

**South Elgin and Countryside Fire Protection District**

**(Located within the State of Illinois)**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended May 31, 2017**

**South Elgin and Countryside Fire Protection District  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended May 31, 2017**

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Independent Auditor's Report

To the Board of Trustees of  
South Elgin and Countryside Fire Protection District  
South Elgin, Illinois

We have audited the accompanying financial statements of the governmental activities, fiduciary funds, each major fund, and the aggregate remaining fund information of the South Elgin and Countryside Fire Protection District, as of and for the year ended May 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Independent Auditor's Report (continued)

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, fiduciary funds, each major fund, and the aggregate remaining fund information of the South Elgin and Countryside Fire Protection District as of May 31, 2017, and the respective changes in financial position and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 3-9 and pages 32-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Tight, Ernest & O'P.C.*

Elgin, Illinois  
September 6, 2017

**South Elgin and Countryside Fire Protection District  
Management's Discussion and Analysis  
For the Fiscal Year Ended May 31, 2017**

Our discussion and analysis of the South Elgin and Countryside Fire Protect District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended May 31, 2017. Please review it in conjunction with the District's basic financial statements, which begin on page 10.

**Financial Highlights**

- The change in net position was an increase of \$1,630,241, which represents a 47.1 percent increase from May 31, 2016 for the year. This is primarily due to an increase in property taxes and a decrease in overall expenses.
- The total net position including the prior period adjustment decreased \$1,416,613 from May 31, 2016. This is primarily due to the change in due to change in actuarial assumption for the mortality table used and the Single Discount Rate change from 7.50% to 6.75% in the current fiscal year in the GASB 68 calculation. GASB 68 requires that the Net Pension Liability for pensions be recorded on the government-wide statements.
- General revenues accounted for \$5,729,640 in revenues, or 88.2 percent of all revenues.
- The District had \$4,866,375 in expenditures related to general governmental activities. Charges for services of \$748,405 were used to pay expenditures. The excess expenses were paid by general revenues.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic financial statements, this report also contains required supplementary information.

**Government-Wide Financial Statements (pages 10-11):**

The District's comprehensive annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector.

The Statement of Net Position – This is the District-wide statement of financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other non-financial factors. Diversification of the taxpayer base or the condition of the District infrastructure should be considered in addition to the financial information provided in the report.

**South Elgin and Countryside Fire Protection District  
Management's Discussion and Analysis  
For the Fiscal Year Ended May 31, 2017**

Government-Wide Financial Statements (continued):

The Statement of Activities – This statement reports how the District's net position changed during the current fiscal year. All current year revenue and expenses are included regardless of when the cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's activities or functions on revenues provided by the District's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the District that are principally supported by taxes and other intergovernmental revenues. Business-type activities recover all or a significant portion of their costs through user fees and charges. The South Elgin and Countryside Fire Protection District does not have this type of activity. Fiduciary activities such as employee pension plans are not included in the government-wide statements, since these assets are not available to fund District needs. The statements for the Pension Funds are in the Fund Financial Statements.

The District's financial reporting entity includes the funds of the District (primary government). There are no organizations for which the District is accountable (component units).

Fund Financial Statements (pages 12-17):

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulation. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole.

The District has two kinds of funds: Governmental Funds and Fiduciary Funds.

Governmental Funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provides a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

**South Elgin and Countryside Fire Protection District  
Management's Discussion and Analysis  
For the Fiscal Year Ended May 31, 2017**

Fund Financial Statements (continued):

A budgetary comparison statement is included in the required supplementary information for the general fund (the only major fund). This statement demonstrates compliance with the District's adopted and final revised budget.

Fiduciary funds such as the employee pension plan are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund the District's programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the Financial Statements (pages 18-31):

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements.

Required Supplementary Information (pages 32-35):

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* including a budgetary comparison statement and the District's progress in funding its obligation to provide pension benefits to its employees.

**Using this Annual Report**

The Statement of Net Position and the Statement of Activities (on pages 10 and 11) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements (on pages 12 and 14) tell how services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant fund.

**Reporting the District as a Whole**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information about the District as a whole and about its activities in a way that helps to answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**South Elgin and Countryside Fire Protection District  
Management's Discussion and Analysis  
For the Fiscal Year Ended May 31, 2017**

**Reporting the District as a Whole (continued)**

These two statements report the District's *net position* and changes in them. You can think of the District's net position (the difference between assets-what the District *owns*, and liabilities-what the District *owes*), as one way to measure the District's financial health or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's jurisdiction, the availability of capital projects, and continuing local government support to assess the *overall health* of the District.

**Reporting the District's Most Significant Fund**

The District's services are reported in a governmental fund which focuses on how money flows into and out of the fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

**The District as a Whole**

The District's total net position changed from last year, decreasing from \$3,616,514 to \$2,044,925. Our analysis below focuses on the net position (Table 1) of the District's governmental activities.

Net position of the District's activities increased 47.1 percent or \$1,630,241. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased \$1,284,575 during the year. This shows a decrease in the overall financial position of the District.

Table 1  
Condensed Statement of Net Position (in thousands)

	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>
Current and other assets	\$ 6,397.9	\$ 6,198.2	Current liabilities	\$ 726.6	\$ 953.0
Capital assets, net of accumulated depreciation	2,671.0	2,803.0	Other liabilities	7,947.2	5,207.1
Deferred outflows of resources	2,458.9	620.4	Deferred inflows of resources	809.1	-
Total Assets and Deferred Outflows of Resources	<u>\$ 11,527.8</u>	<u>\$ 9,621.6</u>	Total Liabilities and Deferred Inflows of Resources	<u>\$ 9,482.9</u>	<u>\$ 6,160.1</u>
			Net investment in capital assets	\$ 2,671.0	\$ 2,803.0
			Unrestricted	(626.1)	658.5
			Temporarily restricted	-	-
			Total Net Position	<u>\$ 2,044.9</u>	<u>\$ 3,461.5</u>



**South Elgin and Countryside Fire Protection District  
Management's Discussion and Analysis  
For the Fiscal Year Ended May 31, 2017**

**The District as a Whole (continued)**

Table 2  
Condensed Statement of Activities (in thousands)

	<u>For the Year Ended</u>		<u>% Change</u>
	<u>May 31, 2017</u>	<u>May 31, 2016</u>	
<b>General Revenues:</b>			
Property taxes	\$ 5,503.8	\$ 5,436.8	1.23%
Replacement tax	23.0	22.1	4.07%
Impact fees	46.1	6.2	643.55%
Interest income	6.8	7.0	-2.86%
Investment earnings, net	14.8	-	100.00%
Sale of equipment	18.1	6.5	178.46%
Other	117.0	105.0	11.43%
<b>Total General Revenues</b>	<u>5,729.6</u>	<u>5,583.6</u>	2.61%
<b>Program Revenues:</b>			
Ambulance	748.4	827.9	-9.60%
Grant income	18.6	-	100.00%
<b>Total Program Revenues</b>	<u>767.0</u>	<u>827.9</u>	-7.36%
<b>Total Revenues</b>	<u>6,496.6</u>	<u>6,411.5</u>	1.33%
<b>General Expenses:</b>			
General government activities	4,866.4	5,950.8	-18.22%
<b>Total General Expenses</b>	<u>4,866.4</u>	<u>5,950.8</u>	-18.22%
<b>Change in Net Position</b>	1,630.2	460.7	253.85%
<b>Net Position - Beginning of Year</b>	3,461.5	7,484.7	-53.75%
<b>Prior Period Adjustment</b>	<u>(3,046.8)</u>	<u>(4,483.9)</u>	-32.05%
<b>Beginning of Year, restated</b>	414.7	3,000.8	-86.18%
<b>End of Year</b>	<u>\$ 2,044.9</u>	<u>\$ 3,461.5</u>	-40.92%

**South Elgin and Countryside Fire Protection District  
Management's Discussion and Analysis  
For the Fiscal Year Ended May 31, 2017**

**The District's Funds**

Table 3 presents the fund balance of the single major fund and an analysis of significant changes in the fund balance. The District does not have non-major funds.

Table 3  
Fund Balance  
(in thousands)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
General	\$ 5,097.9	\$ 4,831.3	5.5%
Total Governmental Balances	<u>\$ 5,097.9</u>	<u>\$ 4,831.3</u>	<u>5.5%</u>

The 5.5 percent increase was due to an excess of revenues of \$6,496,615 over expenditures of \$6,230,003 for the year ended May 31, 2017. The specific events that contributed to this increase are an increase in property taxes of \$67,003 and increase in impact fees of \$39,890, from fiscal year end 2016.

Following is a comparison of the actual and budgeted items for the general fund.

Table 4  
Original/ Final Budget versus Actual Results  
General Fund  
(in thousands)

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Positive/ (Negative)</u>
<b>Revenues:</b>			
Property tax	\$ 4,948.1	\$ 5,503.8	\$ 555.7
Replacement tax	15.0	23.0	8.0
Impact fee income	-	46.1	46.1
Ambulance income	600.0	748.4	148.4
Interest income	6.0	6.8	0.8
Investment earnings, net	-	14.8	14.8
Grant income	-	18.6	18.6
Miscellaneous income	-	135.1	135.1
<b>Expenditures:</b>			
Total general government	\$ 7,950.4	\$ 6,230.0	\$ 1,720.4

**South Elgin and Countryside Fire Protection District  
Management's Discussion and Analysis  
For the Fiscal Year Ended May 31, 2017**

**General Fund Budgetary Highlights**

The adopted budget was not amended during the year.

The general fund is reported as a major fund and accounts for the fire and ambulance operations of the District.

Revenues in the general fund were \$6,496,616, which exceeded budget by \$927,517 or 16.7%. The variance was due to property tax receipts being higher than anticipated by \$555,710 and an increase in ambulance income over budgeted amount by \$148,405. The general fund expenditures were \$1,720,413 under budget, due to lower actual spending in most expenditures with significant lower actual spending in payroll, insurance, capital outlay, and general and administrative. These functions had a positive variance of actual to final budget of \$1,027,302, \$218,595, \$152,869 and \$123,692, respectively. The overall net budget variance in the General Fund was a favorable \$2,647,930.

The general fund's excess of revenues over expenditures was \$266,613. The fund increased to \$5,097,948 at the end of the fiscal year from \$4,831,335 the prior year.

**Capital Assets**

The District's net investment in capital assets, as of May 31, 2017 amounted to \$2,670,998. The investment in capital assets included land, buildings, leasehold improvements, vehicles, furniture, and equipment. Capital assets decreased by \$132,038 during the fiscal year due to depreciation in excess of additions.

Additional information on the capital assets can be found in the notes to the financial statements on pages 20-21 and 30.

**Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or a request for additional financial information should be addressed to South Elgin and Countryside Fire Protection District, 150 West State Street, South Elgin, Illinois 60177.

**South Elgin and Countryside Fire Protection District**  
**Statement of Net Position**  
**May 31, 2017**

**Assets and Deferred Outflow of Resources**

<b>Current Assets:</b>	
Cash and cash equivalents	\$ 3,027,236
Investments, at current market value	2,984,346
Accounts receivable rescue billing, net of allowance for uncollectible of \$30,000	330,577
Impact fee receivable	41,585
Accrued interest receivable	14,182
Total Current Assets	<u>6,397,926</u>
<b>Non-Current Assets:</b>	
Land, buildings, and equipment, net of accumulated depreciation	<u>2,670,998</u>
Total Non-Current Assets	<u>2,670,998</u>
Total Assets	<u>9,068,924</u>
Deferred Outflows of Resources	<u>2,458,870</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 11,527,794</u>

**Liabilities and Deferred Inflows of Resources**

<b>Current Liabilities:</b>	
Accounts payable	\$ 81,179
Accrued payroll	173,669
Accrued vacation and sick pay-current portion	282,183
Deferred revenue-property taxes	201,115
Total Current Liabilities	<u>738,146</u>
<b>Noncurrent liabilities</b>	
Accrued vacation and sick pay-long term portion	561,832
Net pension liability	<u>7,373,784</u>
Total Non-Current Liabilities	<u>7,935,616</u>
Total Liabilities	<u>8,673,762</u>
Deferred Inflows of Resources	<u>809,107</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 9,482,869</u>

**Net Position**

<b>Net Position:</b>	
Net investment in capital assets	\$ 2,670,998
Unrestricted	(626,073)
Restricted	<u>-</u>
Total Net Position	<u>\$ 2,044,925</u>

The accompanying notes are an integral part of the financial statements.

**South Elgin and Countryside Fire Protection District**  
**Statement of Activities**  
**For the Fiscal Year Ended May 31, 2017**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue and Changes in Net Position
<b>Primary Government:</b>					
General government activities	\$ (4,866,375)	\$ 748,405	\$ 18,571	\$ -	\$ (4,099,399)
Total Primary Government	<u>\$ (4,866,375)</u>	<u>\$ 748,405</u>	<u>\$ 18,571</u>	<u>\$ -</u>	<u>\$ (4,099,399)</u>
 <b>General Revenues:</b>					
Property taxes					5,503,809
Replacement taxes					22,985
Impact fee income					46,086
Interest income					6,846
Investment earnings, net					14,780
Sale of equipment					18,063
Miscellaneous					117,071
Total General Revenues					<u>5,729,640</u>
Change in Net Position					1,630,241
Net Position - Beginning of Year					3,461,538
Prior Period Adjustment - Change in Actuarial Assumptions					(3,046,854)
Net Position - Beginning of Year, restated					414,684
Net Position - End of Year					<u>\$ 2,044,925</u>

The accompanying notes are an integral part of the financial statements.

**South Elgin and Countryside Fire Protection District**  
**Balance Sheet - Modified Accrual Basis -**  
**Governmental Funds**  
**May 31, 2017**

**Assets**

Assets:

Cash and cash equivalents	\$	3,027,236
Accounts receivable rescue billing, net of allowance for uncollectible of \$30,000		330,577
Impact fee receivable		41,585
Accrued interest receivable		14,182
Investments, at current market value		<u>2,984,346</u>
Total Assets	\$	<u><u>6,397,926</u></u>

**Liabilities and Fund Balance**

Liabilities:

Accounts payable	\$	81,179
Accrued payroll		173,669
Accrued vacation and sick pay		844,015
Deferred revenue - property taxes		<u>201,115</u>
Total Liabilities		<u><u>1,299,978</u></u>

Fund Balance:

Non-spendable		-
Restricted		-
Committed		-
Assigned		-
Unassigned		<u>5,097,948</u>
Total Fund Balance		<u><u>5,097,948</u></u>

Total Liabilities and Fund Balance	\$	<u><u>6,397,926</u></u>
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The accompanying notes are an integral part of the financial statements.

**South Elgin and Countryside Fire Protection District  
 Reconciliation of Total Governmental Fund Balance -  
 Modified Accrual Basis - to the Net Position of Governmental Activities  
 For the Fiscal Year Ended May 31, 2017**

Total Governmental Fund Balance	\$ 5,097,948
Amounts reported in governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,670,998
Net Pension Liability is not included on the governmental fund statements.	(7,373,784)
Deferred inflows of resources for pension are not recognized on the governmental fund statement.	(809,107)
Deferred outflows of resources for pension are not recognized on the governmental fund statement.	<u>2,458,870</u>
Net Position of Governmental Activities	<u><u>\$ 2,044,925</u></u>

The accompanying notes are an integral part of the financial statements.

**South Elgin and Countryside Fire Protection District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Governmental Funds**  
**For the Fiscal Year Ended May 31, 2017**

Revenues:	
Property taxes	\$ 5,503,809
Replacement tax	22,985
Impact fees	46,086
Ambulance income	748,405
Interest income	6,846
Investment earnings, net	14,780
Grant income	18,571
Sale of equipment	18,063
Miscellaneous	<u>117,071</u>
Total Revenues	<u>6,496,616</u>
Expenditures:	
Public safety:	
Personnel service	3,650,792
Retirement/Social Security	734,247
Insurance	920,456
Occupancy	116,030
General and administrative	360,264
Equipment supplies, maintenance, and fuel	329,000
Capital outlay	<u>119,214</u>
Total Expenditures	<u>6,230,003</u>
Net Change in Fund Balance	266,613
Fund Balance - Beginning of Year	<u>4,831,335</u>
Fund Balance - End of Year	<u>\$ 5,097,948</u>

The accompanying notes are an integral part of the financial statements.



**South Elgin and Countryside Fire Protection District  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balance - Modified Accrual Basis -  
 of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended May 31, 2017**

Net Change in Governmental Fund Balance		\$ 266,613
Amounts reported in governmental activities in the statement of net position are different because:		
Governmental funds reports capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets are capitalized as land, building and equipment, the difference between capital outlay \$119,214 and the depreciation allocation (\$251,252).		(132,038)
Certain items reported in the statement of activities do not require use of current financial resources and are not reported as expenditures in the governmental funds. These items consist of:		
Pension expense	844,238	
Employer contributions	651,428	1,495,666
Change in Net Position of Governmental Activities		\$ 1,630,241

The accompanying notes are an integral part of the financial statements.

**South Elgin and Countryside Fire Protection District**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
**May 31, 2017**

	Pension Trust Fund
<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 69,232
Total Current Assets	69,232
Non-Current Assets:	
Interest and dividend receivable	44,293
Prepaid expenses	2,464
Investments, at current market value:	
US Government and agency obligations (cost - \$5,418,846)	5,426,849
Mutual funds (cost - \$4,983,164)	6,942,062
Total Non-Current Assets	12,415,668
Total Assets	\$ 12,484,900
<b>Liabilities and Net Position</b>	
Current Liabilities:	
Accounts payable	\$ 8,687
Total Current Liabilities	8,687
Total Liabilities	8,687
Net Position:	
Assets held in trust for pension benefits	12,476,213
Total Liabilities and Net Position	\$ 12,484,900

The accompanying notes are an integral part of the financial statements.

**South Elgin and Countryside Fire Protection District**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
**For the Fiscal Year Ended May 31, 2017**

	<u>Pension Trust Fund</u>
<b>Additions:</b>	
<b>Contributions:</b>	
Employer - property taxes	\$ 651,428
Plan member contributions	<u>241,311</u>
<b>Total Contributions</b>	<u>892,739</u>
<b>Investment Earnings:</b>	
Interest and dividend income	364,601
Gain (loss) on securities	<u>764,958</u>
<b>Total investment earnings</b>	1,129,559
Less investment expense	<u>47,017</u>
<b>Net Investment Earnings</b>	<u>1,082,542</u>
<b>Total Additions</b>	<u>1,975,281</u>
<b>Deductions:</b>	
Benefits and refunds paid to plan members and beneficiaries	292,983
Total administrative expenses	<u>32,798</u>
<b>Total Deductions</b>	<u>325,781</u>
<b>Change in Net Position</b>	1,649,500
<b>Net Position Held In Trust for Pension Benefits:</b>	
Beginning of Year	<u>10,826,713</u>
End of Year	<u>\$ 12,476,213</u>

The accompanying notes are an integral part of the financial statements.

**South Elgin and Countryside Fire Protection District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended May 31, 2017**

**Note 1 – Summary of Significant Accounting Policies**

The South Elgin and Countryside Fire Protection District (the District) provides public safety (fire protection) and rescue ambulance service to the residents of South Elgin, Illinois and the surrounding countryside. The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Government Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's policies are described below.

**Financial Reporting Entity – Basis of Presentation**

**Primary Government:** The District is a unit of government that has a separately elected governing body, is legally separate, and is financially independent of other state and local governments. A special purpose government that meets all three criteria is a primary government. The financial statements of the District consist only of the governmental funds and related pension trust fund of the District.

**Component Unit:** A component unit is a governmental unit for which elected officials of a primary government are financially accountable. It is a unit of government formed exclusively for the benefit of the primary unit, or it has the same governing body as the primary unit. A unit is a component unit if a primary government has the ability to a) remove appointed member of the board; b) modify or approve budget or revenues; c) veto, overrule, or modify decisions of the board; or d) is legally responsible to assume financial deficits or provide financial assistance. A legally separate unit of government can still be a component unit if any of the previously mentioned conditions are met. No component units exist within the District.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statements of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Property tax and replacement taxes are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, although the latter are excluded from the government-wide financial statements.

**Fund Accounting**

The accounts of the District are organized into funds, each of which is considered to be a separate accounting entity. The major fund categories are:

**South Elgin and Countryside Fire Protection District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended May 31, 2017**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Governmental Fund Types**

Governmental funds use the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

**Fiduciary Fund Types**

Fiduciary funds account for assets held by the District in a trustee capacity. Pension trust funds use the economic resources measurement focus in essentially the same manner as proprietary funds.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund statements. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**Program Revenues**

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

**Implementation of GASB 72 and 76**

For the year ended May 31, 2017 the District implemented the provisions of GASB No. 72, Fair Value Measurement and Application; and GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. GASB Statement No. 72 establishes standards for measuring fair value, applying fair value to certain investments, and disclosures related to all fair value measurement. There has been no effect to current or prior periods with this implementation. GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles. There has been no effect to current or prior periods with this implementation.

**South Elgin and Countryside Fire Protection District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended May 31, 2017**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities, and Net Position or Fund Balance**

**Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when acquired.

Investments are reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. All fair values are determined by external consultants. The domestic equity, international equity, and REIT portfolios, as well as the short-term investment fund, are valued based on the underlying assets in the funds. Equity securities and high-yield bonds are valued based on the last reported sales price. The remaining fixed-income bonds (those which are not high-yield) are valued either by comparing them to prices of similar investments or by computing the net present value of their cash flows discounted at a rate commensurate with the risk involved. Security transactions and any resulting gains or losses are accounted for by the specific identification method on a trade-date basis.

**Receivables and Deferred Revenue**

Trade receivables are reported when revenue is earned and include amounts due from ambulance services to the public. Receivables are reported net of an allowance for uncollectible accounts. For the year ended May 31, 2017, the allowance for uncollectible accounts was \$30,000.

Property tax revenues are recognized when there is an enforceable legal claim. There is not a property tax receivable; all funds have been collected.

Deferred revenue represents the monies collected on the next year's property tax lien. These monies are expected to finance the expenses of the next fiscal year.

**Capital Assets**

Capital assets, which include land, buildings, improvements, vehicles, and equipment, are reported in the government-wide fund statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and a useful life in excess of 2 years. Fixed assets, to the extent the information is available, are reflected at historical cost. There is no evidence to determine the cost of assets acquired by the District in the early years of operation. Therefore, these assets are reflected at an estimated value of \$210,000.

The fixed asset acquisitions for the year ended May 31, 2017 are reflected as an expenditure in the Statement of Revenues, Expenditures, and Changes in Fund Balance. Depreciation expense of \$251,252 is reflected as an expense in the accompanying statement of activities.

**South Elgin and Countryside Fire Protection District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended May 31, 2017**

**Note 1 – Summary of Significant Accounting Policies (continued)**

Capital assets are depreciated using the straight-line method with useful lives of 5 to 50 years.

**Compensated Absences**

Vested or accumulated vacation and sick leave are reported as an expenditure and a fund liability of the governmental fund that will pay out once retirement or separation has occurred. Vested or accumulated vacation and sick leave of governmental activities are recorded as an expense and liability as the benefits accrue to employees.

**Budgets and Budgetary Accounting**

The District Board of Trustees appoints a committee to prepare the operating budget for the District's primary government fund and fiduciary pension funds. The proposed budget is then reviewed by the Trustees and approved. The budget is legally adopted and an ordinance drafted, submitted, and approved.

**Accounting Estimates**

Management used estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

**Prepaid Items/Expenses**

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses.

**Fund Balance**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Amounts that are restricted to specific purposes, either by (a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation, are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Trustees through a resolution are classified as committed fund balances. Amounts that are constrained by the Board of Trustees' intent to be used for specific purposes through a resolution, but are neither restricted nor committed, are classified as assigned fund balances. Negative fund balance in governmental funds, after determining the fund balance classification described above, is reported as unassigned fund balance.

**South Elgin and Countryside Fire Protection District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended May 31, 2017**

**Note 1 – Summary of Significant Accounting Policies (continued)**

The District's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the District considers committed funds to be expended first, followed by assigned, and then unassigned funds.

**Note 2 – Property Taxes**

The District's property tax is levied each year on all taxable real property located in the District on or before the last Tuesday in December. The taxes attach as an enforceable lien on property on January 1. The owner of real property on January 1 in any year is liable for taxes of that year. The District has a statutory tax rate limit in various operating funds subject to change only by approval of the voters of the District. Also, the District is subject to the Property Tax Extension Limitation Act, which, in general, limits that amount of taxes to be extended to the lesser of 5% or the percentage increase in the consumer price index for the year preceding the levy. Certain bond issue levies and referendum increases are exempt from this limitation.

The District is located within Kane County. Taxes levied in one year become due and payable in the following year in two installments on June 1 and September 1. Property tax revenue received in the fiscal year ended May 31, 2017 was levied for calendar year 2015. Property taxes are received by the county treasurer who remits to the District its share of collections.

**Note 3 – Pension Plan**

**Plan Description**

The South Elgin and Countryside Fire Protection District maintains a defined-benefit, single employer pension plan for all full-time firefighters. A separate board of trustees administers the pension plan and a local bank holds assets in custody. An actuarial valuation for the plan is performed annually. All full time firefighters are covered by the Firemen's Pension Plan, which is a defined benefit, single-employer pension plan. Although it is a single-employer pension plan, the defined benefits as well as the employee and employer contribution levels are mandated by Illinois State Statutes (Chapter 108 1\2 – Pension – Article 4) and may be amended only by the Illinois legislature.



**South Elgin and Countryside Fire Protection District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended May 31, 2017**

**Note 3 – Pension Plan (continued)**

**Benefits Provided**

For Employees hired before January 1, 2011 and attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service. The pension shall be increased by 1/12 of 2.5% of such monthly salary for each additional month of service over 20 years up to 30 years, to a maximum of 75% of such monthly salary. Surviving spouses receive 100% of final salary for fatalities resulting from an act of duty, or otherwise greater of 54% of final salary or the monthly retirement pension that the deceased firefighter was receiving at the time of death. Surviving children receive 12% of final salary. The maximum family survivor benefit is 75% of final salary.

Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit ranging from 15% of final salary for 10 years of service to 45.6% for 19 years of service.

Employees disabled in the line of duty receive 65% of final salary.

For Employees hired after January 1, 2011, the annual retirement benefit is 2.5% of final average salary for each year of service up to 30 years, to a maximum of 75% of such salary, the Normal Retirement age is attainment of age 55 and completion of 10 years of service; Early Retirement age is attainment of age 50, completion of 10 years of service and the Early Retirement Factor is 6% per year; the Employee's Accrued Benefit is based on the Employee's final 8-year average salary not to exceed \$106,800 (as indexed); Cost-of-living adjustments are simple increased (not compounded) of the lesser of 3% or 50% of CPI beginning the later of the anniversary date and age 60; Surviving Spouse's Benefits are 66 2/3% of the Employee's benefit at the time of death.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the amount of the pension payable at the time of the increase.

**Employees Covered by Benefit Terms**

As of May 31, 2017, the following employees were covered by the benefit terms:

Retirees and beneficiaries receiving benefits	4
Inactive, non-retired members	4
Active members	<u>30</u>
Total	<u>38</u>
Number of participating employers	1

**South Elgin and Countryside Fire Protection District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended May 31, 2017**

**Note 3 – Pension Plan (continued)**

**Contributions**

As set by statute, the District's employees are required to contribute (9.455%) of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than twenty (20) years of service, accumulated employee contributions may be refunded without accumulated interest. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's contribution rate for fiscal year 2016 was 25.27%. For the fiscal year ended May 31, 2017, the District contributed \$651,428 to the plan.

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

For the year ended May 31, 2017, the District recognized pension expense of \$844,238. At May 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 384,278	\$ (384,278)
Change in assumptions	2,090,603	158,746	1,931,857
Net difference between projected and actual earnings on pension plan investments	368,267	266,083	102,184
Pension contributions made subsequent to the measurement date	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Amounts Related To Pension \$	<u><u>2,458,870</u></u>	<u><u>809,107</u></u>	<u><u>1,649,763</u></u>

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:

<u>Year Ending May 31</u>	<u>Net Deferred Outflows of Resources</u>
2018	\$ 217,865
2019	217,865
2020	217,864
2021	95,110
2022	161,630
Thereafter	739,429
Total	<u><u>\$ 1,649,763</u></u>

**South Elgin and Countryside Fire Protection District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended May 31, 2017**

**Note 3 – Pension Plan (continued)**

**Net Pension Liabilities**

At May 31, 2017, the District reported a liability of \$7,373,784 for the net pension liability. The net pension liability was measured as of June 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

**Actuarial Assumptions**

The following are the methods and assumptions used to determine total pension liability at May 31, 2017:

Valuation date	June 1, 2017
Asset Valuation Method	Market Value
Investment Return	6.75% net of investment expenses
Salary Scale	3.25%
Mortality	RP-2014 Study, with Blue Collar Adjustment. These Rates are Improved Generationally using MP-2016 Improvement Rates.
Withdrawal	Based on the L&A Assumption Study for Firefighters 2016
Disability	Based on the L&A Assumption Study for Firefighters 2016
Retirement	Based on the L&A Assumption Study Cap Age 65 for Firefighters 2016.
Marital Status	80% Married, Female spouses 3 years younger

**South Elgin and Countryside Fire Protection District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended May 31, 2017**

**Note 3 – Pension Plan (continued)**

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 inflation) are developed for each major asset class. These ranges are combined to produce the long-term 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 for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equity	39%	9.60%
Small Cap Domestic Equity	10%	11.60%
International Equity	6%	9.90%
Fixed Income	45%	4.40%
	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's Net Pension Liability to Changes in the Discount Rate**

The following presents the District's net pension liability calculated using the discount rate of 6.75%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	<u>1% Lower (5.75%)</u>	<u>Current Discount (6.75%)</u>	<u>1% Higher (7.75%)</u>
Net Pension Liability	\$ 11,137,232	\$ 7,373,784	\$ 4,392,907

**South Elgin and Countryside Fire Protection District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended May 31, 2017**

**Note 4 – Deposits and Investments**

**Deposits**

It is the District's policy for deposits to be fully secured by the Federal Deposit Insurance Corporation. The District does not have pooled deposits, and non-pooled deposits are categorized to give an indication of the level of risk assumed by the District at May 31, 2016. The categories are described as follows:

- Category 1 – Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 – Uninsured and uncollateralized

Deposits categorized by level of risk are:

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires pledging of collateral of bank balances in excess of federal deposit insurance with the collateral held by a 3<sup>rd</sup> party in the District's name. As of May 31, 2017, \$58,639 of the government's bank balance of \$3,136,432 was exposed to custodial credit risk as noted above.

	Bank Balance	Category 1	Category 2	Category 3	Carrying Amount
Primary Government					
General fund	\$ 3,065,033	\$ 451,220	\$ 2,613,813	\$ -	\$ 3,027,236
Pension trust fund	71,399	12,760	-	58,639	69,232
	<u>\$ 3,136,432</u>	<u>\$ 463,980</u>	<u>\$ 2,613,813</u>	<u>\$ 58,639</u>	<u>\$ 3,096,468</u>

**Interest Rate Risk**

As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. In accordance with investment policy, the District manages its exposure to declines in fair values by maintaining the maturity of its investment portfolio to approximately 5 years and will range from 2 to 7 years.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	5 - 10	Thereafter
U.S. Treasuries	\$ 1,162,955	\$ 271,797	\$ 543,611	\$ 256,820	\$ 90,727
Agency Securities	4,994,498	246,561	2,002,637	2,501,682	243,618
Municipal Bonds	939,776	90,827	596,036	252,913	-
Mortgage Pools	37,474	877	920	14,566	21,111
Mutual Fund	7,016,951	7,016,951	-	-	-
CDs and Banks	1,276,492	-	1,276,492	-	-
Total	<u>\$ 15,428,146</u>	<u>\$ 7,627,013</u>	<u>\$ 4,419,696</u>	<u>\$ 3,025,981</u>	<u>\$ 355,456</u>

**South Elgin and Countryside Fire Protection District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended May 31, 2017**

**Note 4 – Deposits and Investments (continued)**

**Credit Risk**

The District limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government.

The allocation guidelines, by asset class, for fixed income investments are as follows:

	<u>Normal Allocation</u>	<u>Range of Allocation</u>
U.S. Treasury Bills/Notes/Bonds:	30%	0-100%
U.S. Government Agency Securities (Non-MBS):	35%	0-70%
U.S. Government Agency Securities - Callable:	20%	0-30%
U.S. Government Agency Securities (MBS):	5%	0-10%
Taxable Municipal Securities:	10%	0-20%
Ceritificates of Deposit:	0%	0-20%
Investment Grade Corporate Bonds:	0%	0-30%

Normal asset allocation range for equity portfolio allocation weightings are as follows:

	<u>Normal Allocation</u>	<u>Range of Allocation</u>
U.S. Large Company Stocks	70% +/-	30%
U.S. Small Company Stocks	20% +/-	20%
International Stocks	10% +/-	10%

The Pension Fund asset allocation is rebalanced at least annually when the allocation rises above the maximum allowable as a percentage of assets as defined by Illinois State Statute.

**Investments**

The investment of pension funds is the responsibility of the Board of Trustees of the South Elgin/Countryside FPD Firefighters Fund (Pension Board). The purpose of the investment policy is to indicate a conscious, formal effort by the Pension Board to develop, implement and monitor the investment of pension funds.

The Pension Fund may invest in any type of investment instrument permitted by Illinois law, as described in Chapter 40 of the Illinois Compiled Statutes, 40 ILCS 5/1-113.2 through 113.4a. If the Pension Fund has net assets of at least \$2,500,000 but less than \$10,000,000, the Pension Fund's investment in equity investments shall not exceed 45% of the market value of the Pension Fund's net present assets stated in its most recent annual report on file with the Illinois Department of Insurance. If the Pension Fund has net assets of at least \$10,000,000, the Pension Fund's total investment in equity investments shall not exceed 55% effective July 1, 2012 of the market value of the Pension Fund's net present assets stated in its most recent annual report on file with the Illinois Department of Insurance.

**South Elgin and Countryside Fire Protection District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended May 31, 2017**

**Note 4 – Deposits and Investments (continued)**

Pension Fund assets may be invested in savings accounts or certificates of deposit of a national or state bank, even if fund assets on deposit in such institution will exceed federal deposit insurance or guarantee limits for invested principal and accrued interest, but only if the amount by which the fund's investment exceeds such insurance or guarantee limits is collateralized by the fund which shall be maintained and credited to the fund on the records of the custodial bank.

The financial statements reflect the adoption of Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. ASC 820 is effective for financial statements issued for fiscal years beginning after November 15, 2007. ASC 820 established a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurement.

In accordance with ASC 820, the District classifies its investments into Level 1, which refers to securities traded in an active market, Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available or Level 1 securities where there is a contractual restriction, and Level 3, which refers to securities not traded in an active market and for which no significant observable market inputs are available. As required by ASC 820, at May 31, 2017, the District's portfolio investments were classified as follows, based on fair values:

	<u>Fair Value</u>
Level 1	\$ 15,428,146
Level 2	-
Level 3	-
Total	\$ <u>15,428,146</u>

**South Elgin and Countryside Fire Protection District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended May 31, 2017**

**Note 5 – Capital Assets**

A summary of the changes in capital assets for the year follows. Total depreciation expense for governmental activities for the year was \$251,252:

	Capital Assets			Capital Assets
	June 1, 2016	Additions	Deletions	May 31, 2017
<b>Assets not subject to depreciation:</b>				
Land	\$ 322,900	\$ -	\$ -	\$ 322,900
Construction in progress	10,344	-	(10,344)	-
	<u>333,244</u>	<u>-</u>	<u>(10,344)</u>	<u>322,900</u>
<b>Assets subject to depreciation:</b>				
Buildings and improvements	2,655,794	10,344	(10,344)	2,655,794
Vehicles and equipment	6,579,178	119,214	(17,320)	6,681,072
	<u>9,234,972</u>	<u>129,558</u>	<u>(27,664)</u>	<u>9,336,866</u>
<b>Less accumulated depreciation:</b>				
Buildings and improvements	1,222,388	67,692	(10,344)	1,279,736
Vehicles and equipment	5,542,792	183,560	(17,320)	5,709,032
	<u>6,765,180</u>	<u>251,252</u>	<u>(27,664)</u>	<u>6,988,768</u>
<b>Total Net Capital Assets</b>	<b>\$ <u>2,803,036</u></b>	<b>\$ <u>(121,694)</u></b>	<b>\$ <u>(10,344)</u></b>	<b>\$ <u>2,670,998</u></b>

**Note 6 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employees' health; and natural disasters for which the District carries commercial insurance to limit exposure to significant loss. There have been no significant reductions in insurance coverage. Settlement amounts, if any, have not exceeded insurance coverage for the current year or the three prior years.

**Note 7 – Long-Term Liabilities**

The compensated absences currently outstanding are as follows:

	Fund Debt Retired by	Balance June 1, 2016	Additions	Reductions	Balance May 31, 2017	Due Within One Year
Compensated absences	General	\$ 789,415	\$ 278,766	\$ 224,166	\$ 844,015	\$ 282,183
<b>Total</b>		<b>\$ <u>789,415</u></b>	<b>\$ <u>278,766</u></b>	<b>\$ <u>224,166</u></b>	<b>\$ <u>844,015</u></b>	<b>\$ <u>282,183</u></b>



**South Elgin and Countryside Fire Protection District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended May 31, 2017**

**Note 8 – Deferred Compensation Plan**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination of employment, retirement, or death. The District funds all amounts of compensation deferred under the Plan, at the direction of the covered employee, through investments in mutual funds. The District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The cost of the deferred compensation plan for the year was \$31,459.

**Note 9 – Prior Period Adjustment**

Prior period adjustment was recorded due to the change in actuarial assumptions for the mortality table used as well as the change in the single discount rate from 7.5% to 6.75%.

**Note 10 – Date of Management’s Review**

Subsequent events have been evaluated through the date of this report. It was concluded that there are no subsequent events required to be disclosed.

**Required Supplementary Information**

**South Elgin and Countryside Fire Protection District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual - Modified Accrual Basis**  
**For the Fiscal Year Ended May 31, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive/ (Negative)</u>
<b>Revenues:</b>				
Property taxes	\$ 4,948,099	\$ 4,948,099	\$ 5,503,809	\$ 555,710
Replacement tax	15,000	15,000	22,985	7,985
Impact fee income	-	-	46,086	46,086
Ambulance income	600,000	600,000	748,405	148,405
Grant income	-	-	18,571	18,571
Interest income	6,000	6,000	6,846	846
Investment earnings, net	-	-	14,780	14,780
Miscellaneous	-	-	135,134	135,134
<b>Total Revenues</b>	<u>5,569,099</u>	<u>5,569,099</u>	<u>6,496,616</u>	<u>927,517</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Payroll	5,412,341	5,412,341	4,385,039	1,027,302
Insurance	1,139,051	1,139,051	920,456	218,595
Capital outlay	272,083	272,083	119,214	152,869
Equipment supplies and maintenance	316,684	316,684	282,468	34,216
Fire prevention	13,255	13,255	6,500	6,755
Building maintenance and utilities	168,520	168,520	116,030	52,490
EMS expenses	64,295	64,295	12,691	51,604
Logistics	68,916	68,916	33,841	35,075
Training	29,480	29,480	11,665	17,815
General and administrative	465,791	465,791	342,099	123,692
<b>Total Expenditures</b>	<u>7,950,416</u>	<u>7,950,416</u>	<u>6,230,003</u>	<u>1,720,413</u>
<b>Net Change in Fund Balance</b>	<u>\$ (2,381,317)</u>	<u>\$ (2,381,317)</u>	266,613	<u>\$ 2,647,930</u>
<b>Fund Balance - Beginning of Year</b>			<u>4,831,335</u>	
<b>Fund Balance - End of Year</b>			<u>\$ 5,097,948</u>	

The accompanying notes are an integral part of the financial statements.

**South Elgin and Countryside Fire Protection  
Multiyear Schedule of Contributions  
May 31, 2017**

<u>Fiscal Year Ending May 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a % of Covered Valuation Payroll</u>
2017	\$ 586,953	\$ 651,428	\$ (64,475)	\$ 2,577,502	25.27%
2016	\$ 596,180	\$ 620,416	\$ (24,236)	\$ 2,499,897	24.82%
2015	\$ 559,385	\$ 590,366	\$ (30,981)	\$ 2,427,473	24.32%

The accompanying notes are an integral part of the financial statements.

**South Elgin and Countryside Fire Protection  
Multiyear Schedule of Changes in Net Pension Liability  
and Related Ratios  
May 31, 2017**

Last 10 Fiscal Years  
(schedule to be built prospectively from 2015)

Fiscal year ending May 31,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Total Pension Liability</b>										
Service cost	\$ 677,624	604,306	593,391	-	-	-	-	-	-	-
Interest on the total pension liability	1,250,122	1,001,848	1,010,528	-	-	-	-	-	-	-
Benefit changes	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(277,196)	(159,177)	(360,194)	-	-	-	-	-	-	-
Assumption changes	(174,387)	2,522,101	394,917	-	-	-	-	-	-	-
Benefit payments and refunds	(292,983)	(288,921)	251,389	-	-	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>1,183,180</b>	<b>3,680,157</b>	<b>1,387,253</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Pension Liability - Beginning</b>	<b>18,666,816</b>	<b>14,986,659</b>	<b>13,599,406</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 19,849,996</b>	<b>18,666,816</b>	<b>14,986,659</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position</b>										
Employer contributions	\$ 651,428	620,416	590,366	-	-	-	-	-	-	-
Employee contributions	241,311	234,175	232,642	-	-	-	-	-	-	-
Other contributions	-	7,098	-	-	-	-	-	-	-	-
Pension plan net investment income	1,082,542	92,528	556,992	-	-	-	-	-	-	-
Benefit payments and refunds	(292,983)	(288,921)	251,389	-	-	-	-	-	-	-
Administrative expense	(32,798)	(31,993)	50,700	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,649,500</b>	<b>633,303</b>	<b>1,077,911</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>10,826,713</b>	<b>10,193,410</b>	<b>9,115,498</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 12,476,213</b>	<b>10,826,713</b>	<b>10,193,410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<b>7,373,783</b>	<b>7,840,103</b>	<b>4,793,249</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>62.85%</b>	<b>58.00%</b>	<b>68.02%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Covered Valuation Payroll</b>	<b>\$ 2,577,502</b>	<b>2,499,897</b>	<b>2,427,473</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>	<b>286.08%</b>	<b>313.62%</b>	<b>197.46%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes are an integral part of the financial statements.

**South Elgin and Countryside Fire Protection District  
Note to Required Supplementary Information  
For the Fiscal Year Ended May 31, 2017**

**Note 1 – Summary of Significant Accounting Policies**

**Budgets**

The District follows these procedures in establishing the budgeting data reflected in the financial statements:

1. The Board of Trustees appoints a committee to prepare the operating budget for the District's primary government fund and pension funds.
2. The proposed budget is then reviewed by the Trustees and approved. The budget is legally adopted and an ordinance drafted, submitted and approved.

Budget figures are based on the modified accrual basis of accounting. Appropriated reserves are not included on the budgetary comparison schedule.