

**BRISTOL-KENDALL FIREFIGHTERS'
PENSION FUND**

**KENDALL COUNTY, ILLINOIS
ANNUAL FINANCIAL REPORT
YEAR ENDED APRIL 30, 2014**

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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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, 2014, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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.

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, 2014, 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Mack & Associates, P.C.

MACK AND ASSOCIATES, PC
Certified Public Accountants

July 10, 2014
Morris, Illinois

FINANCIAL STATEMENTS

BRISTOL-KENDALL FIREFIGHTERS' PENSION FUND

Statement of Plan Net Position

April 30, 2014

| <u>Assets</u> | |
|---|-------------|
| Cash and equivalents | \$ 13,843 |
| Investments at fair value: | |
| US government securities | 27,174 |
| US agency securities | 117,527 |
| Municipal bonds | 26,513 |
| Mutual funds | 20,446 |
| | <hr/> |
| Total assets | \$ 205,503 |
| | <hr/> <hr/> |
| <u>Net Position</u> | |
| Net position - held in trust for pension benefits | \$ 205,503 |
| | <hr/> |
| Total net position | \$ 205,503 |
| | <hr/> <hr/> |

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

BRISTOL-KENDALL FIREFIGHTERS' PENSION FUND

Statement of Changes in Plan Net Position
Year Ended April 30, 2014

| | |
|--|-------------------|
| Additions: | |
| Contributions: | |
| Employer contributions | \$ 62,842 |
| Employee contributions | 10,681 |
| Total contributions | <u>73,523</u> |
| Investment income (loss): | |
| Net appreciation in fair value of investments | 1,930 |
| Net realized gain (losses) on sale of investment | (3,558) |
| Interest and dividends | 6,055 |
| Total investment income | <u>4,427</u> |
| Less: Investment expenses | <u>337</u> |
| Net investment income (loss) | <u>4,090</u> |
| Deductions: | |
| Professional fees | 2,080 |
| Miscellaneous expenses | 1,275 |
| Total deductions | <u>3,355</u> |
| Net increase in plan net position | 74,258 |
| Net position, beginning of year | <u>131,245</u> |
| Net position, end of year | <u>\$ 205,503</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, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bristol-Kendall Firefighters' Pension Fund have been prepared in conformity with modified cash 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

The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and the Codification of Governmental Accounting and Financial Reporting Standards which covers the reporting requirements for defined benefit pensions established by a governmental employer. The accompanying financial statements included solely the accounts of the Pension Fund which include all programs, activities and functions relating to the accumulation and investment of the assets and related income necessary to provide the service, disability and death benefits required under the terms of the Special Act and amendments thereto.

BRISTOL-KENDALL FIREFIGHTERS' PENSION FUND

Notes to Financial Statements
April 30, 2014

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

Basis of Accounting

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 modified 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.

Cash and Equivalents

The Pension Fund considers money market and demand account bank and broker-dealer deposits as cash. Cash and Equivalents shown on the Statement of Plan Net Position are composed of investments in short-term custodial proprietary money market funds.

BRISTOL-KENDALL FIREFIGHTERS' PENSION FUND

Notes to Financial Statements
April 30, 2014

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.

Investments. At year end, the Pension Fund has the following investments and maturities:

| Investment Type | Cost | Fair Value | Investment Maturities - In Years | | |
|-----------------------|-------------------|----------------|----------------------------------|----------------|---------------|
| | | | Less Than 1 | 1-5 | 6-10 |
| Cash and Money Market | \$ 13,843 | 13,843 | 13,843 | - | - |
| US Treasuries | 27,239 | 27,161 | - | 27,161 | - |
| Agency Securities | 116,149 | 116,854 | - | 81,225 | 35,629 |
| Municipal Bonds | 26,318 | 26,216 | - | 26,216 | - |
| Equity Funds | 19,040 | 20,446 | 20,446 | - | - |
| Accrued Interest | 983 | 983 | 983 | - | - |
| Total | \$ 203,572 | 205,503 | 35,272 | 134,602 | 35,629 |

BRISTOL-KENDALL FIREFIGHTERS' PENSION FUND

Notes to Financial Statements
April 30, 2014

NOTE 2 – CASH AND INVESTMENTS – (Continued)

Credit Risk

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Pension 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."

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. 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, 2014, the categorized investments are held by the counterparty in the Fund's name.

BRISTOL-KENDALL FIREFIGHTERS' PENSION FUND

Notes to Financial Statements
April 30, 2014

NOTE 3 – DESCRIPTION OF THE 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 District, 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.

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.

BRISTOL-KENDALL FIREFIGHTERS' PENSION FUND

**Notes to Financial Statements
April 30, 2014**

NOTE 3 – DESCRIPTION OF THE PLAN – (Continued)

Funding Policy

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, 2014, 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> |

Plan's Funded Status

| Actuarial Valuation Date | Actuarial Value Of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Actuarial Value of Assets as a % of the Actuarial Accrued Liability | Annual Covered Payroll | Ratio of the Unfunded Actuarial Liability to Covered Payroll |
|--------------------------|---------------------------|-----------------------------|--------------------------------------|---|------------------------|--|
| April 30, 2013 | \$ 140,033 | 200,251 | 60,218 | 70% | 114,067 | 56% |
| 2012 | 94,666 | 142,946 | 48,280 | 66% | 114,067 | 58% |

BRISTOL-KENDALL FIREFIGHTERS' PENSION FUND

**Notes to Financial Statements
April 30, 2014**

NOTE 3 – DESCRIPTION OF THE PLAN – (Continued)

| <u>Liabilities</u> | |
|--|------------|
| Accrued Liabilities for Active Members | \$ 200,251 |
| Total Normal Cost for Active Members | \$ 63,315 |
| Total Normal Cost as a Percentage of Payroll | 56% |
| Total Annual Payroll | \$ 114,067 |
| Amortization of Unfunded Liabilities: | |
| Total Accrued Liability | \$ 200,251 |
| 90% Funded Ratio Target | 180,226 |
| Actuarial Value of Assets | 140,033 |
| Liabilities Subject to Amortization | 40,193 |
| Amortization Period | 27 years |
| Amortization Payment, Beginning of Year | 1,583 |

Actuarially Determined Tax Levy

| | |
|--|-----------|
| Actuarially determined amount to provide the Employer Normal Cost based on the annual payroll of active participants as of May 1, 2013. | \$ 52,530 |
| Amount Necessary to Amortize the Unfunded Accrued Liability as determined by State of Illinois Department of Insurance over the remaining 27 years as Contemplated by Sec. 4-118 of the IL Pension Code. | \$ 1,583 |
| Interest to the end of the fiscal year | \$ 2,706 |
| 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. | \$ 56,819 |

BRISTOL-KENDALL FIREFIGHTERS' PENSION FUND

Notes to Financial Statements
April 30, 2014

NOTE 3 – DESCRIPTION OF THE 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. |