,009	2,706	24,325	2	5,835	-	685	9,970	29,870	142,118

SHELBY COUNTY, ILLINOIS
Combining Balance Sheet
Modified Cash Basis - Nonmajor Governmental Funds - Special Revenue Funds
August 31, 2022

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	Victim Impact Panel	States Attorney Forfeited	Rescue Squad Dive Team	DUI Equipment	Geographic Information Systems	Pet Population	EMA Special	State's Attorney Automation	Drug Court	Tax Sale Automation	Rescue Squad	Coroner Special	Sale in Error	Tourism	Totals
ASSETS															
Cash and cash equivalents	18,112	8,544	3,915	33,992	394,318	50,116	13,525	6,439	27,398	8,343	22,895	13,817	26,592	22,264	\$ 8,480,719
Total assets	18,112	8,544	3,915	33,992	394,318	50,116	13,525	6,439	27,398	8,343	22,895	13,817	26,592	22,264	\$ 8,480,719
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts payable	-	-	-	-	261	-	-	-	-	-	-	-	-	-	2,664
Payroll liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,675
Total liabilities	-	-	-	-	261	-	-	-	-	-	-	-	-	-	6,339
Fund balances:															
Restricted for:															
General control and administration	-	-	-	-	394,057	-	-	-	-	8,343	-	-	26,592	-	1,381,746
Public safety	-	-	3,915	33,992	-	50,116	13,525	-	27,398	-	22,895	13,817	-	-	691,521
Judiciary and legal	18,112	8,544	-	-	-	-	-	6,439	-	-	-	-	-	-	174,896
Public works and transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,118,583
Health other than hospital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,085,370
Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	22,264	22,264
Total fund balances	18,112	8,544	3,915	33,992	394,057	50,116	13,525	6,439	27,398	8,343	22,895	13,817	26,592	22,264	8,474,380
Total liabilities and fund balances	18,112	8,544	3,915	33,992	394,318	50,116	13,525	6,439	27,398	8,343	22,895	13,817	26,592	22,264	\$ 8,480,719

SHELBY COUNTY, ILLINOIS
Combining Statement of Revenues, Expenditures and Changes In Fund Balance
Modified Cash Basis - Nonmajor Governmental Funds - Special Revenue Funds
For the year ended August 31, 2022

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	County Health	Animal Control	Ambulance	Mental Health	Social Security	Indemnity	Court Security	County Bridge	County Highway	Federal Aid Secondary Matching Fund	County Motor Fuel Tax	Probation	Fees to Assist Court	Law Library
REVENUES RECEIVED:														
Taxes	\$ 314,452	-	37,389	618,901	326,314	-	-	158,807	327,404	205,323	-	-	-	-
Intergovernmental revenues	316,317	-	-	61,894	-	-	-	33,196	68,564	33,196	967,082	-	-	-
Charges for services	522,996	8,129	-	-	30,263	-	-	2,415	308,494	8,410	2,711	-	-	-
Fines and forfeitures	24,788	12,580	-	-	-	4,720	32,351	-	-	-	-	37,754	42,641	7,050
Interest	5,839	457	292	10,026	554	346	242	692	639	878	3,608	911	276	19
Miscellaneous	250	1,085	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues received	1,184,642	22,251	37,681	690,821	357,131	5,066	32,593	195,110	705,101	247,807	973,401	38,665	42,917	7,069
EXPENDITURES DISBURSED:														
General control and administration	-	-	-	-	342,281	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	1,120	-	-	-	-	30,073	7,827	-
Judiciary and legal	-	-	-	-	-	-	-	-	-	-	-	-	-	7,032
Public works and transportation	-	-	-	-	-	-	-	259,404	829,295	114,578	859,408	-	-	-
Health and welfare	1,120,982	727	48,150	643,482	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:														
Principal payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	1,120,982	727	48,150	643,482	342,281	-	1,120	259,404	829,295	114,578	859,408	30,073	7,827	7,032
Excess/(deficiency) of revenues over	63,660	21,524	(10,469)	47,339	14,850	5,066	31,473	(64,294)	(124,194)	133,229	113,993	8,592	35,090	37
OTHER FINANCING SOURCES/(USES):														
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources/(uses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	63,660	21,524	(10,469)	47,339	14,850	5,066	31,473	(64,294)	(124,194)	133,229	113,993	8,592	35,090	37
Fund balance, beginning	2,100,494	135,401	126,671	1,600,750	268,812	137,080	87,291	275,346	419,289	242,946	1,026,226	351,244	97,853	8,136
Fund balance, ending	\$ 2,164,154	156,925	116,202	1,648,089	283,662	142,146	118,764	211,052	295,095	376,175	1,140,219	359,836	132,943	8,173

SHELBY COUNTY, ILLINOIS
Combining Statement of Revenues, Expenditures and Changes In Fund Balance
Modified Cash Basis - Nonmajor Governmental Funds - Special Revenue Funds
For the year ended August 31, 2022

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	Automation	Recording	Drug Traffic Prevention	Airport	CEFS	Local Bridge	Township Construction	Arrestee's/ Prisoners Medical Cost	Minor Unknown Heirs	Public Defender Records Automation	Shop With a Cop	Probation Drug Testing	Document Storage
REVENUES RECEIVED:													
Taxes	-	-	-	53,827	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	66,714	1,448,782	132,943	-	-	-	-	-	-	-
Charges for services	-	-	-	117,963	-	-	216,259	-	-	-	-	-	-
Fines and forfeitures	18,466	102,283	113	-	-	-	-	1,727	-	252	-	10,327	18,521
Interest	125	746	3	56	49	207	2	11	124	1	25	63	327
Miscellaneous	-	-	-	28,174	-	-	-	-	-	-	-	-	-
Total revenues received	18,591	103,029	116	266,734	1,448,831	133,150	216,261	1,738	124	253	25	10,390	18,848
EXPENDITURES DISBURSED:													
General control and administration	23,255	38,295	-	-	-	-	-	-	-	-	-	-	3,391
Public safety	-	-	-	-	-	-	-	-	-	-	-	3,689	-
Judiciary and legal	-	-	-	-	-	-	-	-	-	-	-	-	-
Public works and transportation	-	-	-	230,235	1,462,827	169,727	216,259	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:													
Principal payment	-	-	-	6,954	-	-	-	-	-	-	-	-	-
Interest	-	-	-	2,062	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	43,639	-	-	-	-	-	-	-	-	-
Total expenditures	23,255	38,295	-	282,890	1,462,827	169,727	216,259	-	-	-	-	3,689	3,391
Excess/(deficiency) of revenues over	(4,664)	64,734	116	(16,156)	(13,996)	(36,577)	2	1,738	124	253	25	6,701	15,457
OTHER FINANCING SOURCES/(USES):													
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(45,259)	-	-	-	-
Total other financing sources/(uses)	-	-	-	-	-	-	-	-	(45,259)	-	-	-	-
Net change in fund balance	(4,664)	64,734	116	(16,156)	(13,996)	(36,577)	2	1,738	(45,135)	253	25	6,701	15,457
Fund balance, beginning	50,795	273,963	1,472	85,165	16,702	60,902	-	4,097	45,135	432	9,945	23,169	126,661
Fund balance, ending	46,131	338,697	1,588	69,009	2,706	24,325	2	5,835	-	685	9,970	29,870	142,118

SHELBY COUNTY, ILLINOIS
Combining Statement of Revenues, Expenditures and Changes In Fund Balance
Modified Cash Basis - Nonmajor Governmental Funds - Special Revenue Funds
For the year ended August 31, 2022

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	Victim Impact Panel	States Attorney Forfeited	Rescue Squad Dive Team	DUI Equipment	Geographic Information Systems	Pet Population	EMA Special	State's Attorney Automation	Drug Court	Tax Sale Automation	Rescue Squad	Coroner Special	Sale in Error	Tourism	Total
REVENUES RECEIVED:															
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,042,417
Intergovernmental revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	78,915	3,207,603
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,217,640
Fines and forfeitures	1,400	-	-	2,309	64,889	5,474	-	292	4,476	2,247	-	9,275	9,671	-	413,606
Interest	43	7	9	81	1,064	144	43	16	65	22	51	34	49	30	28,176
Miscellaneous	-	7,302	220	-	-	-	15	-	-	-	3,425	-	-	-	40,471
Total revenues received	1,443	7,309	229	2,390	65,953	5,618	58	308	4,541	2,269	3,476	9,309	9,720	78,945	6,949,913
EXPENDITURES DISBURSED:															
General contol and administration	-	-	-	-	104,646	-	-	-	-	2,500	-	-	588	-	514,956
Public safety	-	-	-	-	-	724	1,971	-	2,362	-	-	-	-	-	47,766
Judiciary and legal	154	-	-	-	-	-	-	-	-	-	-	-	-	-	7,186
Public works and transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,141,733
Health and welfare	-	-	-	-	-	-	-	-	-	-	-	27,273	-	-	1,840,614
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	79,000	79,000
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,954
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,062
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,639
Total expenditures	154	-	-	-	104,646	724	1,971	-	2,362	2,500	-	27,273	588	79,000	6,683,910
Excess/(deficiency) of revenues over	1,289	7,309	229	2,390	(38,693)	4,894	(1,913)	308	2,179	(231)	3,476	(17,964)	9,132	(55)	266,003
OTHER FINANCING SOURCES/(USES):															
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(45,259)
Total other financing sources/(uses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(45,259)
Net change in fund balance	1,289	7,309	229	2,390	(38,693)	4,894	(1,913)	308	2,179	(231)	3,476	(17,964)	9,132	(55)	220,744
Fund balance, beginning	16,823	1,235	3,686	31,602	432,750	45,222	15,438	6,131	25,219	8,574	19,419	31,781	17,460	22,319	8,253,636
Fund balance, ending	18,112	8,544	3,915	33,992	394,057	50,116	13,525	6,439	27,398	8,343	22,895	13,817	26,592	22,264	\$8,474,380

SHELBY COUNTY, ILLINOIS
Combining Statement of Fiduciary Net Position - Modified Cash Basis
August 31, 2022

DRAFT	Collector			DRAFT
	Circuit Clerk	Accounts	Drainage	Total
ASSETS				
Cash and cash equivalents	\$ 803,339	4,443,590	\$ 454,038	\$ 5,700,967
Certificate of deposit	10,000	-	-	10,000
Total assets	\$ 813,339	4,443,590	454,038	\$ 5,710,967
LIABILITIES				
Accounts payable	\$ 53,371	-	-	\$ 53,371
Total liabilities	53,371	-	-	53,371
NET POSITION				
Restricted	\$ 759,968	\$ 4,443,590	454,038	\$ 5,657,596
	\$ 759,968	\$ 4,443,590	454,038	\$ 5,657,596

SHELBY COUNTY, ILLINOIS
Combining Statement of Changes in Fiduciary Net Position - Modified Cash Basis
For the year ended August 31, 2022

DRAFT

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	Circuit Clerk	Collector Accounts	Drainage	Totals
ADDITIONS				
Amount received as fiscal agent	\$ 902,447	-	-	\$ 902,447
Property taxes collected for other governments	-	37,331,310	83,235	37,414,545
Interest	-	8,473	1,000	9,473
Total additions	902,447	37,339,783	84,235	38,326,465
DEDUCTIONS				
Fines distributed to other governments	\$ 644,319	-	-	644,319
Property taxes distributed to other governments	-	35,558,012	77,605	35,635,617
Total deductions	644,319	35,558,012	77,605	36,279,936
Excess (deficiency) of revenues over expenditures	258,128	1,781,771	6,630	2,046,529
OTHER FINANCING SOURCES/(USES)				
Transfers in	-	-	-	-
Transfers out	-	42	-	42
Total other financing sources/(uses)	-	42	-	42
Change in net position	258,128	1,781,813	6,630	2,046,571
Net position, beginning of the year	501,840	2,661,777	447,408	3,611,025
Net position, end of year	\$ 759,968	4,443,590	454,038	\$ 5,657,596

SHELBY COUNTY, ILLINOIS
Schedule of Expenditures from Taxes Extended for Tort Immunity Purposes
For the year ended August 31, 2022

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DRAFT
Amounts

Property, liability, and workers' compensation insurance
Unemployment tax

\$ 219,499
12,853

Total

\$ 232,352

PART V – GOVERNMENT AUDITING STANDARDS

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

To the Board of Trustees of
Shelby County, Illinois:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Shelby County, Illinois (the County), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise Shelby County, Illinois (County)’s basic financial statements and have issued our report thereon dated July 25, 2024.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control which are described in the accompanying schedule of findings and questioned costs as Findings 2022-001 and 2022-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2022-004 and 2022-006.

Shelby County, Illinois’ Response to Findings

The County’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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Benford Brown & Associates, LLC

Chicago, IL

July 25, 2024

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PART VI – UNIFORM GUIDANCE

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of
Shelby County, Illinois:

Qualified Opinion on Each Major Program

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, Shelby County, Illinois complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major programs for the year ended August 31, 2022.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County’s compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Major Programs

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the County with the following:

<u>Finding Number</u>	<u>AL Number</u>	<u>Program Name</u>	<u>Compliance Requirements</u>
2022-02	21.027	American Rescue Plan Act	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Consequently, we were unable to determine whether the County complied with the requirements listed above as applicable to the programs listed above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as finding 2022-03. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance which are described in the accompanying schedule of findings and questioned costs as Finding 2022-001, 2022-003, and 2022-004.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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Benford Brown & Associates, LLC

Chicago, IL

July 25, 2024

SHELBY COUNTY, ILLINOIS

Notes to Schedule

For the year ended August 31, 2022

(1) Schedule of Expenditures of Federal Awards

Basis of Presentation

The Schedule of Expenditures of Federal Awards (Schedule) has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Schedule includes the federal grant activity of the County and is presented in accordance 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Sub-recipients

The County made no disbursements to subrecipients during the fiscal year 2022.

Non-cash Assistance

The County did not receive any federal non-cash assistance during the fiscal year 2022.

Insurance

The County did not receive any federally-funded insurance during fiscal year 2022.

Loans

The County did not have any federal loans or loan guarantees outstanding as of August 31, 2022.

De Minimis Cost Rate

The County elected to use the 10% de minimis cost rate during fiscal year 2022.

SHELBY COUNTY, ILLINOIS

Schedule of Findings and Questioned Costs

For the year ended August 31, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issue on whether the financial statements audited were prepared in accordance with generally accepted accounting principles:

Qualified

Internal control over financial reporting:

Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported

Type of report the auditor issue on compliance for major federal programs:

Qualified

Any findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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The dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

21.027

American Rescue Plan Act Program

SHELBY COUNTY, ILLINOIS

Schedule of Findings and Questioned Costs

For the year ended August 31, 2022

Section II - Findings Relating to the Financial Statements

Internal Control Findings

Finding 2022-01 Lack of Financial Accounting Information and Related Supporting Documentation

Criteria

In order to maintain proper controls over financial reporting it is essential that the County maintain a complete set of financial accounting records and adequate supporting documentation. In accordance with 55 ILCS 5/3-13002, the Board of Commissioners and any person authorized by the Board of Commissioners, such as the County Treasurer, is to have free and unrestricted access to books, papers, records and memoranda.

Condition

The County does not have a centralized process for maintaining its financial accounting records and related supporting documentation so that it can prepare financial reports that include financial activity for all offices and departments of the County. Additionally, it appears that certain offices and departments are noncompliant with the County's financial policy that requires that all financial accounting records and related supporting documentation be provided to the County Treasurer so that the County Treasurer can maintain a complete set of accounting records for the entire County. Financial activity for the following funds within the General fund was not provided to the County Treasurer to be compiled, reconciled and included in the County's financial accounting records available for audit:

<u>Office/Department</u>	<u>Name of Bank Account</u>
County Clerk	Revenue Stamp Tax Redemption
Circuit Clerk	Circuit Clerk Child Support Marriage Fourth Judicial Circuit Trust
Sheriff	General Stellar Inmate Inmate Fund Special Account
Supervisor of Assessments	Supervisor of Assessments
Airport	Airport Farm

SHELBY COUNTY, ILLINOIS

Schedule of Findings and Questioned Costs

For the year ended August 31, 2022

Section II - Findings Relating to the Financial Statements (continued)

Internal Control Findings (continued)

Finding 2022-001 (continued)

Cause

Several offices and departments within the County have historically maintained their accounting records and related supporting documentation independent of the County Treasurer. Certain of these offices and departments do not provide the County Treasurer with its compiled accounting records and related supporting documentation including trial balances, general ledgers, bank statements, vendor invoices, accrued compensated absences detail, and grant vouchers and financial reports. Additionally, the County does not appear to have an effective method of enforcing Illinois statutes requiring all financial accounting records and related supporting documentation be provided to the County Treasurer so that the County Treasurer can maintain a complete set of accounting records for the entire County.

Effect

The effect of these conditions is that 1) the County Treasurer is not able to maintain a complete set of accounting records for the entire County; 2) the County Treasurer is also not able to ensure that all account reconciliations are completed on a monthly basis including reconciliations for bank accounts, capital asset accounts, and accrued compensated absences accounts; and 3) the Board of Commissioners is not able to properly govern over activities of the County that are not being included in various financial reports produced by the County Treasurer due to a lack of relevant financial information. Allowing these conditions to persist puts the County, its management and the Board of Commissioners at risk of 1) material misstatements being included in the County's financial statements without being detected; 2) noncompliance with laws, regulations, contracts, and grant agreements; and 3) noncompliance with union contracts. These conditions could result in a suspension of funding from federal and state sources, investigations of potential abuse of funding and/or misappropriation of assets, orders to return grant funds, and legal action from unions.

The effect of these conditions on the financial statements was that the balances for cash, revenue, and expenses for the general fund were understated and its fund balance was misstated by the net difference of these balances.

SHELBY COUNTY, ILLINOIS

Schedule of Findings and Questioned Costs

For the year ended August 31, 2022

Section II - Findings Relating to the Financial Statements (continued)

Finding 2022-001 (continued)

Repeat Finding

This finding also occurred in 2020 (2020-002), 2019 (2019-005) and 2017 (2017-002).

Recommendation

We recommend that the Board of Commissioners enforce the Illinois statute requiring that all accounting records and related supporting documentation from all County Offices and departments be made available to the County Treasurer so that there is a process in which all of the County's financial activity is compiled, reconciled and included in a complete set of financial reports for the County.

Views of Responsible Officials and Planned Corrective Actions

See corrective action plan.

Finding 2022-002 Material Weakness in Financial Reporting

Criteria

Shelby County is required to maintain a system of controls over the preparation of financial statements in accordance with the modified cash basis. County internal controls over financial reporting should include adequately trained personnel with the knowledge and ability to prepare and/or thoroughly review the modified cash basis financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental fund balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

SHELBY COUNTY, ILLINOIS

Schedule of Findings and Questioned Costs

For the year ended August 31, 2022

Section II - Findings Relating to the Financial Statements (continued)

Finding 2022-002 (continued)

Condition

The County does not have internal control procedures in place to ensure that its annual financial statements and related footnote disclosures are properly prepared, complete, and presented in accordance with the modified cash basis of accounting.

Cause

The County does not have internal personnel or contracted personnel with the requisite skills, knowledge, and experience to prepare its financial statements and footnotes. As a result, the County relies on its audit firm to prepare its annual financial statements and related footnotes disclosures.

Effect

The effect is that controls over financial reporting are significantly weakened thereby significantly increasing likelihood that a material misstatement of the financial statements and/or missing required disclosures will not be detected by management.

Repeat Finding

This finding also occurred in 2020 (2020-002), 2019 (2019-005) and 2017 (2017-002).

Recommendation

We recommend that management either 1) provide training for its key accounting personnel so that they will be able to prepare financial statements and footnotes for the County and/or 2) contract with an accountant or firm that has the relevant skills, knowledge and experience to prepare the financial statements and footnotes.

Views of Responsible Officials and Planned Corrective Actions

See corrective action plan.

Compliance Findings

See Findings 2022-003 and 2022-005 in section III.

SHELBY COUNTY, ILLINOIS

Schedule of Findings and Questioned Costs

For the year ended August 31, 2022

Section III - Findings and Questioned Costs Relating to Compliance Over Federal Awards

Internal Control Findings

**Finding 2022-003 Material Weakness in Internal Control Over Activities
Allowed or Unallowed and Allowable Costs/Cost Principles**

Assistance Listing Numbers	21.027 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)
Federal Agency	U.S. Department of Treasury
Passthrough Agency	Not applicable
Award Number/Year	2022

Criteria

The County is responsible for keeping an accurate accounting of all federal expenditures and maintaining all of the required documentation and reports in accordance with applicable federal regulations.

Condition

For AL No. 21.027, Coronavirus State and Local Fiscal Recovery Funds, a sample of employee payroll transactions were tested for Activities Allowed or Unallowed and Allowable Costs/Cost Principles. The County was not able to provide adequate supporting documentation of time and effort (e.g. timesheets or timecards) charged to the CSLFRF program.

Cause

The County does not have a consistent process for tracking and recording each employee’s time spent on various activities so that the portion of each employee’s salaries and wages allocated to each grant and/or activity can be calculated.

Effect

The County is not in compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements of its federally funded programs.

Questioned Costs

See scope limitation.

SHELBY COUNTY, ILLINOIS

Schedule of Findings and Questioned Costs

For the year ended August 31, 2022

**Section III - Findings and Questioned Costs Relating to Compliance Over Federal Awards
(continued)**

Finding 2022-003 (continued)

Repeat Finding

Yes. This finding also occurred in 2020 (2020-002) and 2019 (2019-002).

Recommendation

We recommend that the County require that all employees submit time records that provide enough detail to allow for their salaries and wages to be allocated to grants and other activities based on actual reported time. We further recommend that these time records be maintained through a timekeeping software that has the capability of calculating such allocation percentages by employee.

Views of Responsible Officials and Planned Corrective Actions

See corrective action plan.

Finding 2022-004 Material Weakness in Grant Reporting

Assistance Listing Numbers 21.027 Coronavirus State and Local Fiscal Recovery Funds

Federal Agency U.S. Department of Treasury

Passthrough Agency Not applicable

Award Number/Year 2022

Criteria

The County is required to maintain a system of controls over the preparation of its Schedule of Expenditures of Federal Awards (SEFA) per the Uniform Guidance at 2 CFR 200.510(b) and its Consolidated Year-End Financial Report (CYEFR) in compliance with the 30 ILCS 708/1 Grant Accountability and Transparency Act (GATA).

SHELBY COUNTY, ILLINOIS

Schedule of Findings and Questioned Costs

For the year ended August 31, 2022

Section III - Findings and Questioned Costs Relating to Compliance Over Federal Awards (continued)

Finding 2022-004 (continued)

Condition

The County did not have a centralized process for maintaining its grant accounting records and related supporting documentation to ensure that all federal grants expenditures were included on its SEFA and to ensure that all state grant expenditures were included on its CYEFR for fiscal year 2022. The County's expenditures totaling \$xxx,xxx for its Coronavirus State and Local Fiscal Recovery Fund program were not provided with grant expenditures to be included in the SEFA and CYEFR.

Additionally, it appears that certain offices and departments are noncompliant with the County's financial policy that requires that all financial accounting records and related supporting documentation be provided to the County Treasurer so that the County Treasurer can maintain a complete set of grant accounting records for the entire County.

Cause

The County does not have internal personnel or contracted personnel with the requisite knowledge and experience to prepare its SEFA and CYEFR. Additionally, offices and departments within the County that receive and administer grants maintain the grant accounting records and related supporting documentation independent of the County Treasurer. These offices and departments provide the grant expenditures that are included in the CYEFR but do not consistently provide the detailed grant accounting records for use to prepare the SEFA and CYEFR.

Effect

Allowing these conditions to persist puts the County, its management and the Board of Commissioners at risk of 1) material misstatements being included in the County's SEFA and CYEFR without being detected and noncompliance with grant agreements. These conditions could also result in a suspension of funding from grant funding sources, investigations of potential abuse and/or misappropriation of grant funds, and orders to return grant funds.

Recommendation

We recommend that management either 1) provide training for its key accounting personnel so that they will be able to prepare SEFA and CYEFR for the County and/or 2) contract with an accountant or firm that has the relevant skills, knowledge and experience to prepare the SEFA and CYEFR.

SHELBY COUNTY, ILLINOIS

Schedule of Findings and Questioned Costs

For the year ended August 31, 2022

**Section III - Findings and Questioned Costs Relating to Compliance Over Federal Awards
(continued)**

Finding 2022-004 (continued)

We further recommend that the Board of Commissioners enforce the County's policy of requiring that all accounting records and related supporting documentation be made available to the County Treasurer so that there is a process in which all of the County's financial activity pertaining to grants is compiled, reconciled and included in a complete set of grant financial reports utilized to prepare the SEFA and CYEFR for the County.

Questioned Costs

None noted.

Repeat Finding

Yes. This finding also occurred in 2020 (2020-003) and 2019 (2019-002).

Views of Responsible Officials and Planned Corrective Actions

See corrective action plan.

SHELBY COUNTY, ILLINOIS

Schedule of Findings and Questioned Costs

For the year ended August 31, 2022

Compliance Findings

Finding 2022-005 Noncompliance with Federal and State Reporting Requirements

Assistance Listing Numbers 21.027 American Rescue Plan Act Program

Federal Agencies U.S. Department of Treasury

Award Number/Year 2022

Criteria

The County has grant agreements from State of Illinois agencies with terms requiring compliance with financial reporting requirements in accordance with Uniform Guidance and the State of Illinois Grant Accountability and Transparency Act (GATA). As such, for the year ended August 31, 2022, the County is required to submit audited financial statements, a schedule of expenditures of federal awards (SEFA) and single audit reports to the Federal Audit Clearinghouse and the same audit package plus a Consolidated Year End Financial Report (CYEFR) to the GATA portal. All items are required to be submitted within nine (9) months after the County's fiscal year-end. The Office of Management and Budget (OMB) issued a memorandum granting extensions to the due date for entities affected by the COVID-19 pandemic during 2022. The extended due date was September 30, 2023 for the County. Illinois' Grant Accountability and Transparency Act (GATA) has similar reporting deadlines to Uniform Guidance.

Condition

The County did not submit its audited financial statements, SEFA and CYEFR and other required information as of and for the year ended August 31, 2022 to the Federal Audit Clearinghouse and GATA portal prior to the due date of May 31, 2023. This finding also occurred in 2020 and 2019.

Cause

The County was not able to provide adequate documentation for transactions selected for testing which caused significant delays in the performance of the audit.

Effect

The effect is that controls over the financial reporting process were significantly weakened thereby increasing the risk that material misstatements could be included in the financial statements, SEFA, CYEFR and other supplementary schedules without management being aware. Additionally, noncompliance with financial reporting deadlines could cause funding sources for the County to suspend funding until compliance is achieved.

SHELBY COUNTY, ILLINOIS

Schedule of Findings and Questioned Costs

For the year ended August 31, 2022

**Section III - Findings and Questioned Costs Relating to Compliance Over Federal Awards
(continued)**

**Finding 2022-005 Noncompliance with Federal and State Reporting Requirements
(continued)**

Questioned Costs

None noted.

Recommendation

During 2021 the County hired a CPA firm to which a majority of the accounting function was outsourced including preparing financial statements, SEFA, CYEFR and other supplementary schedules. We recommend that the County continue to implement this corrective action plan until financial statements are prepared monthly in a timely manner and the SEFA, CYEFR and other supplementary schedules are prepared annually in a timely manner as prescribed the County's accounting policies and procedures.

Views of Responsible Officials and Planned Corrective Actions

See corrective action plan.

DRAFT

SHELBY COUNTY, ILLINOIS

Summary Schedule of Prior Audit Findings

For the year ended August 31, 2022

Findings Relating to the Financial Statements

Internal Control Findings

Finding 2021-001 Financial Statement Preparation

Condition

The County does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and ensure related footnote disclosures are complete and presented in accordance with the modified cash basis of accounting.

Status

The County does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and ensure related footnote disclosures are complete and presented in accordance with the modified cash basis of accounting. The County did not implement a corrective action plan thus this finding is a repeat finding for fiscal years 2016-2021. See Finding 2022-02.

Finding 2021-02 Noncompliance with Federal and State Reporting Requirements

Condition

Internal controls state that bank reconciliations are performed for all of the Treasurer bank accounts. Part of the procedure includes reconciling the bank balances to the general ledger balances. The bank reconciliation procedures were improperly implemented due to multiple bank reconciliations not reconciling to the general ledger balance.

Status

The County Treasurer addressed this finding by enhancing procedures to reconcile bank accounts to the general ledger and to have them reviewed and approved in a timely manner.

SHELBY COUNTY, ILLINOIS

Corrective Action Plan

For the year ended August 31, 2022

Finding 2022-01 Lack of Complete Financial Accounting Information and Related Supporting Documentation

Views of Responsible Officials and Planned Corrective Actions

[Insert response]

Contact Person Responsible for Corrective Action

Board of Commissioners and Robert Orman, Board Chairman

Anticipated Completion Date

[Insert response]

Finding 2022-02 Material Weakness in Financial Reporting

Views of Responsible Officials and Planned Corrective Actions

The County has evaluated the resources needed to produce its financial statements, supplementary information and related footnotes in accordance with the modified cash basis of accounting. As a result of the evaluation, the County has determined that it does not have the resources to correct this finding.

Contact Person Responsible for Corrective Action

Board of Commissioners and Erica Firnhaber, County Treasurer

Anticipated Completion Date

[Insert response]

Finding 2022-003 Material Weakness in Internal Control Over Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Views of Responsible Officials and Planned Corrective Actions

[Insert response]

Contact Person Responsible for Corrective Action

Erica Firnhaber, County Treasurer

SHELBY COUNTY, ILLINOIS

Corrective Action Plan

For the year ended August 31, 2022

Anticipated Completion Date

[Insert response]

Finding 2022-004 Material Weakness in Grant Reporting

Views of Responsible Officials and Planned Corrective Actions

[Insert response]

Contact Person Responsible for Corrective Action

Erica Firnhaber, County Treasurer

Anticipated Completion Date

[Insert response]

Finding 2022-05 Noncompliance with Federal and State Reporting Requirements

Views of Responsible Officials and Planned Corrective Actions

[Insert response]

Contact Person Responsible for Corrective Action

Erica Firnhaber, County Treasurer

Anticipated Completion Date

[Insert response]