

LOCKPORT TOWNSHIP  
FIRE PROTECTION DISTRICT  
LOCKPORT, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended  
April 30, 2017

Lockport Township Fire Protection District  
Lockport, Illinois  
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## INTRODUCTORY SECTION



## **Lockport Township Fire Protection District**

**19623 Renwick Road, Lockport, Illinois 60441**

**Phone: (815) 838-3287 Fax: (815) 838-9141**

**[www.lockportfire.org](http://www.lockportfire.org)**

September 1, 2017

To the Citizens and Members of the  
Boards of Trustees and Fire Commissioners  
Lockport Township Fire Protection District  
Lockport, Crest Hill and Romeoville, Illinois

We are pleased to present to you, Management's Discussion and Analysis of the Lockport Township Fire Protection District and the audit of financial statements for the year ending April 30, 2017. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the District, ultimately the Fire Chief. To the best of my knowledge and belief, the enclosed data is accurate in all material aspects and is reported in a manner designed to fairly present the financial position and results of operations of the District. All information necessary to enable the interested reader to gain an understanding of the District's financial condition and activities have been included.

The Lockport Township Fire Protection District(LTFPD) lies wholly within Will County approximately 30 miles southwest of the City of Chicago along the growing I-355 corridor. LTFPD provides a full range of services to its residents. These include fire suppression services, emergency medical services, underwater rescue and recovery, hazardous material response, fire prevention and public education, fire risk analysis, juvenile fire setters, special rescue and community events. In addition to general operations, the District exercises oversight of the Firefighters' Pension Fund, therefore these activities are included in the reporting entity.

LTFPD operates under an elected Board of Trustees form of government. The Board of Trustees is comprised of five members who are responsible, among other things, for determining policies, passing resolutions and ordinances and adopting the annual budget. The Fire Chief and Deputy Chiefs are appointed and are responsible for the daily operation and management to the District.

The annual budget serves as the District's foundation for financial planning and control. All teams/functions/stations of the District are required to submit their budget requests to the Finance Director each year. The budget requests are a starting point for developing a proposed budget. The Fire Chief, Deputy Chiefs and Finance Director estimate the District's anticipated revenues and will meet with each responsible party for the submitted budgets and come up with a proposed budget. A proposed budget is then presented to the Board of Trustees. A copy of the proposed budget is also available to the public at this time. The Board of Trustees is required to hold a public hearing on the proposed budget and to adopt the final Budget.

The budget is prepared by fund, but the format of the budget provides for a program budget with line item supplemental backup. Management is authorized to transfer budgeted amounts between departments within any fund; however, the Board of Trustees must approve any revisions that alter the total expenditures of any fund.

During the past few years many governmental entities have been facing challenging times as the cost of providing services is increasing and the available revenue resources are limited. Fortunately, the District has followed a consistent policy of maintaining strong fund balances in all funds as well as funding retirement and post-retirement benefit obligations. The result of these actions has allowed the District to minimize the future burden of these obligations as well as continue to provide a high level of service during these challenging times.

Commercial expansion planned in the City of Lockport throughout the I-355 corridor, most notably at the 159<sup>th</sup> Street interchange, will most certainly be a catalyst to more economic development in the future of not only the Fire District, but the Lockport/Homer area in general. Along with growth comes the need for public services. Quite often the need exceeds the ability to provide. Years of planning continue to prove to be an excellent investment as the District remains poised to step up to the next level in order to provide the services our customers demand and deserve. In order to meet the continued demand, the District continues to review our "Standards of Coverage". District staff continues to update and expand this report to address the changing needs of the fire district. This document outlines the level of service needed for the rapidly expanding residential, commercial and industrial areas of the District.

Generally accepted accounting principles require that the property tax revenues be matched with the expenditures that we finance on the fund financial statements. The 2016-2017 budget anticipates that the 2015 property tax levy will be used to finance the 2016-2017 expenditures and as a result, the property tax levy is recognized as revenue within the Statement of Revenues, Expenditures and Changes in Fund Balances. As in private enterprise where all accounts receivable are not necessarily collected, not all taxes receivable for any given year are collected. Based on past experience, an allowance for estimated collection losses has been recorded to reduce the property taxes receivable to estimate amounts collectable.

LTFPD adopted new GASB Statements No. 67 & 68 which establish accounting and financial reporting standards for pension plans. The effects of these statements had a negative impact on the District's Net Position because of the large long-term liability. Two main factors made the liability so large, one is that the actuary used new mortality tables due to the fact that people are living longer and the second factor is that the market value of the investments in the fund were on the downside at year end April 30, 2017. The long-term liability is based on an actuarial calculation that will change annually based on underlying factors, such as market value of investments.

With the new manner in which we report the value of our capital assets, we provide the reader with these few notes on how capital assets are addressed in this annual report:

- General capital assets are capitalized in the Statement of Net Assets. All purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical record exists.
- 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.
- Capital assets are depreciated over the estimated useful life of the asset in the Statement of Net Assets and Statement of Activities.
- In the Fund Financial Statements, general capital assets are recorded as expenditures and depreciation is not considered applicable.

In conclusion, the Lockport Township Fire Protection District is poised to take on a more complicated future. We continue to grow in both facilities as well as personnel. The increase in staff is represented not only in numbers, but also in experience, knowledge and dedication. The accomplishments of staff continue to place the Fire District at the forefront of prosperity and efficiency.

There is much to accomplish and it is the responsibility of this office as well as the elected and appointed officials of the District to assure our constituency of our continued financial strength and ability to provide the highest level of customer service. This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives as well as instill confidence in our financial ability to provide the service they deserve. If you have any questions about this report or need additional information, contact us at the District Administrative Center at 815-838-3287.

Respectfully submitted,

  
Paul Hertzmann  
Fire Chief

  
Robert Mondrella  
Finance Director



## FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Lockport Township Fire Protection District  
Lockport, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lockport Township Fire Protection District (the District) as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

An audit includes 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 of the governmental activities, each major fund and the aggregate remaining fund information of the District as of April 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages MD&A 1 through MD&A 5 and pages 47 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects, in relation to the basic financial statements as a whole.



Gassensmith & Michalesko, Ltd.  
Certified Public Accountants

Joliet, Illinois  
September 1, 2017

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

# LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Management's Discussion and Analysis – Unaudited  
April 30, 2017

**Required Supplementary Information:** This Management's Discussion and Analysis and the General Fund Budgetary Comparison Schedule represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the district-wide statements, fund financial statements and notes (referred to as "the basic financial statements").

## **Basis of Accounting**

The governmental-wide financial statements have elected to report information about the District using 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.

## **Reporting Lockport Township Fire Protection District as Whole**

### *Lockport Township Fire Protection District's Entity Presentation:*

This annual report includes all activities for which Lockport Township Fire Protection District (the District) is fiscally responsible. These activities are defined as the District's reporting entity.

### District-Wide Statements

The Statement of Net Position includes all of the District's assets, deferred outflows, liabilities, deferred inflows of resources and how they have changed. The difference between the District's assets, liabilities, and deferred inflows of resources are another way to measure the District's overall financial position. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

- Over time, increases or decreased in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

In the governmental-wide financial statements, the District activities are categorized as government activities. The District's basic services are included here, such as fire protection and ambulance services and administration. Property taxes finance most of these activities.

The District-wide financial statements can be found on pages 3-4 of this report.

# LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Management's Discussion and Analysis – Unaudited  
April 30, 2017

## **The Fund Financial Statements**

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories; governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet – modified accrual basis and in the governmental fund statement of revenues received, expenditures disbursed and changes in fund balances – modified accrual basis for the General Fund, Ambulance Fund and Vehicle Fund, which are considered to be major funds. Information from the District's other governmental funds is combined into a single column presentation. Individual fund information for these nonmajor governmental funds is provided elsewhere in the report. The governmental fund financial statements can be found on pages 5 - 8 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs. The fiduciary fund statements can be found on pages 9 – 10 of this report.

## **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the information provided in the district-wide and fund financial statements.

## **Other Information**

In addition to the basic financial statements, this report also includes certain required supplementary information related to budgetary information and the District's progress in funding its obligation to provide pension benefits to its employees. Nonmajor fund information can be found immediately following the required supplementary information.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Management's Discussion and Analysis – Unaudited  
April 30, 2017

**General Fund Budgetary Analysis**

The General Fund of the District was under budget by \$20 thousand for the current fiscal year.

**Condensed Financial Information:**

Table 1

	Governmental Activities	
	<u>April 30, 2017</u>	<u>April 30, 2016</u>
Assets		
Current Assets	27,541,960	31,845,065
Capital Assets	<u>18,452,718</u>	<u>14,956,054</u>
Total Assets	<u>45,994,678</u>	<u>46,801,119</u>
Deferred Outflows of Resources	<u>6,227,540</u>	<u>6,569,959</u>
Liabilities		
Current liabilities	1,127,397	905,500
Long-term liabilities	<u>48,197,978</u>	<u>47,701,952</u>
Total Liabilities	<u>49,325,375</u>	<u>48,607,452</u>
Deferred Inflows of Resources	<u>18,896,035</u>	<u>17,217,026</u>
Net Position		
Invested in capital assets, net of related debt	13,012,718	9,583,223
Restricted	2,299,638	98,965
Unrestricted	<u>(31,311,548)</u>	<u>(23,713,580)</u>
Total Net Position	<u>(15,999,192)</u>	<u>(14,031,392)</u>

As seen in table 2, total revenues stood at \$21,786,525 at the end of the fiscal year, of which \$2,414,979 was from fees and charges for services (mainly ambulance fees). Total expenditures at the end of the fiscal year stood at \$23,754,325, including current year depreciation, accrued interest payable and net pension liability, excluding capital outlay purchases and debt principal payments and prepaid expenses.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Management's Discussion and Analysis – Unaudited  
April 30, 2017

Table 2  
Change in Net Assets

	Governmental Activities	
	<u>April 30, 2017</u>	<u>April 30, 2016</u>
Revenues		
Program Revenues		
Charges for Services	2,414,979	2,071,174
Capital Grants & Contributions	64,240	83,599
General Revenues		
Taxes	18,406,419	18,153,174
Investment Income	55,403	22,198
Reimbursements	625,923	402,137
Miscellaneous	<u>219,561</u>	<u>156,973</u>
Total Revenues	<u>21,786,525</u>	<u>20,889,255</u>
Program Activities		
Fire protection	13,150,767	22,602,585
Ambulance services	9,200,266	9,024,223
Intergovernmental	1,236,890	1,176,780
Unallocated interest expense	<u>166,402</u>	<u>130,868</u>
Total Expenditures	<u>23,754,325</u>	<u>32,934,456</u>
Change in Net Position	(1,967,800)	(12,045,201)
Beginning Net Position	<u>(14,031,392)</u>	<u>(1,986,191)</u>
Ending Net Position	<u>(15,999,192)</u>	<u>(14,031,392)</u>



LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Management's Discussion and Analysis – Unaudited  
April 30, 2017

**Capital Assets**

The District's investment in capital assets as of April 30, 2017 is summarized below, refer to Note 5 for more information.

	Capital Assets	
	Governmental activities	
	<u>April 30, 2017</u>	<u>April 30, 2016</u>
Land	1,517,896	1,517,896
Improvements	135,410	166,986
Buildings	13,324,734	10,055,061
Equipment	<u>3,474,678</u>	<u>3,653,280</u>
Total Capital Assets, net of accumulated depreciation	<u>18,452,718</u>	<u>15,393,223</u>

**Long-term Debt**

At April 30, 2017, the District had \$48,856,944 in long-term debt, compared to \$48,272,236 (as restated) in the prior year. There was a increase to long term debt due to the actuarial determined other postretirement benefits other than pension liabilities. Refer to Note 6 for additional information.

	Governmental Activities	
	<u>April 30, 2017</u>	<u>April 30, 2016</u>
Long-term Debt	<u>48,856,944</u>	<u>48,272,236</u>

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT  
LOCKPORT ILLINOIS

STATEMENT OF NET POSITION

April 30, 2017

	Governmental Activities
<b>ASSETS</b>	
Cash	9,174,504
Investments	205,749
Receivable, net of allowance for uncollectibles	
Property Taxes	17,453,601
Accounts	708,106
Capital assets not being depreciated	1,517,896
Capital assets (net of accumulated depreciation)	16,934,822
<b>TOTAL ASSETS</b>	<b>45,994,678</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to Pensions	6,227,540
<b>LIABILITIES</b>	
Accounts Payable	207,922
Accrued expenditures	179,106
Due to fiduciary funds	99
Accrued interest	81,304
Long-term liabilities	
Due within one year	658,966
Due in more than one year	48,197,978
<b>TOTAL LIABILITIES</b>	<b>49,325,375</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	1,442,437
Deferred Property Taxes	17,453,598
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>18,896,035</b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	13,012,718
Restricted for	
Specific purposes	2,283,709
Retirement	15,929
Unrestricted	(31,311,548)
<b>TOTAL NET POSITION</b>	<b>(15,999,192)</b>

See accompanying notes to financial statements.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT  
LOCKPORT, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2017

		Program Revenues			Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT					
Governmental Activities					
Fire Protection	13,150,767	25,880	-	64,240	(13,060,647)
Ambulance service	9,200,266	2,389,099	-	-	(6,811,167)
Intergovernmental	1,236,890	-	-	-	(1,236,890)
Interest	166,402	-	-	-	(166,402)
Total Governmental Activities	<u>23,754,325</u>	<u>2,414,979</u>	-	<u>64,240</u>	<u>(21,275,106)</u>
TOTAL PRIMARY GOVERNMENT	<u>23,754,325</u>	<u>2,414,979</u>	-	<u>64,240</u>	<u>(21,275,106)</u>
		General Revenue			
		Taxes			
					17,397,602
					963,579
					45,238
					55,403
					625,923
					219,561
					<u>19,307,306</u>
					(1,967,800)
					<u>(14,031,392)</u>
					<u>(15,999,192)</u>

See accompanying notes to financial statements.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT  
 LOCKPORT, ILLINOIS  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS

For the Year Ended April 30, 2017

	<u>General</u>	<u>Ambulance</u>	<u>Capital Projects</u>	<u>Tort Liability</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Activities</u>
<b>ASSETS</b>						
Cash	3,673,135	1,593,273	1,463,142	144,998	2,299,956	9,174,504
Investments	53,670	152,079	-	-	-	205,749
Receivables						
Property Taxes	8,631,048	5,741,511	-	2,877,844	203,198	17,453,601
Other	-	-	-	-	-	-
Accounts	-	708,106	-	-	-	708,106
Due from other funds	56,534	-	142,465	42,150	3,788	244,937
Deposits	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>12,414,387</u>	<u>8,194,969</u>	<u>1,605,607</u>	<u>3,064,992</u>	<u>2,506,942</u>	<u>27,786,897</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	23,905	22,664	112,309	49,044	-	207,922
Accrued payroll expenditures	135,227	42,702	-	-	1,177	179,106
Due to other funds	144,985	97,021	-	-	2,931	244,937
Due to fiduciary funds	99	-	-	-	-	99
<b>Total Liabilities</b>	<u>304,216</u>	<u>162,387</u>	<u>112,309</u>	<u>49,044</u>	<u>4,108</u>	<u>632,064</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Property Taxes	8,631,047	5,741,511	-	2,877,844	203,196	17,453,598
<b>FUND BALANCES</b>						
Restricted for specific purposes	-	-	-	-	2,283,709	2,283,709
Restricted for retirement	-	-	-	-	15,929	15,929
Assigned for retirement	100,435	-	-	-	-	100,435
Assigned for retiree insurance	1,663,795	-	-	-	-	1,663,795
Assigned for capital projects	-	-	1,493,298	-	-	1,493,298
Assigned for ambulance operations	-	2,291,071	-	-	-	2,291,071
Unassigned	1,714,894	-	-	138,104	-	1,852,998
<b>Total Fund Balances</b>	<u>3,479,124</u>	<u>2,291,071</u>	<u>1,493,298</u>	<u>138,104</u>	<u>2,299,638</u>	<u>9,701,235</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>12,414,387</u>	<u>8,194,969</u>	<u>1,605,607</u>	<u>3,064,992</u>	<u>2,506,942</u>	<u>27,786,897</u>

See accompanying notes to financial statements.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT  
LOCKPORT, ILLINOIS

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

April 30, 2017

---

FUND BALANCES OF GOVERNMENTAL FUNDS 9,701,235

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

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported  
in the governmental funds 18,452,718

Some assets, deferred outflows of resources, liabilities, and deferred inflows  
of resources reported in the statement of net position do not require the use  
of current financial resources and therefore are not reported as assets,  
deferred outflows of resources, liabilities, or deferred inflows of resources in  
governmental funds. These activities consist of:

Deferred outflows of resources related to pensions	4,785,103	
Fire protection notes and loan payable	(5,440,000)	
Net Pension Liability	(32,887,248)	
Compensated absences	(2,789,655)	
Net other postemployment benefit obligation	(7,740,041)	
Accrued interest on long-term debt	<u>(81,304)</u>	
		<u>(44,153,145)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES (15,999,192)

See accompanying notes to financial statements.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT  
 LOCKPORT, ILLINOIS  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS

For the Year Ended April 30, 2017

	<u>General</u>	<u>Ambulance</u>	<u>Capital Projects</u>	<u>Tort Liability</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Activities</u>
<b>REVENUES</b>						
Taxes	9,486,829	5,536,451	-	3,144,126	239,013	18,406,419
Intergovernmental	-	-	478	63,762	-	64,240
Reimbursements	422,323	203,600	-	-	-	625,923
Charges for services	25,880	2,389,099	-	-	-	2,414,979
Investment income	29,080	25,302	-	206	815	55,403
Grant Revenue	-	-	-	-	-	-
Miscellaneous	50,758	3,618	118,414	-	46,770	219,560
<b>TOTAL REVENUES</b>	<u>10,014,870</u>	<u>8,158,070</u>	<u>118,892</u>	<u>3,208,094</u>	<u>286,598</u>	<u>21,786,524</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
Fire protection	8,225,477	-	21,457	1,705,048	146,482	10,098,463
Ambulance service	1,262,496	6,383,873	-	1,136,698	85,857	8,868,925
Intergovernmental	618,445	618,445	-	-	-	1,236,890
Capital Outlay	-	-	3,579,199	148,338	18,482	3,746,019
Debt service						
Principal retirement	185,000	185,000	-	-	-	370,000
Interest and fiscal charges	83,201	83,201	-	-	-	166,402
<b>TOTAL EXPENDITURES</b>	<u>10,374,619</u>	<u>7,270,519</u>	<u>3,600,656</u>	<u>2,990,084</u>	<u>250,821</u>	<u>24,486,699</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(359,749)</u>	<u>887,551</u>	<u>(3,481,764)</u>	<u>218,010</u>	<u>35,777</u>	<u>(2,700,175)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	544,202	-	300,000	-	300,000	1,144,202
Transfers (out)	-	(844,202)	-	(300,000)	-	(1,144,202)
<b>TOTAL FINANCING SOURCES (USES)</b>	<u>544,202</u>	<u>(844,202)</u>	<u>300,000</u>	<u>(300,000)</u>	<u>300,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>184,453</u>	<u>43,349</u>	<u>(3,181,764)</u>	<u>(81,990)</u>	<u>335,777</u>	<u>(2,700,175)</u>
<b>FUND BALANCES, MAY 1</b>	<u>3,294,670</u>	<u>2,247,722</u>	<u>4,675,062</u>	<u>220,094</u>	<u>1,963,861</u>	<u>12,401,409</u>
<b>FUND BALANCES, APRIL 30</b>	<u>3,479,123</u>	<u>2,291,071</u>	<u>1,493,298</u>	<u>138,104</u>	<u>2,299,638</u>	<u>9,701,234</u>

See accompanying notes to financial statements.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT  
 LOCKPORT, ILLINOIS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES TO THE GOVERNMENTAL ACTIVITIES IN THE  
 STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

APRIL 30, 2017

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (2,700,175)

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

Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities 3,887,850

The repayment of the principal portion of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding or when incurred in the statement of activities

Notes and loans payable 370,000

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:

Depreciation (828,354)

Decrease in accrued interest payable 29,631

Increase in net other postemployment benefit obligation payable (927,036)

Increase in Net Pension Liability 23,069

Increase in Pension related deferred resources (1,772,044)

Increase in compensated absences payable (50,741)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (1,967,800)

See accompanying notes to financial statements.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT  
 LOCKPORT, ILLINOIS  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 April 30, 2017

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ASSETS	
Cash and cash equivalents	3,620,057
Investments	
U.S. Treasury securities	3,771,943
U.S. Agencies securities	6,259,847
Equities	2,133,755
Mutual funds	18,059,149
Corporate Bonds	6,834,637
Accrued interest	321,427
Due from the District - General Fund	<u>99</u>
TOTAL ASSETS	41,000,914
LIABILITIES	
Payroll withholdings	<u>-</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u><u>41,000,914</u></u>

See accompanying notes to financial statements.



LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT  
 LOCKPORT, ILLINOIS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 For the Year Ended April 30, 2017

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ADDITIONS	
Contributions	
Employer contributions	2,792,991
Employee contributions	842,359
Other income	885
Total Contributions	<u>3,636,235</u>
Investment income	
Net change in fair value of investments	803,311
Interest	1,064,708
Total investment income	1,868,019
Less investment expense	<u>(35,164)</u>
Net investment income	<u>1,832,855</u>
TOTAL ADDITIONS	<u>5,469,090</u>
DEDUCTIONS	
Administration	40,760
Benefits and refunds	
Retirement benefits	2,000,439
Disability benefits	267,205
Contribution refunds	11,000
TOTAL DEDUCTIONS	<u>2,319,404</u>
NET INCREASE	3,149,686
NET POSITION RESTRICTED FOR PENSION BENEFITS	
Beginning of year	<u>37,851,228</u>
End of year	<u>41,000,914</u>

See accompanying notes to financial statements.

# LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

## Notes to Financial Statements April 30, 2017

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies of the Lockport Fire Protection District (the District) are in accordance with accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and reporting principles. The following is a summary of the significant accounting policies of the District.

#### a. Reporting Entity

The District provides fire, rescue, emergency medical services and general administrative services.

As required by U.S. generally accepted accounting principles, these financial statements present the District and any component units, entities for which the District is considered to be financially accountable. At April 30, 2017, there were no entities that would be considered a component unit of the District. Also, the District is not considered a component unit of any other governmental entity.

#### b. Fund Accounting

The District uses funds to report on its financial position and the changes in its financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into the following categories: governmental and fiduciary.

Governmental funds are used to account for the District's general activities. The General Fund is the primary operating fund; accounting for all financial resources not accounted for in another fund. Special revenue funds account for revenue sources that are legally restricted or committed for specific purposes (except for capital projects funds). Capital projects funds are account funds that are restricted, committed or assigned to the acquisition of capital assets or construction of major capital projects not financed by another fund.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, a pension trust fund is used.

# LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### c. Government-wide and Fund Financial Statements

The government-wide financial statement (i.e., the statement of net position and the statement of activities) reports information on all of the non-fiduciary activities of the District. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, if any, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and shared revenues that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It is comprised of three subfunds: the Corporate Fund, the OPEB Fund and the Fire Pension Levy Fund. The corporate Fund accounts for the direct costs of fire suppression and an allocation of administration costs. The OPEB Fund accounts for all costs of other postemployment benefits. The Fire Pension Levy Fund accounts for the property tax levy for the Fire Pension Fund.

The Ambulance Fund accounts for the direct costs of emergency medical services and an allocation of administration costs funded by a restricted tax levy and assigned ambulance fees.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Government-wide and Fund Financial Statements (continued)

The Capital Projects Fund accounts for the accumulation of resources assigned for the acquisition of capital assets and the Tort Liability Fund account for the accumulation of resources for tort expenditures.

Additionally, the District reports the Firefighters' Pension Fund as a Fiduciary Fund.

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (generally 60 days). The District recognizes property taxes when they become both measurable and available (collected) in the year intended to finance. Expenditures are recorded when the related liability is incurred. Principal and interest on general long-term debt are recorded as expenditures become due.

Those revenues susceptible to accrual are property taxes, replacement taxes, ambulance billings and interest on investments.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Deferred Inflows/Outflows of Resources

The deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resource in the period that the amounts become available. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until the.

f. Deposits and Investments

Investments in governmental funds with maturities of one year or more from the date of purchase, other than nonnegotiable certificates of deposit, are stated at fair value based on quoted market prices. Investments with maturities of one year or less from the date of purchase and nonnegotiable certificates of deposit are stated at cost or amortized cost. All other investments which do not consider market rates are stated at cost. Investment income has been allocated to each fund based on investments held by the fund. All investments of the fiduciary funds are reported at fair value.

g. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of the interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

h. Prepaid Expenses/Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses/items.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements

April 30, 2017

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Capital Assets

Capital assets are recorded as expenditures at the time of purchase. Capital assets, which include property, plant, equipment, certain intangible assets and infrastructure assets (e.g., parking lots and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value or service capacity of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	40
Improvements	20
Equipment	5 - 10

j. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. If an employee resigns, is fired or disabled, he is paid for unused vacation time. If he retires, he is also paid one-quarter of his sick time up to 31 days.

In the fund financial statements, compensated absences are reported as a fund liability for amounts owed to terminated or retired employees. The general fund has been used in prior years to liquidate the liability for compensated absences. Employees must use vacation time within one year of accrual or it is lost. Accumulated unused vacation and sick pay is recorded in the government-wide financial statements as an expense and liability of those funds as the benefits accrue to employees.

# LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### k. 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 assets. Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related debt using the effective interest method. Bonds and notes payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognized bond and note premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### l. Fund Balance/Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation. In the fund financial statements, governmental funds report non-spendable fund balance for amounts that are either not spendable in form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities or internally restricted via enabling legislation. Committed fund balance is constricted by formal actions of the District's Board of Trustees, which is considered the District's highest level of decision making authority. Formal actions include resolutions and ordinances approved by the Board. Assigned fund balance represents amounts constrained by the District's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Fire Chief and the Director of Finance by the District Board of Trustees. Any residual fund balance in the General Fund and deficit balances in other funds are reported as unassigned.

# LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### l. Fund Balance/Net Position (continued)

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

In the government-wide financial statements, restricted net position are legally restricted by outside parties for a specific purpose. None of the District's net assets are restricted as a result of enabling legislation adopted by the District. Invested in capital assets, net of related debt is the book value of capital assets less any outstanding debt that was issued to construct the capital assets.

The District has a policy to maintain unassigned fund balance in the General Fund at a minimum of 20% of current year budgeted operating expenditures. Any amount in excess of 25% is considered available to fund capital or other operations.

### m. Budget

The Board of Trustees is authorized to transfer budgeted amounts among the various expenditure amounts; however, any revisions that alter the total expenditures must be approved in the form of an amended budget. All annual appropriations lapse at fiscal year-end.



## LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

### Notes to Financial Statements

April 30, 2017

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#### 2. PROPERTY TAX CALENDAR

The following information gives significant dates on the property tax calendar for the District.

- a. The property tax lien date is January 1.
- b. The annual tax levy ordinance for 2016 was passed November 16, 2016.
- c. Property taxes are due to the County Collector in two installments, on June 1 and September 1.
- d. Property tax remittances are normally received periodically beginning in June and generally ending by December.

The 2017 tax levy, which attached as an enforceable lien on property as of January 1, 2017, has not been recorded as a receivable as of April 30, 2017 as the tax has not yet been levied by the District and will not be levied until December 2017 and, therefore, the levy is not measurable at April 30, 2017.

#### 3. DEPOSITS AND INVESTMENTS

##### a. District Investments

The District's investment policy authorizes the District to invest in all investments allowed by Illinois Compiled Statutes (30 ILCS 235/2). These include deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, commercial paper provided that: the issuer is a U.S. corporation with more than \$500 million in assets; the security is rated within the three highest classifications by two standard rating services; the security will mature within 180 days of purchase and such purchase does not exceed 10% of the issuer's outstanding obligations, insured credit union accounts whose principal office is in Illinois money market mutual fund with portfolios of securities issued or guaranteed by the United States, repurchase agreements which are collateralized by full faith and credit U.S. Treasury securities, short-term discount obligations of the Federal National Mortgage Association and Illinois Funds (created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the participants fair value).

# LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

## Notes to Financial Statements April 30, 2017

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### 3. DEPOSITS AND INVESTMENTS (continued)

#### a. District Investments (continued)

The District's investment policy does limit their deposits to financial institutions that are members of the FDIC system and are capable of posting collateral for amounts in excess of FDIC insurance. Additionally, the District will not invest in any institution in which the District's funds on deposit are in excess of 25% of the institutions capital stock, surplus and undivided profits.

It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are, in order of priority, safety of capital, liquidity, maintenance of public trust and prudence.

#### Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, at an amount not less than 110% of the fair market value of the funds secured with the collateral held by the District or the District's agent in the District's name or by a single institution collateral pool.

At April 30, 2016, the carrying amount of the District's deposits was \$9,174,504, which includes petty cash funds of \$150 held at the District, and the bank balance was \$9,766,155.

#### Investments

In accordance with its investment policy, the District limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market and by limiting the maximum maturity of an investment to one year when purchased.

# LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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## 3. DEPOSITS AND INVESTMENTS (continued)

### a. District Investments (continued)

The District limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in securities issued backed by the full faith and credit of the United States Government. Illinois Funds is rated AAA. The District's investment policy does not address credit risk. Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the state to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Funds' share price, the price for which the investment could be sold.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the District will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the District's investment policy requires all investments be held by an agent of the District in the District's name. Illinois Funds is not subject to custodial credit risk.

Concentration of credit risk is the risk that the District has a high percentage of their investments invested in one type of investment. The District's investment policy requires that no more than 50% be invested in a single financial institution, exclusive of securities guaranteed by the full faith and credit of the United States of America or obligations of the United States of America agencies.

### b. Firefighters' Pension Fund Investments

The Firefighters' Pension Fund's investment policy authorizes the Firefighters' Pension Fund to invest in all investments allowed by Illinois Compiled Statutes. These include interest-bearing bonds or tax anticipation warrants of the United States of America, the State of Illinois or any county, District or municipal corporation of the State of Illinois, insured withdrawable capital accounts of federal and state savings and loan institutions, certificates of deposit of a national or state bank insured by the Federal Deposit Insurance Corporation, insured credit union investments insured by the National Credit Union Administration, obligations of the U.S. Treasury and U.S. agencies, contracts and agreements supplemental thereto providing for investments in

# LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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## 3. DEPOSITS AND INVESTMENTS (continued)

### b. Firefighters' Pension Fund Investments (continued)

the general accounts of a life insurance company authorized in the State of Illinois, separate accounts of a life insurance company authorized in the State of Illinois comprised of real estate or loans upon real estate secured by first or second mortgages, mutual funds that: are managed by an investment company; have been in operation for at least five years; has total net assets of \$250 million; and are comprised of a diversified portfolio of common or preferred stock, bonds or money market instruments and common and preferred stocks through an investment advisor.

It is the policy of the Firefighters' Pension Fund to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Firefighters' Pension Fund and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is preservation of capital.

#### Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Firefighters' Pension Fund's deposits may not be returned to it. The Firefighters' Pension Fund's investment policy does not address custodial credit risk for deposits. As of fiscal year-end, all of the bank balances were insured or collateralized by securities held in safekeeping in a custodial account at a federal reserve bank.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

3. DEPOSITS AND INVESTMENTS (continued)

b. Firefighters' Pension Fund Investments (continued)

Investments

Fair value measurement - Investments are measured at fair value on a recurring basis. The Pension Fund categorize the fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The following are the recurring fair value measurements as of April 30, 2017:

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
U.S Treasury Notes	3,421,192	3,421,192	-	-
U.S Treasury Bonds	350,752	350,752	-	-
Federal Home Loan Banks	3,693,676	-	3,693,676	-
Federal Farm Credit Banks	1,283,147	-	1,283,147	-
Federal National Mortgage Assoc.	1,283,023	-	1,283,023	-
Common Stock	2,133,755	2,133,755	-	-
Mutual Funds	18,059,149	18,059,149	-	-
Corporate Bonds	6,834,637	-	6,834,637	-
<b>TOTAL</b>	<b>37,059,331</b>	<b>23,964,848</b>	<b>13,094,483</b>	<b>-</b>

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

3. DEPOSITS AND INVESTMENTS (continued)

b. Firefighters' Pension Fund Investments (continued)

The following table presents the investments and maturities of the Firefighters' Pension Fund's debt securities as of April 30, 2017:

Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	Greater than 10
U.S Treasury Notes	3,421,192	-	1,227,331	1,299,380	894,481
U.S Treasury Bonds	350,752	-	-	350,752	-
Federal Home Loan Banks	3,693,676	842,248	1,471,879	448,003	931,546
Federal Farm Credit Banks	1,283,147	-	-	1,283,147	-
Federal National Mortgage Assoc.	1,283,023	-	1,254,590	-	28,433
Corporate Bonds	<u>6,834,637</u>	-	<u>3,153,650</u>	<u>3,680,987</u>	-
<b>TOTAL</b>	<u><u>16,866,427</u></u>	<u><u>842,248</u></u>	<u><u>7,107,450</u></u>	<u><u>7,062,269</u></u>	<u><u>1,854,460</u></u>

In accordance with its investment policy, the Firefighters' Pension Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market. The duration of the portfolio is targeted at approximately five years and will range from two to seven years depending on conditions.

The Firefighters' Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in U.S. Government securities and money market mutual funds.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Firefighters' Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. The Firefighters' pension Fund requires SIPC insurance or excess SIPC for all investments exposed to custodial credit risk as the policy allows the broker/dealer purchasing the investment to also serve as custodian over the investment.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements

April 30, 2017

3. DEPOSITS AND INVESTMENTS (continued)

b. Firefighters' Pension Fund Investments (continued)

Investments (continued)

Concentration of credit risk is the risk that the Firefighters' Pension Fund has a high percentage of their investments invested in one type of investment. The Firefighters' Pension Fund's investment policy sets percentage allocation parameters at: equities are limited to a maximum of 50% of the portfolio based on state statutes. Fixed income and equities diversification is required as noted below:

	Target	Range
<b>FIXED INCOME</b>		
U.S. Treasury bills/notes/bonds	30%	0 - 100%
U.S. agency securities (non-MBS)	35%	0-70%
U.S. agency securities (callable)	20%	0-30%
U.S. agency securities (MBS)	5%	0-10%
Taxable municipal securities	10%	0-20%
Certificates of deposit	0%	0-20%
Investment grade corporate bonds	0%	0-30%
<b>EQUITIES</b>		
U.S. large company stocks	70%	0-100%
U.S. small company stocks	20%	0-70%
International stocks	10%	0-30%

The Firefighters' Pension Fund' investments, fair values, and credit ratings as described by Standard & Poor's rating agency were as follows;

Investment Description	Fair Value	Total Investments	Credit Rating
U.S Treasury Notes	3,421,192	9.2%	AAAm
U.S Treasury Bonds	350,752	0.9%	AA+
Federal Home Loan Banks	3,693,676	10.0%	AA+
Federal Farm Credit Banks	1,283,147	3.5%	AA+
Common Stock	2,133,755	5.8%	N/A
Mutual Funds	18,059,149	48.7%	N/A
Federal National Mortgage Assoc.	1,283,023	3.5%	AA+
Corporate Bonds	6,834,637	18.4%	AA / BBB-
Totals	37,059,331	100.0%	

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

4. INTERFUND ACTIVITY

Transfers to/from other funds at April 30, 2017 consist of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	544,202	-
Ambulance Fund	-	844,202
Tort Liability Fund	-	300,000
Capital Projects Fund	300,000	-
Nonmajor Governmental Fund	<u>300,000</u>	<u>-</u>
TOTAL	<u>1,144,202</u>	<u>1,144,202</u>

The purposes of the significant transfers in/out are as follows:

- \$544,202 – The Ambulance Fund transferred money to the General Fund to fund retirement benefits and other operational, and \$300,000 to fund the purchase of a vehicle. The transfers will not be repaid.
- \$300,000 – The Tort Liability Fund transferred money to a Non-major Fund to pay for capital expenditures. The transfer will not be repaid.

Due to/from other funds at April 30, 2017 consists of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund	56,534	144,985
Ambulance Fund	-	97,021
Tort Liability Fund	42,150	-
Nonmajor Governmental Fund	<u>146,253</u>	<u>2,931</u>
TOTAL	<u>244,937</u>	<u>244,937</u>

The interfund loans between all funds relate to short-term cash loans and cost allocations that have not been repaid. The amounts will be repaid within one year.



LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

5. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2017 was as follows:

	<u>Balances, May 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances, April 30</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	1,517,896	-	-	1,517,896
Total capital assets not being depreciated	<u>1,517,896</u>	<u>-</u>	<u>-</u>	<u>1,517,896</u>
Capital assets being depreciated				
Buildings	13,487,439	3,599,234	329,902	16,756,771
Improvements	562,693	-	-	562,693
Equipment	<u>7,837,621</u>	<u>288,615</u>	-	<u>8,126,236</u>
Total capital assets being depreciated	<u>21,887,753</u>	<u>3,887,849</u>	<u>329,902</u>	<u>25,445,700</u>
Less accumulated depreciation for				
Buildings	3,432,378	329,561	329,902	3,432,037
Improvements	395,707	31,576	-	427,283
Equipment	<u>4,184,341</u>	<u>467,217</u>	-	<u>4,651,558</u>
Total accumulated depreciation	<u>8,012,426</u>	<u>828,354</u>	<u>329,902</u>	<u>8,510,878</u>
Total capital assets being depreciated, net	<u>13,875,327</u>	<u>3,059,495</u>	<u>-</u>	<u>16,934,822</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
CAPITAL ASSETS, NET	<u>15,393,223</u>	<u>3,059,495</u>	<u>-</u>	<u>18,452,718</u>

Depreciation expense was charged to functions of the primary government as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	
Fire protection	497,012
Ambulance services	<u>331,342</u>
TOTAL	<u>828,354</u>

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

6. GENERAL LONG-TERM DEBT

a. Notes Payable

The District issued \$2,325,000 Series 2016 Fire Protection Notes dated March 10, 2016 to finance a capital project. Principal and interest is due annually each January 1 through January 1, 2029. Interest is payable semi-annually each January 1 and July 1 at 2.21%.

The District issued \$4,085,000 Series 2013 Fire Protection Refunding Notes dated December 19, 2013 to refund the Series 2006 Fire Protection Notes. Principal and interest is due annually each January 1 through January 1, 2026. Interest is payable semi-annually each January 1 and July 1 at rates ranging from 2.00% to 4.25%.

b. Refunding of Debt

In prior fiscal years, the District defeased certain notes payable by placing the proceeds of new notes in an irrevocable trust to provide for all future debt service payments on the old notes. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At April 30, 2017, there are \$3,590,000 of notes outstanding that are considered defeased.

c. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended April 30, 2017:

	<u>May 1 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>April 30, 2017</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Fire Protection Notes	5,810,000	-	370,000	5,440,000	380,000	5,060,000
Compensated absences payable	2,738,914	50,741	-	2,789,655	278,966	2,510,689
Net Pension Liability	32,910,317	13,273	36,342	32,887,248	-	32,887,248
Net postemployment benefits	<u>6,813,005</u>	<u>927,036</u>	<u>-</u>	<u>7,740,041</u>	<u>-</u>	<u>7,740,041</u>
<b>Total Long-Term Debt</b>	<u><u>48,272,236</u></u>	<u><u>991,050</u></u>	<u><u>406,342</u></u>	<u><u>48,856,944</u></u>	<u><u>658,966</u></u>	<u><u>48,197,978</u></u>

The compensated absences and net other postemployment benefit obligations have historically been retired by the General and Ambulance Funds.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

6. GENERAL LONG-TERM DEBT (continued)

d. Debt Service Requirements to Maturity

The annual debt service requirements to amortize the governmental activities outstanding debt as of April 30, 2017 are as follows:

Fiscal Year Ending	<u>Principal</u>	<u>Interest</u>
<u>April 30</u>		
2018	380,000	162,704
2019	390,000	154,957
2020	400,000	143,810
2021	415,000	132,363
2022	425,000	119,656
2023-2027	2,410,000	355,265
2028-2029	<u>1,020,000</u>	<u>33,813</u>
TOTAL PRINCIPAL AND INTEREST	<u>5,440,000</u>	<u>1,102,568</u>

e. Legal Debt Margin

Assessed Valuation - 2016 (Latest available amount)	<u>1,575,174,380</u>
Legal Debt Limit - 8.625% of Assessed Valuation	135,858,790
Amount of Debt Applicable to Debt Limit Total Fire Protection Notes	<u>5,440,000</u>
Legal Debt Margin	<u>130,418,790</u>

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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7. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described in the following note, the District provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through its personnel manual and union contract. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the District's governmental activities.

b. Benefits Provided

The District provides postemployment health care and life insurance benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the District's two retirement plans. A retired employee who wishes to continue coverage shall receive 50% to 65% of their insurance premium paid by the District. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the District's plan becomes secondary.

c. Membership

At April 30, 2017, most recent information available, membership consisted of:

Retirees and beneficiaries currently receiving benefits	35
Active plan members	<u>87</u>
TOTAL	<u>122</u>

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

7. OTHER POSTEMPLOYMENT BENEFITS (continued)

d. Funding Policy

The District is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

The District had an actuarial valuation performed for the plan as of April 30, 2015 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended April 30, 2017. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the previous three years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2017	1,117,243	235,627	21.09%	7,740,041
April 30, 2016	1,074,272	244,461	22.76%	6,813,005
April 30, 2015	743,348	171,326	23.05%	5,943,570

The net OPEB obligation as of April 30, 2017 was calculated as follows:

Annual required contribution	1,117,243
Interest on net OPEB obligation	272,520
Adjustment to annual required contribution	<u>(227,100)</u>
Annual OPEB cost	1,162,663
Contributions made	<u>235,627</u>
Increase in net OPEB obligation	927,036
Net OPEB obligation, beginning of year	<u>6,813,005</u>
Net OPEB obligation, end of year	<u><u>7,740,041</u></u>

# LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

## Notes to Financial Statements April 30, 2017

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### 7. OTHER POSTEMPLOYMENT BENEFITS (continued)

#### d. Funding Policy (continued)

Funded Status and Funding Progress. The funded status of the plan as of April 30, 2015, most recent information available, was as follows:

Actuarial accrued liability (AAL)	11,478,266
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	11,478,266
Funded ration (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	not available
UAAL as a percentage of covered payroll	n/a

Actuarial valuations of an ongoing 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 financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### e. Annual OPEB Costs and Net OPEB Obligations

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 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 that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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7. OTHER POSTEMPLOYMENT BENEFITS (continued)

e. Annual OPEB Costs and Net OPEB Obligations (continued)

Significant methods and assumptions were as follows:

Actuarial valuation date	April 30, 2015
Actuarial cost method	Entry Age Normal
Amortization period	Level Percent
Remaining amortization period	30 years
Actuarial assumptions:	
Discount rate	4.0%
Healthcare trend rate	beginning at 0.0%, trending to 5.5%

8. EMPLOYEE RETIREMENT SYSTEMS

a. Firefighters' Pension Plan

Plan Descriptions

Fire sworn personnel are covered by the Firefighters' Pension Plan which is a defined benefit single-employer pension administered by the Firefighters' Pension Fund Board. Separately audited GAAP financial statements are not issued by the Firefighters' Pension Fund Board. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-100), et seq. and may be amended only by the Illinois legislature. The District accounts for the plan as a pension trust fund.

The financial statements of the Firefighters' Pension Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The District's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sale price on the balance sheet date. Securities without an established market are reported at estimated fair value.

# LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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## 8. EMPLOYEE RETIREMENT SYSTEMS (continued)

### a. Firefighters' Pension Plan (continued)

The Firefighters' Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held at the date of retirement. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75.0% of such salary. Employees with at least ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit 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 original pension and 3.0% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary or pension purposes is capped at \$106,800, plus the lesser of one-half of the annual change in the Consumer Price Index or 3.0% compounded. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75.0% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., 1/2% for each month under age 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1<sup>st</sup> after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases incur annually, each January thereafter. The increase is the lesser of 3.0% or 1/2 of the change in the Consumer Price Index for the preceding calendar year.



LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

a. Firefighters' Pension Plan (continued)

**Employees Covered by Benefit Terms**

At April 30, 2017, the following employees were covered by the benefit terms:

	Number of
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	37
Inactive Plan Members Entitled to but not yet Receiving Benefits	1
Active Members	87
Total	<u>125</u>
Covered Valuation Payroll	\$ 8,890,968

**Contributions**

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The District is required to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the District has until the year 2040 to fund 90% of the past services costs for the Firefighters' Pension Plan.

**Net Pension Liability**

The District's net pension liability was measured as of April 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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8. EMPLOYEE RETIREMENT SYSTEMS (continued)

a. Firefighters' Pension Plan (continued)

**Actuarial Assumptions**

The following are the methods and assumptions used to determine total pension liability at May 1, 2017:

- 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 2.5%.
- **Salary Increases** were expected to be 4.0% to 9.17%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.00%.
- Projected increase in total payroll to be 3.25%
- Consumer Price Index to be 2.50%
- Mortality table – 2016 Illinois Firefighters Mortality Rates
- Retirement Rates – 2016 Illinois Firefighters Retirement Rates capped at age 65
- Disability Rates - 2016 Illinois Firefighters Disability Rates
- Termination Rates - 2016 Illinois Firefighters Termination Rates.
- Percent Married to be 80%
- The **long-term expected rate of return** on assets is intended to represent the best estimate of future real rates of return and is shown for each major asset classes in the investment policy. The expected rates of return on assets shown here is from the Illinois Department of Insurance Actuarial Experience Study dated September 26, 2012. Long-term real rates of return are shown as the expected rate of return net of the assumed inflation rate:

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

a. Firefighters' Pension Plan (continued)

**Actuarial Assumptions** (continued)

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return %</u>	<u>Long-Term Inflation Expectation %</u>	<u>Long-Term Expected Real Rate of Return %</u>
US Treasuries	4.30	2.50	1.80
US Agencies	4.50	2.50	2.00
US Corporate Bonds	5.00	2.50	2.50
US High Yield Bonds	6.00	2.50	3.50
Government Bonds	5.50	2.50	3.00
US Large Cap	7.50	2.50	5.00
US Mid Cap	7.80	2.50	5.30
US Small Cap	7.50	2.50	5.00
International Stocks	7.80	2.50	5.30
Emerging Markets Stocks	8.70	2.50	6.20
Real Estate	6.80	2.50	4.30
Global Infrastructure	7.30	2.50	4.80

**Single Discount Rate**

A Single Discount Rate of 7.0% was used to measure the total pension liability. Cash flow projections were used to determine the extent which the plan's future net position will be able to cover future benefit payments. Projected benefit payments are determined during the actuarial process based on the assumptions.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

a. Firefighters' Pension Plan (continued)

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.00%, the municipal bond rate is 3.82%, and the resulting single discount rate is 7.00%.

**Changes in the Net Pension Liability**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	<u>(A)</u>	<u>(B)</u>	<u>(A) - (B)</u>
<b>Balances at May 1, 2016</b>	70,354,757	37,851,228	32,503,529
<b>Changes for the year:</b>			-
Service Cost	2,098,648	-	2,098,648
Interest	4,845,080	-	4,845,080
Actuarial Experience	(275,252)	-	(275,252)
Assumption Changes	(1,277,460)	-	(1,277,460)
Contributions - Employer	-	2,793,876	(2,793,876)
Contributions - Employees	-	842,359	(842,359)
Net Investment Income	-	1,825,362	(1,825,362)
Benefit Payments, including Refunds	(2,278,643)	(2,278,643)	-
Other (Net Transfer)	-	(33,268)	33,268
Net Changes	<u>3,112,373</u>	<u>3,149,686</u>	<u>(37,313)</u>
<b>Balances at April 30, 2017</b>	<u>73,467,130</u>	<u>41,000,914</u>	<u>32,466,216</u>

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

8. EMPLOYEE RETIREMENT SYSTEMS (continued)

a. Firefighters' Pension Plan (continued)

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

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.0%, 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% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net Pension Liability	44,905,942	32,466,216	22,516,096

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

For the year ended April 30, 2017, the District incurred pension expense of \$4,554,971. At April 30, 2017, the District reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	553,221	250,045
Changes of assumptions	2,744,260	1,160,476
Net difference between projected and actual earnings on pension plan investments	2,847,889	-
Total	6,145,370	1,410,521

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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8. EMPLOYEE RETIREMENT SYSTEMS (continued)

a. Firefighters' Pension Plan (continued)

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:

<b>Year ended April 30:</b>	
2017	\$ 1,116,272
2018	1,116,272
2019	1,116,272
2020	399,125
2021	225,013
Thereafter	761,895

b. Illinois Municipal Retirement Fund

***Plan Description***

The District'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 District'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](http://www.imrf.org).

**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).

# LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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## 8. EMPLOYEE RETIREMENT SYSTEMS (continued)

### b. Illinois Municipal Retirement Fund (continued)

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.

LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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8. EMPLOYEE RETIREMENT SYSTEMS (continued)  
b. Illinois Municipal Retirement Fund (continued)

**Employees Covered by Benefit Terms**

At April 30, 2017, the following employees were covered by the benefit terms:

Number of	
Retirees and Beneficiaries	3
Inactive, Non-Retired Members	0
Active Members	4
Total	<u>7</u>
Covered Valuation Payroll	\$ 327,870

**Contributions**

As set by statute, the District's Regular Plan Members are required to contribute 4.5% 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 District's annual contribution rate for calendar year 2016 was 12.55%. For the fiscal year ended 2017, the District contributed \$50,853 to the plan. The District 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 District'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.



LOCKPORT TOWNSHIP FIRE PROTECTION DISTRICT

Notes to Financial Statements  
April 30, 2017

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8. EMPLOYEE RETIREMENT SYSTEMS (continued)

b. Illinois Municipal Retirement Fund (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 2014). 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 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.