

**BRISTOL KENDALL FIREFIGHTERS'
PENSION FUND
KENDALL COUNTY, ILLINOIS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2013**

Prepared by:

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CERTIFIED PUBLIC ACCOUNTANTS



BRISTOL KENDALL FIREFIGHTERS' PENSION FUND

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INDEPENDENT AUDITORS' REPORT





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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the President and Board of Trustees
Bristol-Kendall Firefighters' Pension Fund
Yorkville, Illinois

We have audited the accompanying financial statements of the Bristol-Kendall Firefighter's Pension Fund as of and for the year ended April 30, 2013, which collectively comprise the Fund's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 of 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.

Basis for Qualified Opinions

As explained in Note 1 to the financial statements, the Fund prepares its financial statements using the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the Bristol-Kendall Firefighter's Pension Fund as of April 30, 2013, and the respective changes in financial position – modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Mack & Associates, P.C.

MACK AND ASSOCIATES, PC
Certified Public Accountants

July 11, 2013
Morris, Illinois

FINANCIAL STATEMENTS



BRISTOL KENDALL FIREFIGHTERS' PENSION FUND

Statement of Plan Net Assets

April 30, 2013

Assets

Cash	\$	131,245
Total assets	\$	<u>131,245</u>

Net Assets

Net assets - reserved for employees' pension benefits	\$	131,245
Total net assets	\$	<u>131,245</u>

The Notes to Financial Statements are an integral part of this statement.

BRISTOL KENDALL FIREFIGHTERS' PENSION FUND

Statement of Changes in Plan Net Assets Year Ended April 30, 2013

Additions:

Contributions:

Employer contributions	\$	31,027
Employee contributions		11,200
Interest income		151
Total additions		<u>42,378</u>

Deductions:

Professional fees		<u>1,780</u>
Total deductions		<u>1,780</u>

Net increase in plan net assets		40,598
Net assets, beginning of year		<u>90,647</u>
Net assets, end of year	\$	<u>131,245</u>

The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS



BRISTOL KENDALL FIREFIGHTERS' PENSION FUND

Notes to Financial Statements
April 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bristol Kendall Firefighters' Pension Fund of the Bristol Kendall Fire Protection District, Illinois have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Pension Fund's accounting policies are described below.

Reporting Entity

The Bristol Kendall Firefighters' Pension Fund is a fund of the Bristol Kendall Fire Protection District, Illinois, used to account for the accumulation of resources to be used for retirement annuity payments in appropriate amounts and times in the future. The Board of Trustees has oversight responsibility of the Bristol Kendall Firefighters' Pension Fund. Oversight responsibility includes designation of management and all other control over operations of the Bristol Kendall Firefighters' Pension Fund.

Basis of Presentation

Fund Accounting

The accounts of the Bristol Kendall Firefighters' Pension Fund are organized on the basis of a fund, which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net assets, revenues or additions, and expenditures or deductions, as appropriate. Bristol Kendall Firefighters' Pension Fund resources are allocated to and accounted for in this fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Bristol Kendall Firefighters' Pension Fund is a Fiduciary Fund used to account for assets held in the Firefighters' Pension Fund.

Measurement Focus and Basis of Accounting

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded. Basis of accounting refers to "when" transactions are recorded, regardless of the measurement focus applied.

Pension trust funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of changes in net assets. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Pension trust fund equity is classified as a net asset.

BRISTOL KENDALL FIREFIGHTERS' PENSION FUND

Notes to Financial Statements

April 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Measurement Focus and Basis of Accounting – (Continued)

Basis of Accounting

Basis of accounting refers to when revenues or additions and expenditures or deductions are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All funds are accounted for using the cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when cash is received or disbursed.

Method Used to Value Investments

Investments are reported at fair value. Investment income is recognized when earned. Gains and losses on sales and exchanges are recognized on the trade date.

BRISTOL KENDALL FIREFIGHTERS' PENSION FUND

Notes to Financial Statements
April 30, 2013

NOTE 2 – CASH AND INVESTMENTS

The deposits and investments of the Pension Fund are held separately from those of other District funds. Statutes authorize the Pension Fund to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit unions, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois bonds; pooled accounts managed by the Illinois Public Treasurer, or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois; direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies and separate accounts of life insurance. Pension funds with net assets of 2.5 million or more may invest up to forty-five percent of plan net assets in separate accounts of life insurance companies and mutual funds. In addition, pension funds with net assets of at least 5 million that have appointed an investment advisor, may through that investment advisor invest up to forty-five percent of the plan's net assets in common and preferred stocks that meet specific restrictions.

Credit Risk

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The Pension Fund's investment policy establishes criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The Investments in the securities of U.S. government agencies were all rated triple A by Standard & Poor's or by Moody's Investors Services. The Pension Fund's investment policy also prescribes to the "prudent expert" rule, which states, "Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims."

BRISTOL KENDALL FIREFIGHTERS' PENSION FUND

**Notes to Financial Statements
April 30, 2013**

NOTE 2 – CASH AND INVESTMENTS – (Continued)

Interest Credit Risk

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Though not required by the investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities.

Custodial Credit Risk - Deposits

Custodial Risk. The table presented below is designed to disclose the level of custodial credit risk assumed by the District based upon how its deposits were insured or secured with collateral as of April 30, 2013. The comparison relates to the primary government only.

All bank balances on deposits as of April 30, 2013 are entirely insured or collateralized with securities held by the District or by its agent in the District's name. Investments are stated at cost, which approximates market.

At April 30, 2013, the carrying amount of the Bristol Kendall Firefighters' Pension Fund deposits was \$131,245 and the bank balance was \$131,245. The deposits are categorized in accordance with risk factors created by governmental reporting standards.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category #1	\$ -	\$ -
Category #2	-	-
Category #3	<u>131,245</u>	<u>131,245</u>
	<u>\$ 131,245</u>	<u>\$ 131,245</u>

Category #1 Uncollateralized;

Category #2 Collateralized with securities held by the pledging financial institution;

Category #3 Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

BRISTOL KENDALL FIREFIGHTERS' PENSION FUND

Notes to Financial Statements
April 30, 2013

NOTE 2 – CASH AND INVESTMENTS – (Continued)

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Money market mutual funds and equity mutual funds are not subject to custodial credit risk disclosures. At April 30, 2013, the categorized investments are held by the counterparty in the Fund's name.

NOTE 3 – DEFINED BENEFIT BRISTOL KENDALL FIREFIGHTERS' PENSION FUND PLAN

Plan Description

The District is a member of the Illinois Fireman's Pension Fund. The District currently invests its pension funds in various saving and certificates of deposits at local banks.

Fire personnel of the Bristol Kendall Fire Protection, are covered by the Bristol Kendall Firefighters' Pension Fund Plan, which is a defined-benefit, single-employer pension plan.

The Bristol Kendall Firefighters' Pension Fund was created and is administered as prescribed by "Article 4." of the Illinois Pension Code.

Employees 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 the salary attached the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year over 20 years of service up to 30 years to a maximum of 75% of such salary. Employees with at least 10 years but less than 20 years of credited service who retire or are separated from service at or after age 60 receive a benefit established by the section 4-109 of the Illinois Pension Code.

Surviving spouses receive the greater of 54.0% of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive 65.0% of final salary.

BRISTOL KENDALL FIREFIGHTERS' PENSION FUND

**Notes to Financial Statements
April 30, 2013**

**NOTE 3 – DEFINED BENEFIT BRISTOL KENDALL FIREFIGHTERS' PENSION FUND PLAN
– (Continued)**

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 3.0% of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as 3.0% of the amount of the pension payable at the time of the increase.

Employees are required to contribute 9.455% of their base salary to the Bristol Kendall Firefighters' Pension Fund. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions will be refunded without accumulated interest.

At April 30, 2013, the Bristol Kendall Firefighters' Pension Fund membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to benefits but not yet Receiving Them	-
Current Employees	
Vested	-
Non-vested	1
Non-employees	
Vested	-
Total	<u>1</u>

BRISTOL KENDALL FIREFIGHTERS' PENSION FUND

Notes to Financial Statements
April 30, 2013

NOTE 3 – DEFINED BENEFIT BRISTOL KENDALL FIREFIGHTERS' PENSION FUND PLAN – (Continued)

Retirement Fund Commitments

Annual Pension Costs – April 30, 2012:

Summary

Accrued Liability	\$ 142,946
Actuarial Value of Assets	<u>94,666</u>
Unfunded Accrued Liability	<u>\$ 48,280</u>
Funded Ratio	66%

Liabilities

Accrued Liabilities for Active Members	\$ 142,946
Total Normal Cost for Active Members	\$ 66,698
Total Normal Cost as a Percentage of Payroll	58%
Total Annual Payroll	\$ 114,067
Amortization of Unfunded Liabilities:	
Total Accrued Liability	\$ 142,946
90% Funded Ratio Target	128,651
Actuarial Value of Assets	94,666
Liabilities Subject to Amortization	33,985
Amortization Period	28 years
Amortization Payment, Beginning of Year	1,294

Actuarially Determined Tax Levy

Actuarially determined amount to provide the Employer Normal Cost based on the annual payroll of active participants as of April 30, 2012.	\$ 55,913
Amount Necessary to Amortize the Unfunded Accrued Liability as determined by State of Illinois Department of Insurance over the remaining 28 years as Contemplated by Sec. 4-118 of the IL Pension Code.	\$ 1,294
Interest to the end of the fiscal year	\$ 2,860
Total suggested amount of tax levy to arrive at the annual Requirements of the fund as contemplated by Section 4-118 of the Illinois Pension Code.	\$ 60,067

BRISTOL KENDALL FIREFIGHTERS' PENSION FUND

Notes to Financial Statements
April 30, 2013

NOTE 3 – DEFINED BENEFIT BRISTOL KENDALL FIREFIGHTERS' PENSION FUND PLAN – (Continued)

Actuarial Methods

The following methods have been prescribed in accordance with Section 4-118 of the Illinois Pension Code.

Funding method:	Projected Unit Credit
Amortization method:	Normal cost, determined as a level percentage of payroll, plus an additional amount to bring the plan's funded ratio to 90% by the end of fiscal year 2040.
Asset valuation method:	Investment gains and losses are recognized over a 5-year period.

Actuarial Assumptions

Interest rate:	5.00%
Interest rate, prior fiscal year:	5.00%
Healthy mortality rates:	RP-2000 Combined Healthy Mortality, with Blue Collar Adjustment
Disabled mortality rates:	RP-2000 Disabled Retiree Mortality
Decrements other than mortality:	Experience tables
Rate of service-related deaths:	5%
Rate of service-related disabilities:	90%
Salary increases:	Service-related table with rates grading from 12% to 4% at 30 years of service
Payroll growth:	4.50%
Tier 2 cost-of-living adjustment:	1.25%
Marital assumptions	80% of Members are assumed to be married; male spouses are assumed to be 3 years older than female spouses.