

BASIC FINANCIAL STATEMENTS

Exhibit "A"

MASON COUNTY, ILLINOIS
STATEMENT OF NET POSITION
NOVEMBER 30, 2017

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash	\$ 7,555,293	\$ 25,194	\$ 7,580,487	\$ 197,030
Investments	1,847,000	-	1,847,000	150,000
Accounts receivable	32,255	-	32,255	66,072
Prepays	63,032	-	63,032	4,921
Due from other governments	468,946	-	468,946	-
Due from fiduciary funds	80,573	-	80,573	-
Inventories, at cost	81,185	-	81,185	-
Capital assets				
Land	14,000	-	14,000	-
Construction in progress	6,699,642	-	6,699,642	-
Buildings	2,110,970	1,266,886	3,377,856	-
Furniture and Equipment	2,851,291	11,921	2,863,212	940,438
Infrastructure	8,376,112	-	8,376,112	-
Accumulated depreciation	(6,687,985)	(726,329)	(7,414,314)	(711,102)
Total Assets	\$ 23,492,314	\$ 577,672	\$ 24,069,986	\$ 647,359
DEFERRED OUTFLOWS OF RESOURCES	\$ 1,871,698	\$ -	\$ 1,871,698	\$ -
LIABILITIES				
Accounts payable	\$ 859,172	\$ -	\$ 859,172	\$ -
Accrued expenses	334,306	-	334,306	-
Advanced revenue	16,750	-	16,750	-
Funds held pending future judgments	29,951	-	29,951	-
Net pension liability	4,805,943	-	4,805,943	-
Other postretirement benefits	1,192,673	-	1,192,673	-
Notes payable, current	142,305	-	142,305	-
Other long-term obligation, current	135,048	-	135,048	-
Notes payable, noncurrent	6,039,960	-	6,039,960	-
Total Liabilities	\$ 13,556,108	\$ -	\$ 13,556,108	\$ -
NET POSITION				
Net investment in capital assets	\$ 6,700,282	\$ 552,478	\$ 7,252,760	\$ 229,336
Restricted for:				
General government	2,861,457	-	2,861,457	-
Judiciary	669,851	-	669,851	-
Public works and transportation	417,009	-	417,009	-
Health and welfare	1,032,525	-	1,032,525	-
Unrestricted	126,780	25,194	151,974	418,023
Total Net Position	\$ 11,807,904	\$ 577,672	\$ 12,385,576	\$ 647,359

The accompanying notes to basic financial statements are an integral part of this statement.

MASON COUNTY, ILLINOIS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED NOVEMBER 30, 2017

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Component Units
Primary Government							
Governmental activities							
General government	\$ 1,726,298	\$ 242,120	\$ -	\$ -	\$ (1,484,178)	\$ -	\$ (1,484,178)
Public safety	2,307,081	415,429	20,693	-	(1,870,959)	-	(1,870,959)
Judiciary	836,681	819,817	3,922	-	(12,942)	-	(12,942)
Transportation	1,607,600	272,142	13,997	-	(1,321,461)	-	(1,321,461)
Health and welfare	2,176,815	284,373	726,048	-	(1,166,394)	-	(1,166,394)
Interest expense	2,858	-	-	-	(2,858)	-	(2,858)
Total governmental activities	\$ 8,657,333	\$ 2,033,881	\$ 764,660	\$ -	\$ (5,858,792)	\$ -	\$ (5,858,792)
Business-type activities							
Public Building Commission	353,176	325,000	-	-	-	(28,176)	(28,176)
Total primary government	\$ 9,010,509	\$ 2,358,881	\$ 764,660	\$ -	\$ (5,858,792)	\$ (28,176)	\$ (5,886,968)
Component Unit							
Emergency Telephone Systems Board	\$ 136,511	\$ 214,202	\$ -	\$ -			\$ 77,691
General Revenues							
Property taxes					\$ 3,463,572	\$ -	\$ 3,463,572
Replacement taxes					318,384	-	318,384
Sales taxes					734,118	-	734,118
State income tax allocation					519,395	-	519,395
Motor fuel tax allotments					307,721	-	307,721
Other taxes					18,238	-	18,238
Unrestricted investment earnings					72,525	77	72,602
Loss on sale/disposal of assets					(20,898)	-	(20,898)
Total general revenue and transfers					\$ 5,413,055	\$ 77	\$ 5,413,132
Change in net position					\$ (445,737)	\$ (28,099)	\$ (473,836)
Net position - beginning					12,253,641	605,771	12,859,412
Net position - ending					\$ 11,807,904	\$ 577,672	\$ 12,385,576

The accompanying notes to basic financial statements are an integral part of this statement.

Exhibit "C"

MASON COUNTY, ILLINOISBALANCE SHEETGOVERNMENTAL FUNDSNOVEMBER 30, 2017

	<u>General Fund</u>	<u>County Health Department</u>	<u>Illinois Municipal Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash	\$ 2,305,633	\$ 1,143,378	\$ 631,249	\$ 3,390,900	\$ 7,471,160
Investments	1,547,000	-	300,000	-	1,847,000
Accounts receivable	-	-	-	15,133	15,133
Prepays	27,692	35,340	-	-	63,032
Due from other governments	289,828	147,435	-	31,683	468,946
Due from other funds	39,554	-	-	53,651	93,205
Inventories, at cost	<u>21,267</u>	<u>27,674</u>	<u>-</u>	<u>32,244</u>	<u>81,185</u>
<u>TOTAL ASSETS</u>	\$ <u>4,230,974</u>	\$ <u>1,353,827</u>	\$ <u>931,249</u>	\$ <u>3,523,611</u>	\$ <u>10,039,661</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>Liabilities</u>					
Accounts payable	\$ 103,320	\$ 698,316	\$ -	\$ 57,536	\$ 859,172
Accrued expenses	101,234	51,795	-	-	153,029
Advanced revenue	-	16,750	-	-	16,750
Funds held pending future judgements	29,951	-	-	-	29,951
Due to other funds	<u>4,382</u>	<u>8,250</u>	<u>-</u>	<u>-</u>	<u>12,632</u>
<u>Total Liabilities</u>	\$ <u>238,887</u>	\$ <u>775,111</u>	\$ <u>-</u>	\$ <u>57,536</u>	\$ <u>1,071,534</u>
<u>Fund Balances</u>					
Nonspendable	\$ 21,267	\$ 27,674	\$ -	\$ 32,244	\$ 81,185
Restricted	-	551,042	931,249	3,017,068	4,499,359
Committed	-	-	-	-	-
Assigned	-	-	-	416,763	416,763
Unassigned	<u>3,970,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,970,820</u>
<u>Total Fund Balances</u>	\$ <u>3,992,087</u>	\$ <u>578,716</u>	\$ <u>931,249</u>	\$ <u>3,466,075</u>	\$ <u>8,968,127</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ <u>4,230,974</u>	\$ <u>1,353,827</u>	\$ <u>931,249</u>	\$ <u>3,523,611</u>	

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

13,364,030

Deferred outflows of resources

1,871,698

Internal service funds are used by management to charge the costs of employee health services to individual funds. The assets/liabilities of the internal service funds are included in the governmental activities in the statement of net position.

(80,022)

Long-term liabilities, including notes payable, compensated absences, and other postemployment benefits are not due and payable from current financial sources and, therefore, are not reported in the government funds.

(12,315,929)

NET POSITION OF GOVERNMENTAL ACTIVITIES**\$ 11,807,904**

The accompanying notes to basic financial statements are an integral part of this statement.

Exhibit "D"

MASON COUNTY, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2017

	General Fund	County Health Department	Illinois Municipal Retirement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 1,607,410	\$ 194,176	\$ 619,677	\$ 1,042,309	\$ 3,463,572
Replacement taxes	318,384	-	-	-	318,384
Sales taxes	734,118	-	-	-	734,118
State income tax allocation	519,395	-	-	-	519,395
Motor fuel tax allotments	-	-	-	307,721	307,721
Other taxes	18,238	-	-	-	18,238
Charges for services	262,342	245,801	-	190,760	698,903
Licenses, fees, and fines	255,647	-	-	415,213	670,860
Interest on investments	56,950	2,722	3,141	9,460	72,273
Federal revenues	2,793	276,771	-	12,514	292,078
Grants	17,900	449,277	-	5,405	472,582
Other intergovernmental	300,827	-	-	-	300,827
Miscellaneous	259,187	13,807	-	90,297	363,291
Total Revenues	\$ 4,353,191	\$ 1,182,554	\$ 622,818	\$ 2,073,679	\$ 8,232,242
EXPENDITURES					
Current:					
Judiciary	\$ 547,507	\$ -	\$ -	\$ 97,282	\$ 644,789
Public Safety	1,607,733	-	-	90,094	1,697,827
Transportation	-	-	-	1,031,083	1,031,083
Public health and welfare	57,344	1,345,058	-	473,653	1,876,055
General and administration	1,437,689	-	-	45,405	1,483,094
Employee benefits	359,895	-	687,783	289,176	1,336,854
Other expenditures	438,584	-	-	-	438,584
Capital Outlay	47,959	5,596,738	-	288,921	5,933,618
Debt Service:					
Principal	-	-	-	2,937	2,937
Interest	-	-	-	2,858	2,858
Total Expenditures	\$ 4,496,711	\$ 6,941,796	\$ 687,783	\$ 2,321,409	\$ 14,447,699
Excess of Revenues Over (Under) Expenditures	\$ (143,520)	\$ (5,759,242)	\$ (64,965)	\$ (247,730)	\$ (6,215,457)
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 179,846	\$ -	\$ -	\$ 95,000	\$ 274,846
Transfers out	(95,000)	-	-	(179,846)	(274,846)
Proceeds from loans	-	5,186,204	-	140,896	5,327,100
Total Other Financing Sources (Uses)	\$ 84,846	\$ 5,186,204	\$ -	\$ 56,050	\$ 5,327,100
Net Change in Fund Balances	\$ (58,674)	\$ (573,038)	\$ (64,965)	\$ (191,680)	\$ (888,357)
Fund Balances, December 1, 2016	4,050,761	1,151,754	996,214	3,657,755	9,856,484
Fund Balances, November 30, 2017	\$ 3,992,087	\$ 578,716	\$ 931,249	\$ 3,466,075	\$ 8,968,127

The accompanying notes to basic financial statements are an integral part of this statement.

Exhibit "E"

MASON COUNTY, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED NOVEMBER 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (888,357)
Proceeds from the issuance of debt principal are recorded as other financing sources in the governmental funds, but increases long-term liabilities in the Statement of Net Position	(5,327,100)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt liabilities in the Statement of Net Position	2,937
Capital outlay is an expenditure in the Governmental Funds, but are capitalized and depreciated in the Statement of Activities	5,933,618
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Capital contributions	-
Pension obligations	452,745
Compensated absences	4,122
Depreciation expense	(590,066)
Gain on disposal of capital assets	(20,898)
Internal service funds are used by management to charge the costs of employee health insurance to individual funds. The net income of certain activities of internal service funds is reported with governmental activities.	<u>(12,738)</u>
CHANGE IN NET POSITIONS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(445,737)</u></u>

The accompanying notes to basic financial statements are an integral part of this statement.

Exhibit "F"

MASON COUNTY, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
NOVEMBER 30, 2017

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
	<u>Public Building Commission</u>	
<u>ASSETS</u>		
Current assets:		
Cash	\$ 25,194	\$ 84,133
Accounts receivable	<u>-</u>	<u>17,122</u>
Total Current Assets	\$ <u>25,194</u>	\$ <u>101,255</u>
Capital assets, at cost:		
Buildings	\$ 1,266,886	\$ -
Furnishings and equipment	11,921	-
Accumulated depreciation	<u>(726,329)</u>	<u>-</u>
Net capital assets	\$ <u>552,478</u>	\$ <u>-</u>
Total Assets	\$ <u>577,672</u>	\$ <u>101,255</u>
<u>LIABILITIES</u>		
Accrued expenses	\$ <u>-</u>	\$ <u>181,277</u>
<u>NET POSITION</u>		
Invested in capital assets	\$ 552,478	\$ -
Unrestricted	<u>25,194</u>	<u>(80,022)</u>
Total Net Position	\$ <u>577,672</u>	\$ <u>(80,022)</u>

The accompanying notes to basic financial statements are an integral part of this statement.

Exhibit "G"

MASON COUNTY, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2017

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund Public Building Commission</u>	<u>Internal Service Funds</u>
<u>OPERATING REVENUES</u>		
Charges for services	\$ 325,000	\$ 892,327
<u>Total Operating Revenues</u>	\$ 325,000	\$ 892,327
<u>OPERATING EXPENSES</u>		
Judiciary and court related	\$ 327,000	\$ -
General governmental services	-	905,316
Depreciation	26,176	-
<u>Total Operating Expenses</u>	\$ 353,176	\$ 905,316
<u>OPERATING INCOME (LOSS)</u>	\$ (28,176)	\$ (12,989)
<u>NONOPERATING REVENUE</u>		
Interest income	\$ 77	\$ 251
<u>CHANGE IN NET POSITION</u>	\$ (28,099)	\$ (12,738)
Net Position, December 1, 2016	605,771	(67,284)
<u>Net Position, November 30, 2017</u>	\$ 577,672	\$ (80,022)

The accompanying notes to basic financial statements are an integral part of this statement.

Exhibit "H"

MASON COUNTY, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2017

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund Public Building Commission</u>	<u>Internal Service Funds</u>
<u>Cash flows from operating activities</u>		
Receipts from customers and users	\$ 325,000	\$ -
Receipts from interfund services provided	-	892,327
Payments to suppliers	(327,000)	-
Payments to/on behalf of employees	<u>-</u>	<u>(942,709)</u>
<u>Net cash from operating activities</u>	<u>\$ (2,000)</u>	<u>\$ (50,382)</u>
<u>Cash flows from investing activities</u>		
Interest received on cash and investments	\$ <u>77</u>	\$ <u>251</u>
<u>Net cash from investing activities</u>	<u>\$ 77</u>	<u>\$ 251</u>
<u>Cash flows from capital and related financing activities</u>		
Purchases of capital assets	\$ <u>-</u>	\$ <u>-</u>
<u>Net cash from capital and related financing activities</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Net increase (decrease) in cash</u>	<u>\$ (1,923)</u>	<u>\$ (50,131)</u>
<u>Cash balance, December 1, 2016</u>	<u>27,117</u>	<u>134,264</u>
<u>Cash balance, November 30, 2017</u>	<u>\$ 25,194</u>	<u>\$ 84,133</u>
<u>Operating income (loss)</u>	<u>\$ (28,176)</u>	<u>\$ (12,989)</u>
Adjustments to reconcile net operating income (loss) to net cash from operating activities:		
Depreciation	26,176	-
Changes in assets and liabilities:		
Accounts receivable	-	(17,122)
Accrued expenses	<u>-</u>	<u>(20,271)</u>
<u>Net cash from operating activities</u>	<u>\$ (2,000)</u>	<u>\$ (50,382)</u>

The accompanying notes to basic financial statements are an integral part of this statement.

Exhibit "I"

MASON COUNTY, ILLINOIS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
NOVEMBER 30, 2017

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash	\$ 1,171,095	\$ 317,360
Certificates of deposit	-	-
Accounts receivable	<u>74,458</u>	<u>-</u>
<u>Total Assets</u>	\$ <u>1,245,553</u>	\$ <u>317,360</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 34,534	\$ -
Funds held for others	-	270,102
Due to other funds	<u>33,315</u>	<u>47,258</u>
<u>Total Liabilities</u>	\$ <u>67,849</u>	\$ <u>317,360</u>
<u>NET POSITION</u>		
Held in trust for other governments	\$ <u>1,177,704</u>	\$ <u>-</u>

The accompanying notes to basic financial statements are an integral part of this statement.

Exhibit "J"

MASON COUNTY, ILLINOIS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED NOVEMBER 30, 2017

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS</u>	
Motor fuel tax allotments	\$ 915,541
Interest on investments	6,528
Federal revenues	-
Grants	-
Other intergovernmental	<u>91,793</u>
<u>Total Additions</u>	\$ <u>1,013,862</u>
<u>DEDUCTIONS</u>	
Transportation expenditures	\$ <u>837,330</u>
<u>CHANGE IN NET POSITION</u>	\$ 176,532
<u>OTHER FINANCING SOURCES (USES)</u>	
Transfers from (to) other funds	<u>-</u>
<u>CHANGE IN NET POSITION AFTER OTHER FINANCING SOURCES (USES)</u>	\$ 176,532
Net Position, December 1, 2016	<u>1,001,172</u>
<u>Net Position, November 30, 2017</u>	\$ <u>1,177,704</u>

The accompanying notes to basic financial statements are an integral part of this statement.

MASON COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2017

Note (1) Summary Of Accounting Policies

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

The financial statements of Mason County, Illinois are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through June 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting and reporting policies used by the County are discussed below.

Reporting Entity

The County's financial reporting entity is composed of the following:

Primary Government	Mason County
Blended Component Unit	Mason County Public Building Commission
Discretely Presented Component Unit	Emergency Telephone System Board

Blended Component Unit

A blended component unit is a separate legal entity that the County is financially responsible for and its governing body is the same or substantially the same as the County Board or the component unit provides services entirely to the County. The component unit's funds are blended into those of the County by appropriate fund type to constitute the primary government presentation.

The County's blended component unit consists of the Mason County Public Building Commission. The Mason County Public Building Commission is governed by a five member board. Although it is legally separate from the County, the Public Building Commission is reported as if it were part of the primary government because the Public Building Commission provides benefit exclusively to Mason County. The Commission's funding is based solely on contractual agreements with the County for the provision of specific goods and services.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that the County is financially accountable for but does not have the same or substantially the same governing body as the County Board nor does it provide services exclusively to the County.

The component unit columns in the government-wide financial statements include the financial data of the Mason County Emergency Telephone Systems Board. The Mason County Board Chairman with the advice and consent of the Mason County Board appoints board members (not to exceed 11) to the Mason County Emergency Telephone Systems Board. The members of the Mason County Emergency Telephone Systems Board are then responsible for planning the 911 emergency system, receiving monies imposed by the County Board under an established surcharge, and authorizing disbursements. The geographic area served by the Mason County Emergency Telephone Systems Board is the same as Mason County. The treasurer of Mason County maintains the funds and invests or disburses them at the direction of the Mason County Emergency Telephone Systems Board. Complete financial statements of the Mason County Emergency Telephone Systems Board can be obtained from the County Clerk.

Note (1) Summary Of Accounting Policies (Continued)Basis of Presentation

The basic financial statements include both government-wide and fund financial statements.

Government-wide Financial Statements

Government-wide statements focus on the County as a whole, and primary activities are categorized as either governmental or business-type. Even though the government-wide statements focus on the County as a whole, fiduciary funds are not included in the government-wide statements. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis.

The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods and 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 financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major funds are determined based on criteria established by GASB No. 34.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The County has the following major governmental funds:

General Fund

This is the County's primary operating fund. All general tax revenues and other receipts that are not allocated to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds.

County Health Department Fund

The County Health Department Fund is used to account for the operations of the County Health Department. The basic purpose of the Department is the protection and improvement of the public health in the County, which includes the maintenance of suitable offices, facilities, and equipment necessary in the carrying-out of the program objectives. Financing is provided by an annual property tax levy (initially authorized by referendum), operating grants from the State of Illinois, and purchase of service contracts with other local governmental units. On November 12, 2015, Manito Healthy Living, LLC was formed for which the Mason County Health Department is the sole member. Consequently, all activity of Manito Healthy Living, LLC is recorded in the County Health Department Fund. Manito Healthy Living, LLC is constructing a 48 bed assisted living facility in the Village of Manito, IL. The facility will be fully operational in fiscal year 2018.

Note (1) Summary Of Accounting Policies (Continued)Basis of Presentation (Continued)Illinois Municipal Retirement Fund

This Fund accounts for the activities resulting from the County's participation in the Illinois Municipal Retirement Fund (IMRF). Financing is provided by a specific annual property tax levy which is used to pay the County's contributions to the fund on behalf of the County employees.

Proprietary Funds

The County has the following Proprietary Funds:

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Public Building Commission Fund is the only Enterprise Fund and is used to account for the revenues and expenses associated with the operation of the Mason County Jail Facility.

Internal Service Fund

The Internal Service Fund is used to account for the financing of the County's health care plan which provides services to other departments on a cost-reimbursement basis.

Fiduciary Funds

The County has the following Fiduciary Funds:

Private Purpose Trust Funds

These funds report principal and income which benefits individuals, private organizations or other governments. Private Purpose Trust Funds include the Township Motor Fuel Tax Fund and the Township Bridge Program Fund.

Agency Funds

These funds account for assets received and held by the County in a trustee or custodial capacity for other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

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

Note (1) Summary Of Accounting Policies (Continued)Basis of Accounting (Continued)Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified basis of accounting when the liability is incurred. The exception to this general rule is that debt service expenditures and expenditures related to compensated absences are recognized when due.

Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand and demand deposits. For the purpose of the statements of cash flows, all highly liquid assets with a maturity of three months or less are considered to be cash equivalents. At November 30, 2017, no investments qualified as cash equivalents.

Investments

Investments, which consist primarily of certificates of deposit, are stated at cost, which approximates fair value.

Accounts Receivable

Accounts receivable in the governmental funds, internal service fund, and the discretely presented component unit are reported at gross with no allowance for uncollectibles since the amount of any uncollectible accounts is considered immaterial by management.

Inventories

Inventories consist of expendable supplies and are stated at lower of cost or market with cost determined on a first-in, first-out (FIFO) basis. The cost of inventory is recorded as expenditure at the time individual inventory items are purchased.

Prepaid Items

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

Interfund Activity

Interfund receivables/payables are reported on the fund financial statements in full and are not netted against each other. However, on the government-wide financial statements the interfund receivables/payables are netted against each other and any residual balance is reported on its respective due to other funds or due from other funds line. Interfund revenue and expenses are eliminated in the government-wide statement of activities.

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the County's government-wide financial statements. A capitalization threshold of \$5,000 is used for all capital assets. Capital assets are carried at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Infrastructure assets are being accounted for prospectively beginning in 2004, as required by GASB No. 34.

Capital assets of the primary government are depreciated using the straight-line method over the estimated useful lives of the assets which range from 5 to 40 years.

Note (1) Summary Of Accounting Policies (Continued)Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

County employees earn vacation in one calendar year to be taken in the following calendar year with accumulation allowed based on years of service. An employee with eight years of service or less may accumulate up to 20 days of vacation. An employee with more than eight years of service may accumulate up to 30 days of vacation. Any unused vacation time is payable to employees upon separation. An estimated liability has been accrued in the government-wide financial statements for vacation time earned, but not used as of the end of the County's fiscal year. Employees can accumulate twelve days of sick leave per year up to a maximum of 60 days. Accumulated sick pay is forfeited upon an employee's termination of employment.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental fund types report the face amount of the debt issued as other financing sources and debt repayments as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents the acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only one item that meet the criterion for this category: pension expense.

Net Position and Fund Equity

In the government-wide financial statements, net position is reported in three categories: invested in capital assets, net of related debt, restricted net position, and unrestricted net position. Net position invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Restricted net position represents net position restricted by parties outside of the County (such as grantors, laws, and regulations of other governments). All other net position is considered unrestricted.

In the fund financial statements, fund balance for governmental funds is reported according to GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement enhances the usefulness of the fund balance information by providing clearer fund balance classifications and clarifying the existing governmental fund type definitions. The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance

Fund balance amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance

Fund balance amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation (such as tax levy).

Committed Fund Balance

Fund balance amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned Fund Balance

Fund balance amounts a government intends to use for a specific purpose. The intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Note (1) Summary Of Accounting Policies (Continued)Unassigned Fund Balance

Fund balance amounts that are available for any purpose.

The County's Board of Directors establishes (and modifies or rescinds) fund balance commitments and assignments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget.

The County considers restricted amounts to have been spent when expenditures are incurred for purposes for which the restricted fund balance is available. The County has not established a policy for its use of unrestricted fund balance amounts. It considers that committed would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Detail of the fund balance classifications for the governmental funds is as follows at November 30, 2017:

	<u>Major</u> General Fund	<u>Major</u> County Health Department	<u>Major</u> IMRF	Other Funds	Total
Nonspendable:					
Inventory	\$ 21,267	\$ 27,674	\$ -	\$ 32,244	\$ 81,185
Restricted for:					
Retirement	-	-	931,249	-	931,249
Social Security	-	-	-	547,789	547,789
Ambulance services	-	-	-	374,200	374,200
Highways	-	-	-	995,658	995,658
Debt service	-	551,042	-	87,789	638,831
Court-related costs	-	-	-	669,851	669,851
Veteran services	-	-	-	20,287	20,287
IT	-	-	-	249,041	249,041
Other purposes	-	-	-	72,453	72,453
Assigned to:					
Law enforcement	-	-	-	152,360	152,360
Highways	-	-	-	260,313	260,313
Other purposes	-	-	-	4,090	4,090
Unassigned	<u>3,970,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,970,820</u>
Total fund balances	<u>\$ 3,992,087</u>	<u>\$ 578,716</u>	<u>\$ 931,249</u>	<u>\$ 3,466,075</u>	<u>\$ 8,968,127</u>

Property Taxes

The Supervisor of Assessments prepares the property tax assessment rolls with the property tax liens as of January 1 of each year. Levies are set by individual governmental entities prior to the lien dates set by statute. The collection date for property tax receipts is thirty days after the property tax bills are mailed to taxpayers. The first installment is generally due around June 1 of each year, with the second equal installment due September 1. Property taxes collected are distributed to each taxing district thirty days after receipt. Any unpaid property tax levies are sold at a tax sale the last week of October and final distribution is made in November of each year.

Property taxes levied in 2016 are reflected as revenues in fiscal year 2017. Amounts not collected by the Collector by November 30, 2017 are either under tax objection or forfeiture. Distributions of these tax objection and forfeiture amounts are recognized as revenue in the year of distribution since collection is uncertain. Property taxes levied in 2017 have been recognized as deferred outflows of resources and deferred inflows of resources as these taxes will be collected and associated for budget purposes to be used in 2017. In addition, mobile home tax revenues are recognized on the cash basis due to uncertain availability until collection.

Note (1) Summary Of Accounting Policies (Continued)Budget and Appropriations

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

Once the County budget has been adopted, no further appropriations shall be made during the year except in the event of an immediate emergency at which time the County Board, by a two-thirds vote, may make appropriations in excess of those authorized in the budget. The ultimate level of control is the funds, but is carried down to department and line item. Budgets are not prepared for funds when it is not deemed appropriate by the Board.

Use of Estimates

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

Note (2) Cash and Investments

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

- a. Interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits constituting direct obligations of any bank as shall have been selected and designated under the terms of the Statutes and as shall have complied with the requirements thereof;
- b. Shares or other forms of securities legally issuable by savings and loan associations incorporated under the laws of this state or any other state or under the laws of the United States, provided such shares or securities are insured by the Federal Depository Insurance Corporation;
- c. Bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
- d. Short-term discount obligations of the Federal National Mortgage Association.

During the year ended November 30, 2017, the County complied with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits were made.

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the bank or counterparty, the County will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The County does not have a policy for custodial credit risk.

At November 30, 2017, the carrying amount of the primary County's (primary government) deposits, which consisted of cash in checking accounts, savings accounts, and certificates of deposit, was \$10,805,812. The bank balance of these accounts at November 30, 2017 was \$10,921,313 of which all was covered by federal depository insurance or by collateral held by the County's agent in the County's name. The County also had cash on hand of \$110,130 at November 30, 2017.

At November 30, 2017, the carrying amount of the Emergency Telephone System Board's (component unit) deposits, which consisted of cash in a checking account and a certificate of deposit, was \$347,030. The bank balance of these accounts at November 30, 2017 was \$348,692, of which all was covered by federal depository insurance.

Note (2) Cash and Investments (Continued)

Reconciliation to Government-wide Statement of Net Position:

	Government- Wide	Fiduciary Funds	Total
Cash	\$ 7,580,487	\$ 1,488,455	\$ 9,068,942
Certificates of deposits	1,847,000	-	1,847,000
	\$ 9,427,487	\$ 1,488,455	\$ 10,915,942
Less cash on hand	(34,018)	(76,112)	(110,130)
	\$ 9,393,469	\$ 1,412,343	\$ 10,805,812

Interest Rate Risk

The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All certificates of deposit have maturity dates of less than one year.

Note (3) Receivables

Accounts receivable as of year-end for the County's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	Nonmajor Governmental Funds	Internal Service Fund
Reinsurance for health care plan	\$ -	\$ 17,122
Transportation	15,133	-
Other	-	-
	\$ 15,133	\$ 17,122

Due from other governments as of year-end for the County's individual major funds are as follows:

	General Fund	County Health Department	Nonmajor Governmental Funds	Total
Sales taxes	\$ 165,605	\$ -	\$ -	\$ 165,605
Replacement taxes	9,665	-	-	9,665
Income taxes	29,732	-	-	29,732
Salary reimbursements	72,598	-	-	72,598
Motor fuel tax allotments	-	-	21,662	21,662
Federal prisoner housing and transportation	12,228	-	-	12,228
Grants	-	147,435	-	147,435
Other	-	-	10,021	10,021
	\$ 289,828	\$ 147,435	\$ 31,683	\$ 468,946

Note (4) Balance Due to/from Other Funds

The primary purpose for the above interfund balance is short-term loans and amounts due other funds for expenditures made on their behalf. The interfund receivable and payable balances at November 30, 2017 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	County Health Department Fund	\$ 8,250
General Fund	Agency Funds	31,304
Other nonmajor governmental funds	General Fund	4,382
Other nonmajor governmental funds	Agency Funds	15,954
Other nonmajor governmental funds	Private Purpose Trust Funds	33,315

Note (5) Capital Assets

Capital asset activity for the County's governmental activities for the year ended November 30, 2017 was as follows:

	<u>Balance November 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance November 30, 2017</u>
Capital assets, non-depreciable:				
Construction in progress	\$ 1,026,065	\$ 5,673,577	\$ -	\$ 6,699,642
Capital assets, depreciable:				
Buildings	\$ 2,110,970	\$ -	\$ -	\$ 2,110,970
Equipment	2,705,037	246,041	(99,787)	2,851,291
Infrastructure	8,376,112	-	-	8,376,112
Total capital assets, depreciable	\$ 13,192,119	\$ 246,041	\$ (99,787)	\$ 13,338,373
Less accumulated depreciation for:				
Buildings	\$ (873,939)	\$ (63,833)	\$ -	\$ (937,772)
Equipment	(2,161,415)	(130,108)	78,889	(2,212,634)
Infrastructure	(3,141,454)	(396,125)	-	(3,537,579)
Total accumulated depreciation	\$ (6,176,808)	\$ (590,066)	\$ 78,889	\$ (6,687,985)
Total capital assets, depreciable	\$ 7,015,311	\$ (344,025)	\$ (20,898)	\$ 6,650,388
Governmental activities capital assets, net	\$ 8,041,376	\$ 5,329,552	\$ (20,898)	\$ 13,350,030

Note (5) Capital Assets (Continued)

Capital asset activity for the County's business-type activities for the year ended November 30, 2017 was as follows:

	Balance November 30, 2016	Additions	Deductions	Balance November 30, 2017
Capital assets, depreciable:				
Buildings	\$ 1,266,886	\$ -	\$ -	\$ 1,266,886
Furniture and equipment	11,921	-	-	11,921
Total capital assets, depreciable	\$ 1,278,807	\$ -	\$ -	\$ 1,278,807
Less accumulated depreciation for:				
Buildings	\$ (688,232)	\$ (26,176)	\$ -	\$ (714,408)
Equipment	(11,921)	-	-	(11,921)
Total accumulated depreciation	\$ (700,153)	\$ (26,176)	\$ -	\$ (726,329)
Business-type activities capital assets, net	\$ 578,654	\$ (26,176)	\$ -	\$ 552,478

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

Public safety	\$ 85,611
Transportation	447,093
Public health	35,221
Judiciary	4,100
General and administration	18,041

Total depreciation expense – governmental activities \$ 590,066

Business-type activities:

Public Building Commission \$ 26,176

Activity for the Emergency Telephone System Board (discretely presented component unit) for the year ended November 30, 2017 was as follows:

	Balance November 30, 2016	Additions	Deductions	Balance November 30, 2017
Capital assets, non- depreciable:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets, depreciable:				
Furniture and equipment	\$ 924,444	\$ 15,994	\$ -	\$ 940,438
Less accumulated depreciation	(666,880)	(44,222)	-	(711,102)
Total capital assets, depreciable	\$ 257,564	\$ (28,228)	\$ -	\$ 229,336
Total capital assets, net	\$ 257,564	\$ (28,228)	\$ -	\$ 229,336

Note (6) Transfers to/from Other Funds

Transfers to/from other funds during the year ended November 30, 2017 were as follows:

Transfers to General Fund from other nonmajor governmental funds	\$ <u>179,846</u>
Transfers to other nonmajor governmental funds from General Fund	\$ <u>95,000</u>

Transfers are primarily used to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note (7) Long-term Debt and Obligations

Mason County, Illinois has notes payable associated with equipment at November 30, 2017, as well as a long-term liability for compensated absences. The liability for compensated absences for governmental activities is liquidated by the General Fund or by the Special Revenue Fund from which the related employee's salary is normally paid. The building is liquidated by the Health Department Fund and the equipment is liquidated by the County Highway Fund.

Below is a summary of long-term debt for the year ended November 30, 2017:

	Balance November 30, 2016	Increases	Decreases	Balance November 30, 2017
<u>Governmental activities:</u>				
Compensated absences	\$ 139,170	\$ 135,048	\$ 139,170	\$ 135,048
<u>Building:</u>				
Assisted living facility	767,376	5,201,204	15,000	5,953,580
<u>Equipment:</u>				
Mack dump truck	-	140,896		140,896
Wheel loader	90,726	-	2,937	87,789
	<u>\$ 997,272</u>	<u>\$ 5,477,148</u>	<u>\$ 157,107</u>	<u>\$ 6,317,313</u>

The Mack dump truck note payable has an interest rate of 2.25%. The note was entered into on October 16, 2017. Payments of \$12,618 are due semi-annually with a final payment due on October 16, 2023.

The wheel loader note payable has an interest rate of 3.20%. The note was entered into on April 24, 2013. Payments of \$5,795 are due annually with a final payment of \$87,789 due on April 24, 2018.

At November 30, 2017, Manito Healthy Living, LLC, an entity owned by the Health Department, has entered into two long-term debt agreements for the construction of an assisted living facility. Manito Healthy Living, LLC has signed a promissory note with Midland States Bank. The loan allows for advances of up to \$6,282,493, including outstanding interest. The balance of the advances was \$5,445,933 at November 30, 2017. The original interest rate on the outstanding principal balance of the promissory note is prime rate plus 0.25%. The interest rate changed on August 2, 2017 through maturity date to be a fixed rate equal to the then three year LIBOR Swap rate plus 2.20%. Beginning September 1, 2016 through August 1, 2018, only monthly interest payments are due. Beginning on September 1, 2018, and continuing through the maturity date of August 1, 2020, monthly payments of principal and interest are due in an amount sufficient to amortize the outstanding principal balance as of September 1, 2018 at the interest rate over a twenty-five year period. All remaining unpaid interest and principal shall be due and payable on August 1, 2020. In addition, Manito Healthy Living, LLC signed a promissory note with the Village of Manito for \$507,647. The loan is interest only until 36 months after the facility is completed. The maturity date is December 31, 2030 but can be paid off earlier. The loan carries an interest rate of 5.00%. Since the completion date of the facility is unknown, repayment of the Village of Manito loan will not be disclosed in debt repayment schedule below.

Note (7) Long-term Debt and Obligations (Continued)

The following is a five year schedule of debt service requirements for the years ended November 30:

	Principal	Interest	Total
2018	\$ 142,305	\$ 59,099	\$ 201,404
2019	155,192	211,537	366,729
2020	5,304,307	172,184	5,476,491
2021	23,730	1,505	25,235
2022	24,267	968	25,235
	<u>\$ 5,649,801</u>	<u>\$ 445,293</u>	<u>\$ 6,095,094</u>

Note (8) Other Required Disclosures

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of certain information concerning individual funds including:

Excess of expenditures over appropriations in individual funds

The following funds had an excess of expenditures over appropriations for the year ended November 30, 2017:

	<u>Appropriations</u>	<u>Expenditures</u>
County Health Department	\$ 1,123,500	\$ 1,352,441
Animal Control Fund	\$ 64,300	\$ 72,693
Court Systems Fund	\$ 54,000	\$ 82,861

Deficit fund balances of individual funds

At November 30, 2017, the Internal Service Funds had a deficit fund balance of \$80,022.

Note (9) Operating Leases

The County has entered into a lease agreement, effective December 1, 1987, with the Mason Public Building Commission (a blended component unit in the accompanying financial statements) for the lease of the County jail facility. The lease requires the Commission to finance, build, maintain, and operate the jail facility. The lease has been renewed four times. The current agreement renewal extended the terms through December 1, 2020. Rental expense under the lease for fiscal year 2017 was \$325,000. The lease payment is a direct obligation of the County which levies an annual tax to fund the payment. Future rental payments under this lease are as follow:

<u>Year Ending November 30</u>	
2018	\$ 335,000
2019	345,000
2020	<u>355,000</u>
	<u>\$ 1,035,000</u>

Note (10) Risk Management

The County is exposed to various risks related to torts; theft, damage to and destruction of assets; errors and omission; medical claims of its employees and their dependents; and natural disasters.

The County uses an internal service fund to account for and finance its uninsured risks of loss related to the medical claims of its employees and their eligible covered dependents. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Under this program, the internal service fund provides coverage up to a maximum of \$35,000 per individual per year. The County purchases commercial insurance for claims in excess of coverage provided by the fund. Various funds of the County participate and make payments to the internal service fund based on historical cost information and to establish a reserve for catastrophe losses.

Changes in the claims liability in fiscal year 2017 were:

<u>Balance at Beginning of Year</u>	<u>Claims Incurred</u>	<u>Claims Paid</u>	<u>Balance at End of Year</u>
\$201,548	\$758,206	\$778,477	\$181,277

For other risks of loss, the County participates together with other counties in the state in the Illinois Counties Risk Management Trust (ICRMT). ICRMT is a public entity risk pool currently operating as a common risk management and insurance program for various counties throughout the State of Illinois. The County pays an annual premium to ICRMT for its insurance coverage. ICRMT purchases commercial insurance for workers' compensation claims in excess of \$1,000,000 and property-casualty claims in excess of \$500,000. Settlements have not exceeded insurance coverage for each of the past several fiscal years.

Note (11) Defined Benefit Pension Plan**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 a 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 Comprehensive Annual 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.

Note (11) Defined Benefit Pension Plan (Continued)Benefits Provided

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 IMRF benefit plans have two 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 years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight 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 15 years of service credit, plus 2% for each year of service credit after 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 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

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 62 (at reduced benefits) or after age 67 (at full benefits) with ten 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 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 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 Benefit Terms

As of December 31, 2016, the following employees were covered by the benefit terms:

	Regular Plan	SLEP Plan	ECO Plan
Retirees and Beneficiaries receiving benefits	99	19	13
Inactive Plan Members entitled to but not yet receiving benefits	78	7	1
Active Plan Members	69	20	2
	<u>246</u>	<u>46</u>	<u>16</u>

Contributions

As set by statute, the County's Regular, SLEP, and ECO plan members are required to contribute 4.50%, 7.50%, and 7.50%, respectively, 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 rates for calendar year 2016 were 9.44%, 17.13%, and 307.39% of payroll, respectively, for Regular, SLEP and ECO plans. For the fiscal year ended 2017, the County contributed \$246,111, \$183,245, and \$258,232, respectively, for the Regular, SLEP and ECO plans. 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, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Note (11) Defined Benefit Pension Plan (Continued)Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75%.
- Salary Increases were expected to be 3.75% to 14.50%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- 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:

	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	1%	2.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.50% 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 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 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

Note (11) Defined Benefit Pension Plan (Continued)Changes in the Net Pension Liability

The combined changes in the net pension liability for the Regular, SLEP, and ECO plan is:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) – (B)
Balances at December 31, 2015	\$ 26,735,016	\$ 22,229,890	\$ 4,505,126
Changes for the year:			
Service Cost	464,861	-	464,861
Interest on the Total Pension Liability	1,966,365	-	1,966,365
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the Total Pension Liability	206,609	-	206,609
Changes of assumptions	(70,875)	-	(70,875)
Contributions - employer	-	709,159	(709,159)
Contributions - employees	-	205,276	(205,276)
Net investment income	-	1,886,277	(1,886,277)
Benefit payments, including refunds of employee contributions	(1,329,344)	(1,329,344)	-
Other (Net Transfer)	-	(534,569)	534,569
Net Changes	\$ 1,237,616	\$ 936,799	\$ 300,817
Balances at December 31, 2016	\$ 27,972,632	\$ 23,166,689	\$ 4,805,943
Plan fiduciary net position as a percentage of the total pension liability	82.82%		
Covered valuation payroll	\$3,582,178		
Net pension liability as a percentage of covered valuation payroll	134.16%		

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Regular plan's net pension liability, calculated using a Single Discount Rate of 7.50%, 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% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
Total Pension Liability	\$ 15,159,767	\$ 13,350,833	\$ 11,883,449
Plan Fiduciary Net Position	11,935,269	11,935,269	11,935,269
Net Pension Liability/(Asset)	\$ 3,224,498	\$ 1,415,564	\$ (51,820)

The following presents the SLEP plan's net pension liability, calculated using a Single Discount Rate of 7.50%, 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% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
Total Pension Liability	\$ 9,666,210	\$ 8,479,796	\$ 7,509,347
Plan Fiduciary Net Position	7,355,232	7,355,232	7,355,232
Net Pension Liability/(Asset)	\$ 2,310,978	\$ 1,124,564	\$ 154,115

Note (11) Defined Benefit Pension Plan (Continued)

The following presents the ECO plan's net pension liability, calculated using a Single Discount Rate of 7.50%, 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% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
Total Pension Liability	\$ 6,841,015	\$ 6,142,003	\$ 5,594,249
Plan Fiduciary Net Position	3,876,188	3,876,188	3,876,188
Net Pension Liability/(Asset)	\$ 2,964,827	\$ 2,265,815	\$ 1,718,061

Note (12) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended November 30, 2017, the County recognized pension expense of \$342,723. At November 30, 2017, the County reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 385,288	\$ -
Changes of assumptions	15,343	-
Net difference between projected and actual earnings on pension plan investments	861,121	-
Total deferred amounts to be recognized in pension expense in future periods	\$ 1,261,752	\$ -
Pension contributions made subsequent to measurement date	\$ 609,946	\$ -
Total Deferred Amounts Related to Pensions	\$ 1,871,698	\$ -

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 December 31	Net Deferred Outflows of Resources
2017	\$ 641,693
2018	467,876
2019	328,705
2020	433,424
2021	-
Thereafter	-
	\$ 1,871,698

Note (13) Other Postemployment Benefits (OPEB)

In addition to the pension benefits described in Note (11), the County provides medical insurance for certain retired employees. All employees who meet the IMRF retirement eligibility requirements and qualified for health insurance benefits prior to retirement may participate in the medical insurance program, which covers both active and retired members. All employees must pay the full monthly premium in order to continue their coverage after retirement. The County is self-insured for health claims as more fully described in Note (10). Retirees participate at the same rates as the active employees, and costs are not tracked separately for active employees and retirees. The monthly COBRA rates effective on January 1, 2017 are \$553 for single coverage and \$1,244 for family coverage.

The County Board determines the benefits to be provided and contribution requirements. The County currently funds these benefits on a pay-as-you-go basis and has not established a separate trust fund. Retiree health coverage is implicitly more expensive than active health coverage. This higher cost of coverage creates a liability assigned to the County. For fiscal year 2017, six retirees were receiving benefits through the County's health insurance plan.

Annual OPEB Cost and Net Obligation

The County's OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The County has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employer with plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

The annual required contribution was determined as follows:

Normal cost	\$	200,491
Amortization of unfunded actuarial accrued liability		109,745
Interest cost		12,409
Adjustment		-
Total annual required contribution	\$	322,645
 Annual required contribution	 \$	 322,645
Contributions made (estimated implicit)		(124,579)
 Net OPEB obligation at end of year	 \$	 198,066

The County's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 322,645	38.6%	\$1,192,673
2016	\$ 322,645	38.6%	\$1,192,673
2015	\$ 230,518	27.1%	\$ 826,208

Funded Status and Funding Progress

As of December 1, 2015, the most recent actuarial valuation date, the OPEB was -0- percent funded. The actuarial accrued liability for benefits was \$2,871,978 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,871,978.

Note (13) Other Postemployment Benefits (OPEB) (Continued)

Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to the point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 1, 2015 actuarial valuation, the projected unit credit with linear proration to decrement method was used. The actuarial assumptions included a 4% discount rate. The UAAL is being amortized as a level percent of pay over a period of thirty years based on an open group. The following simplifying assumptions were also made in accordance with alternative measurement method permitted by GASB Statement No. 45.

Retirement age for active employees – Each general employee is assumed to retire at age 61 or upon meeting the minimum age/service requirement, whichever is later. If the employee is currently over the age of 61 and he has met the minimum service requirement, he is assumed to retire immediately.

Mortality – Life expectancies were based on mortality tables from the Society of Actuaries known as the RPH-2015 Total Dataset Mortality Table fully generational using scale MP-2015.

Turnover – Assumptions were used to project annual terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates below represent the probability of termination in the next 12 months.

<u>Age</u>	<u>Rates</u>
25	6.8%
35	3.2%
45	1.6%
50	0.0%

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on the historical medical CPI information. A rate of 9% initially, reduced to an ultimate rate of 5% after 8 years, was used.

Health insurance premiums – 2017 health insurance premiums for retirees were used as the basis of calculation of the present value of total benefits to be paid.

Discount rate – The expected long-term discount rate of 4% was used.

Note (14) Legal Debt Margin

The legal debt margin at November 30, 2017 is calculated as follows:

Equalized Assessed Valuation – 2016 Tax Extension	\$ <u>199,217,888</u>
Statutory Debt Limitation (2.875% Valuation)	\$ <u>5,727,514</u>
Minus Applicable Debt	<u>-</u>
Legal Debt Margin	\$ <u>5,727,514</u>

Note (15) Concentration

For year ending November 30, 2017, approximately 7% of the County's governmental activities revenue was received from one taxpayer residing in the County for payment of property taxes.

Note (16) Commitment

During the year ended November 30, 2016, the Board of Directors approved to enter into an agreement for imagery/photography of the County at a cost of \$136,927. At year end November 30, 2017, \$20,957 had been paid on the agreement. Future commitments under this agreement are \$115,970.

During the year ended November 30, 2016, Manito Healthy Living, LLC, for which Mason County Health Department is a sole member, entered into an agreement for the construction of a 48 bed assisted living facility located in the Village of Manito, IL. The total contracted construction costs are \$5,439,465. At year end November 30, 2017, \$4,605,504 had been paid on the construction and \$467,273 is recorded as retainage payable. Future commitments under this agreement are \$366,688.

Note (17) Subsequent Events

Subsequent events have been evaluated through July 9, 2018, which is the date the financial statements were available to be issued.

On October 10, 2017, the Board of Directors approved to enter into a lease for voting equipment. The lease is payable in twenty-four quarterly payments of \$7,331 with the option of leasing an additional two years at the same payment amount. If the option extended term is taken, the County will take ownership of the equipment at the end of the payment period. During December 2018, a down payment on the lease was made for \$50,000 and the equipment was received. The lease will be capitalized for fiscal year 2018.

After November 30, 2017, the Mason County Health Department and Manito Healthy Living, LLC have entered into a lawsuit concerning the construction of a 48 bed assisted living facility located in the Village of Manito, IL.