

FIRE COUNSEL NOTES



Back to Basics # 3: Financial Reporting Requirements

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This Fire Counsel Notes column continues the Back-to-Basics theme and will focus on what can be described as the third phase of the “financial life cycle” of the fire protection district. The Spring column dealt with budgeting and appropriating (spending money), the Summer column covered the tax levy process (obtaining money), and this issue will address financial reporting requirements for fire protection districts. Unfortunately, as the result of overlapping statutory requirements, this annual responsibility can be somewhat confusing as there are multiple reports which, while similar, are not the same in all respects. This article will attempt to breakdown each requirement and discuss differences among them.

The first point to understand about local government financial reporting is that it does not necessarily make sense and in order to understand it, it is necessary to put logic aside and accept that there are multiple rules which apply in different ways in differing circumstances so that what is required of a district one year, may not apply the next. Having accepted this, we are the better able to understand the process and avoid at least some of the frustrations associated with meeting the applicable reporting requirements.

The second point to understand is the purpose of financial reporting requirements. Financial reporting is mandated largely for two reasons: (1) to inform the public and the taxpayers regarding how public money is being used and spent and (2) to impose some

modicum of transparency on local government. While the success of the reporting requirements is accomplishing those purposes may be questioned, it nevertheless helps to keep in mind why the state legislature in its wisdom has imposed the requirements.

The Public Funds Statement Publication Act (30 ILCS 15/0.01 et seq.)

Let’s begin with the oldest requirement. This law, put into effect in 1919, requires any public officer (other than municipal treasurers and state officers) who “receives for disbursement and disburses public funds...to prepare annually “a statement of moneys received and from what sources” ...and... “of moneys paid out.” This report is commonly referred to as the “Treasurer’s Statement of Receipts and Disbursements.” It is an annual requirement. The Statement must be prepared and filed within 6 months of the end of each fiscal year. It is a strictly cash basis reporting of funds actually received from any source along with a report of all funds expended during the fiscal year. The required content of the report is set out in Section 1 of the Act (30 ILCS 15/1). It consists of 3 discrete parts:

- A. A listing of the names and amounts paid (other than compensation) to any person (this includes businesses and really means “payee”) who receives, in total for the year, more than \$2,500 from the district.
- B. A listing of names of all persons who receive payment of compensation, regardless of the amount, from the

district during the fiscal year and either (a) a listing of the names with the exact amount or (b) a listing of names group by ranges of \$25,000 from \$0 to \$125,000 and over.

- C. A “summary statement of operations for all funds and account groups.”

Each of these parts is independent of the other. So, for example, the third part (the summary statement) is likely going to look very much like the district’s budget, but with actual amounts for the receipts and the expenditures. It is going to include the disbursements set out in the first two parts. While the Statement may be organized or formatted in various ways, however it is structured it must enable a reader to see the information set out above.

The Statement must be signed by the Treasurer verifying that the Statement is accurate and it must be notarized.

The Statement must be filed with the County Clerk (or clerks) of the County (or counties) where the district is located.

Unless the district has an audit performed by a certified public accountant for the year of the report, the Statement must be published one time in “a newspaper printed in the English language published in the county in which the public officer holds his or her office.” Some county officials are very particular about the requirements for publication and, for example, will not accept a certificate of publication from a newspaper if the newspaper is published in another county even if that newspaper

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is in general circulation in the county or counties where the district is located.

Several years ago, an exception was added to this law to allow taxing bodies subject to the law to avoid the publication of the Statement if an audit of the taxing body is performed by a certified public accountant for that year. In that case, rather than publication of the Statement, a notice may be published that the district has had an audit performed, who performed it, and how, when, and where the public can review the audit report. This exception does not, however, excuse the preparation and filing of the Statement with the County Clerk(s)—it simply allows the district not to publish the full Statement.

Whichever publication method is used, the newspaper's certificate of publication must be filed with the County Clerk(s). While the statute mandates that the newspaper publisher file the certificate, as a practical matter, this should be taken care of by the district to assure compliance.

If the Statement is not prepared, filed, and published as required, the County Treasurer is required to withhold from the district the payment of real estate taxes until the Statement is prepared, filed and published; the district's Treasurer may be sued in a civil action and a fine assessed nonfiling; and the Treasurer may be charged in a criminal action with a Class A misdemeanor. All things to avoid. Again, bear in mind that the Statement is a completely separate and independent requirement from those that follow.

The Governmental Account Audit Act (50 ILCS 310/0.01)

This law, adopted in 1967, imposes two entirely different financial reporting requirements, each of which will be covered separately.

The Annual Financial Report (AFR)

The statute requires that many units of local government, including fire protection districts, annually prepare and file with the office of the Illinois Comptroller a

report denominated the Annual Financial Report which is commonly referred to as the "AFR." It is filed electronically. It can only be filed on paper with special permission from the Comptroller's office. The format of the report is mandated by the Comptroller. It must be filed within 180 days of the end of the district's fiscal year. (Note the filing deadline differs from that of the Treasurer's Statement of Receipts and Disbursements discussed above and it generally means that the AFR has a filing deadline which is a few days before the Statement's 6 month filing time limit.) The statute directs that the AFR be designed by the Comptroller "...so as not to require professional accounting services for its preparation." Districts can request an extension of the filing deadline and routinely a single 60-day extension will be granted provided that the request for the extension is made before the filing deadline. Because the filing is done electronically, the district must have an assigned password to accomplish the filing with the Comptroller. If the AFR is not filed timely, daily penalties, added in 2012, apply with the amount of the penalty increasing from \$5 to \$20 per day depending on how late the report is. If the report is late and is not filed after a notice from the Comptroller which sets a deadline for compliance, the Comptroller is directed by the statute to have an audit made by a certified public accountant selected by the Comptroller, but who will be paid for by the district.

Audit by Certified Public Accountant

The Governmental Account Audit Act also imposes a requirement on fire protection districts to have an audit performed by a certified public accountant in any year that the district's revenues exceed \$850,000 or, regardless of the amount of the district's revenues, every four years. The audit, if required, must be completed, like the AFR, within 180 days of the end of the district's fiscal year. It is filed electronically with the Comptroller's office by the accountant who performs the audit. The audit must be prepared in accordance with requirements set out in Section 5 of the Act. For most districts, the accounting method used will be a modified cash basis approach which

means that the audit may be prepared in accordance with the "best practices and guidelines as outlined by the American Institute of Certified Public Accountants" ... "in accordance with generally accepted auditing standards." A copy of the audit must be filed with the County Clerk (or clerks) of the county (or counties) in which the district is located. In lieu of doing a quadrennial audit, a district with less than \$850,000 in revenues may instead submit to the Comptroller "an annual financial report containing information required by the Comptroller." However, to take advantage of this exception, the report must be provided to each member of the district's Board of Trustees and it must be reviewed in a public meeting of the Board and it must be approved by a 3/5ths majority vote of the Board. Because of this review and approval requirement, it is important for districts to be certain that the AFR is completed in time for the review and approval to occur before the due date. In most cases, this will often mean having the AFR ready for review no later than the regular meeting of the Board which is 6 months after the close of the fiscal year.

Fiscal Responsibility Law (35 ILCS 200/30-30)

The Revenue Title of the Illinois Compiled Statutes contains an additional financial reporting requirement. It requires that every taxing district (except school districts) file a "Fiscal Responsibility Report Card" in a form prescribed by the Comptroller with the Comptroller and the County Clerk (or clerks) of the county (or counties) in which the district is located. The report must be filed within 180 days of the close of the district's. Fortunately, to date, the Comptroller's office has designated the Annual Financial Report (AFR), discussed above, as the required report. Since the AFR is also filed with the Comptroller and the County Clerk (or clerks), the requirement of this law is automatically met by completion and filing of the AFR.

Summary

Hopefully, the foregoing explanation provides a clarification of the yearly financial reporting responsibilities of the

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district. As noted at the outset of this article, it is important to realize that each of these requirements applies separately to the district and, more importantly, to understand what the separate requirements of each report are in terms of preparation and timing. For many districts, having these various reports prepared by a professional hired by the district will be the most efficient way to comply, but if the district decides to prepare them in-house (other than the audit which must be prepared by a CPA), sufficient financial records must be maintained by the Treasurer so that, at the end of the fiscal year, the reports can be compiled and completed timely. If the district does engage an outside professional to prepare the reports it is critical to ascertain that the professional understands each of the reporting requirements and is able to prepare all of them for the district. ■

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2023 IAFPD Calendar & Checklist



Calendar and Checklist of Annual Responsibilities for Illinois Fire Protection Districts

ITEM/EVENT	(Referential only to Illinois Compiled Statutes (ICCS) except as noted)	DUE DATE	PERSONS RESPONSIBLE	DATE ACCOMPLISHED
1. File Certificate of exempt property with County Supervisor or Assessor for District annual real estate (IS ILCS 200/17-10)		1/31/22		
2. First notice of regular scheduled meetings of board, send copy to any news media which have filed a request (IS ILCS 120/2.02)		Jan		
3. Perform semi-annual review of all minutes of Closed Sessions which have not been opened to the public as determined by order of all of those minutes may be opened for inspection (IS ILCS 120/2.05)		3/31/22		
4. File report of injuries (OSHA 2020) for prior year (Title 8, Section 300.2004, Admin. Code)		3/31/22		
5. File names of persons required to file Closing Interest Statements with County Clerk (IS ILCS 200/14-100)		3/22/22		
6. File OSHA 2020 Report, if required		May		
7. Submit names for appointment or reappointment of appointed trustees whose terms expire in 2023 (IS ILCS 120/14)		2nd week April 20/21/22		
8. Appointed trustee(s) to be reappointed by appointing authority (IS ILCS 120/14) that applicable to elected trustee(s)		1st meeting (3/12/22)		
9. Reappointment of Economic Incentive with County Clerk (IS ILCS 420/14b-10)		1st meeting after Boarding (3/12/22)		
10. Newly appointed and reappointed trustees shall attend training within 90 days of taking office (IS ILCS 120/14)		1st Meeting after Boarding (3/12/22)		
11. Newly appointed and elected trustees must complete open Meeting Act training within 90 days of taking office (IS ILCS 120/14)		Prior to 1st Meeting (3/12/22)		
12. Reappoint Board of Trustees following appointment or election of Trustees and select officers (IS ILCS 120/14)		1st day of Fiscal Year		
13. Prepare Annual Budget and Appropriation Ordinance (IS ILCS 120/14)				
14. Prepare Annual Budget and Appropriation Ordinance for public hearing				
A. Gather data on all real, personal and personal property				
B. Prepare tentative Budget and Appropriation Ordinance				
C. Hold tentative Budget and Appropriation Ordinance for 30 days prior to adoption of final Budget and Appropriation Ordinance				
D. Publish notice of opening of tentative Budget and public hearing on Budget (IS ILCS 120/14)				
E. Hold public hearing on Budget				
F. Adopt final Budget and Appropriation Ordinance				
G. Prepare and publish estimated financial statements with budgetary estimates (IS ILCS 200/14-10)				
H. Prepare and publish estimated financial statements with budgetary estimates (IS ILCS 200/14-10)				
I. Publish Budget and Appropriation Ordinance with County Clerk (IS ILCS 200/14-10)				
J. File Budget and Appropriation Ordinance with County Clerk (IS ILCS 200/14-10)				
K. Perform campaign review of all Minutes of Closed Sessions which have not been opened to the public to determine if some or all of those minutes may be opened for inspection (IS ILCS 120/2.05)				
L. Adopt Annual Tax Levy Ordinance (IS ILCS 120/14)				
M. Adopt Annual Tax Levy Ordinance (IS ILCS 120/14)				
N. Hold public hearing if required (public notice) (IS ILCS 200/14-10)				
O. Hold public hearing if required (public notice) (IS ILCS 200/14-10)				
P. Comply with Property Tax Exemption Limitation Law (IS ILCS 120/14-10)				
Q. Comply with Property Tax Exemption Limitation Law (IS ILCS 120/14-10)				
R. File Annual Tax Levy Ordinance, Certificate of Need and Certification of Truth in Tax Compliance with County Clerk (IS ILCS 200/14-10)				

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