

**NORTH PALOS FIRE PROTECTION
DISTRICT, ILLINOIS**

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2016

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2016**

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INTRODUCTORY SECTION

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NAMES AND TITLES OF PRINCIPAL OFFICIALS
DECEMBER 31, 2016**

Marge Hodek	President
Samir Khalil	Secretary
Frank Bennett	Treasurer
Paul Mackin	Chief

FINANCIAL SECTION



Honorable District President and Board of Trustees
North Palos Fire Protection District, Illinois
Palos Hills, Illinois

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Palos Fire Protection District, Illinois, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the fiduciary fund type of North Palos Fire Protection District, Illinois, as of and for the year ended December 31, 2016, as displayed in the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 of the governmental activities, each major fund, and the aggregate remaining fund information as well as the fiduciary fund of North Palos Fire Protection District, Illinois, as of December 31, 2016, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund and the major special revenue fund 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 on pages v through xii and employee retirement and postemployment benefit plan information on pages 41 through 46 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 basic financial statements of North Palos Fire Protection District, Illinois. The introductory section, combining and individual fund financial statements and schedules, and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules 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 fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and other information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of North Palos Fire Protection District, Illinois, for the year ended December 31, 2015, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the fiduciary fund type. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of North Palos Fire Protection District, Illinois as a whole. The individual fund financial statements and schedules for the year ended December 31, 2015 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2015 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

MPS/CPA

Orland Park, Illinois
August 16, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS as of and for the year ended December 31, 2016

As management of North Palos Fire Protection District (the District), we offer readers of the District's Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ended December 31, 2016.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows at the close of the most recent fiscal year by (\$9,970,254) (*net deficit*). Of the District's net position, \$2,066,566 is invested in capital assets and \$115,800 is restricted. The District has a (\$12,152,620) unrestricted deficit.
- The total net position of the District decreased by (\$2,615,495) due to an increase in pension and post-employment benefit obligations.
- Expenditures of the District exceeded revenues for the year by (\$794,192). This was attributed to the following: Actual revenues in both property tax and ambulance billing were significantly lower than estimated; compensation and benefits were higher than estimated due to increased overtime from injuries/illness; a prolonged disability retirement of a member and unforeseen benefit buyback requests; maintenance costs were higher than expected due to the age of apparatus and work load; workers' compensation insurance was higher than anticipated due to excess overtime. Additionally, a federal grant award was awarded for a new engine in which the district was required to provide matched funding. Fund balance of the District's governmental funds increased by \$105,808 as the District entered into a \$900,000 note payable agreement, resulting in an ending fund balance of \$1,158,091. The fund balance of the General Fund increased by \$249,637.
- The District's long-term obligations increased this year due to the note payable agreement and due to increases in the pension benefit and other post-employment benefit obligations.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements presented on pages 1 - 40 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide the reader of the District's Annual Financial Report a broad overview of the financial activities in a manner similar to a private sector business.

The *statement of net position* presents information about all of the District's assets, liabilities and deferred outflows and inflows of resources. The difference between assets, deferred outflows of

resources, liabilities, and deferred inflows of resources is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

The government-wide financial statements can be found on pages 1 - 2 of this report.

Fund Financial Statements

A *fund* is a grouping 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 categorized as one of two types: governmental fund or fiduciary fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six different governmental funds and one pension trust fund. The major funds are the General Fund (which is comprised of the Corporate and Tort Liability subfunds) and the Ambulance Fund. They are presented separately in the fund financial statements with the remaining governmental funds combined into a single aggregated presentation labeled "Other Governmental Funds." Individual fund information for the other governmental funds is presented in the combining and individual fund financial statements and schedules section of this report.

The District adopts an annual appropriated budget for each of the governmental funds. Budgetary comparison statements for each of the funds have been provided to demonstrate compliance with the budget.

The fund financial statements can be found on pages 3 - 8 of this report.

Fiduciary Fund. Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are *not* reflected in the government-wide financial statements because

the resources of those funds *are not* available to support the District's own programs. The fiduciary fund utilized by the District is the Pension Fund.

The basic fiduciary fund financial statements can be found on pages 9 - 10 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 11 - 40 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District's progress in funding its obligation to provide pension and other postemployment benefits to its employees. This information is provided on pages 41 - 46 of the report.

The combining and individual fund financial statements and schedules in connection with the governmental and fiduciary funds are presented immediately following the required supplementary information. These statements and schedules can be found on pages 47 - 69 of this report.

North Palos Fire Protection District, Illinois Statement of Net Position as of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets	\$ 6,052,730	\$ 5,613,822
Capital assets	<u>2,394,284</u>	<u>2,061,716</u>
Total assets	<u>8,447,014</u>	<u>7,675,538</u>
Deferred outflows of resources	<u>8,374,126</u>	<u>7,371,268</u>
Liabilities:		
Current liabilities	398,232	189,749
Noncurrent liabilities	<u>21,635,530</u>	<u>17,612,406</u>
Total liabilities	<u>22,033,762</u>	<u>17,802,155</u>
Deferred inflows of resources	<u>4,757,632</u>	<u>4,599,410</u>
Net position (deficit):		
Net investment in capital assets	2,066,566	1,669,502
Restricted	115,800	136,153
Unrestricted	<u>(12,152,620)</u>	<u>(9,160,414)</u>
Total net position (deficit)	<u>\$(9,970,254)</u>	<u>\$(7,354,759)</u>

Assets

Cash, investments and receivables are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the results of the property tax collection process; the District received approximately 95% of the annual property tax assessment for 2015 in 2016. It is expected a similar collection rate will occur for 2016 taxes collected in 2017.

Capital assets are used in the operations of the District. These are land, buildings and improvements, apparatus and vehicles, and equipment. Capital assets are discussed in greater detail in the section titled "Capital Assets and Debt Administration", elsewhere in this analysis.

An investment of \$2,394,284 in land, buildings and improvements, apparatus and vehicles, and equipment, to provide the services to the District's residents, represents 28% of the District's total assets.

Deferred Outflows of Resources

Deferred outflows of resources related to pensions, which are further explained on pages 26 - 36 of this report (the actuarial effect of changes of assumptions plus the difference between projected and actual earnings on pension investments), were recorded in 2016 in the amount of \$8,374,126. Of this total, \$8,280,265 is related to the Firefighters' Pension Fund and \$93,861 is related to the Illinois Municipal Retirement Fund.

Liabilities

Current and long-term obligations are classified based on anticipated payment date either in the near-term or in the future. Current obligations include accounts payable and accrued salaries and benefits. Long-term obligations such as the pension benefit obligation, compensated absences payable, and other post-employment benefit obligation will be liquidated from resources that will become available after fiscal 2017.

Deferred Inflows of Resources

Unavailable revenue in the form of assessed 2016 property taxes to be collected after fiscal year 2016 totaled \$4,499,830 at year end. Deferred inflows of resources related to pensions, which are further explained on pages 26 - 36 of this report and include the difference of actuarial expectations and actual experience, were recorded in 2016 in the amount of \$257,802. Of this total, \$203,407 is related to the Firefighters' Pension Fund and \$54,395 is related to the Illinois Municipal Retirement Fund.

Net Position

The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources by \$9,970,254 at December 31, 2016, with an unrestricted deficit of (\$12,152,620). Total net position of the District does not include internal balances.

Statement of Activities

The following chart shows the revenue and expenses of the District's activities during 2016.

North Palos Fire Protection District, Illinois Statement of Activities for the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for service	\$ 2,801,798	\$ 2,686,598
Grants and contributions	379,499	14,476
General revenues:		
Property taxes	4,225,878	4,009,056
Foreign fire insurance	27,889	24,786
Personal property replacement taxes	18,670	21,070
Unrestricted investment earnings	438	21,973
Other income	<u>45,139</u>	<u>23,681</u>
Total revenues	<u>7,499,311</u>	<u>6,801,640</u>
Expenses:		
Governmental activities:		
Fire and rescue	6,584,223	5,754,655
Emergency medical service	3,227,286	2,814,428
General government	291,554	290,865
Interest	<u>11,743</u>	<u>11,488</u>
Total expenses	<u>10,114,806</u>	<u>8,871,436</u>
Decrease in net position	(2,615,495)	(2,069,796)
Net deficit at beginning of year	<u>(7,354,759)</u>	<u>(5,284,963)</u>
Net deficit at end of year	<u>\$(9,970,254)</u>	<u>\$(7,354,759)</u>

Governmental activities decreased the District's net position by \$2,615,495. Key elements contributing to this net change are summarized below.

Revenue: For the year ending December 31, 2016, total revenue from governmental activities increased by \$697,671, or 10%.

Total program revenues, which include charges for services as well as contributions and grants, increased by \$480,223. The District received a grant in 2016 that was used to purchase a new pumper truck.

General revenues, which includes property taxes, personal property replacement taxes, investment income, and other income increased by \$217,448, due mostly to an increase in property taxes.

Expenses: Expenses from governmental activities increased by \$1,243,370, or 14%. This increase was mainly caused by an increase in pension and other postemployment benefit obligations.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,158,091, an increase of \$105,808 in comparison with the prior year. \$115,800, or 10%, of the fund balance is restricted due to external limitations on its use. \$1,042,988 of the fund balance has been assigned, meaning that there are limitations on its intended use. The District had an unassigned fund deficit of (\$53,113) at December 31, 2016.

The General Fund is the main operating fund of the District. At the end of the current fiscal year, the total fund balance of the General Fund was \$733,463, all of which was restricted or assigned. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned and total fund balance to total fund expenditures. Total general fund expenditures for 2016 were \$5,790,934. Unassigned fund balance represents 0% of these General Fund expenditures, while total fund balance represents 13% of that same amount.

Budgetary Highlights

The 2016 annual expenditure budget for the District's General Fund identified the budgeted level of spending at \$5,514,000. Actual expenditures were higher than budgeted expenditures by approximately 5%, or \$276,934. Compensation and benefits expenditures for the year were \$234,147 higher than anticipated due to excess overtime from injuries/illness, a prolonged disability retirement of a member and unforeseen benefit buyback requests.

General Fund revenues were anticipated to be \$5,434,000 for the current year. Actual revenues were \$5,140,571, or 5.4%, lower than anticipated. The most significant differences between estimated revenues and actual revenues were the amounts received for property tax revenue and other revenue.

The 2016 annual expenditure budget for the District's Ambulance Fund identified the budgeted level of spending at \$2,170,000. Actual expenditures were lower than budgeted expenditures by approximately 2.5%, or \$55,124. Employee compensation and benefits for the year were \$10,852 less than anticipated.

Ambulance Fund revenues were anticipated to be \$2,100,000 for the current year. Actual revenues were \$137,636, or 6.6%, less than anticipated. The most significant difference between estimated revenues and actual revenues was the amount received for property tax revenue.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of December 31, 2016 amounts to \$2,394,284 (net of accumulated depreciation). This investment in capital assets included land, buildings and improvements, apparatus and vehicles, and equipment. The net increase in the District's investment in capital assets for the current fiscal year was \$332,568.

North Palos Fire Protection District, Illinois Capital Assets (net of accumulated depreciation) December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Land	\$ 290,700	\$ 290,700
Buildings and improvements	441,290	413,383
Apparatus and vehicles	1,531,795	1,215,403
Equipment	<u>130,499</u>	<u>142,230</u>
Total capital assets	<u>\$ 2,394,284</u>	<u>\$ 2,061,716</u>

Additional information on the District's capital assets can be found in the notes to basic financial statements.

Long-Term Debt

The District has obligations related to employee benefits at December 31, 2016 of \$20,461,312. Also, the District has outstanding notes payable in the amount of \$1,174,218 at the end of the current year. The District entered into a \$900,000 note payable with a local bank for the purpose of paying for operational expenses in anticipation of tax revenue. Additional information on the District's long-term debt can be found in the notes to basic financial statements.

Economic Factors and Next Year's Budget and Rates

The District's primary revenue source is property taxes, representing approximately 60% of total revenue. The Property Tax Extension Limitation Law allows a taxing district to receive a limited inflationary increase in tax extensions on existing property, plus an additional amount for new construction, and voter-approved rate increases.

Budgeted revenue for 2017 is \$7,721,000. Property taxes are assumed to increase for existing property by the Consumer Price Index of 3% and new construction property of 3%. Other sources of budgeted revenue include fees for ambulance and other miscellaneous services.

Budgeted expenditures for 2017 are \$7,721,000. Expenditures include salaries and benefits to maintain staffing levels; facility expenses to operate and maintain existing buildings; maintenance expenses to maintain existing apparatus; purchase of apparatus; debt payments; and other miscellaneous expenditures.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Finance Director
North Palos Fire Protection District
10629 S. Roberts Road
Palos Hills, Illinois 60465

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016**

ASSETS

Cash and investments	\$	1,000,626
Receivables, net of allowance for uncollectibles:		
Property taxes		4,499,830
Accounts		552,274
Capital assets not being depreciated:		
Land		290,700
Capital assets net of accumulated depreciation:		
Buildings and improvements		441,290
Apparatus and vehicles		1,531,795
Equipment		<u>130,499</u>
Total assets		<u>8,447,014</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions		<u>8,374,126</u>
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LIABILITIES

Accounts payable and other current liabilities		248,816
Due to Pension Trust Fund		149,416
Noncurrent liabilities:		
Due within one year		1,099,208
Due in more than one year		<u>20,536,322</u>
Total liabilities		<u>22,033,762</u>

DEFERRED INFLOWS OF RESOURCES

Property taxes levied for future periods		4,499,830
Deferred inflows of resources related to pensions		<u>257,802</u>
Total deferred inflows of resources		<u>4,757,632</u>

NET POSITION (DEFICIT)

Net investment in capital assets		2,066,566
Restricted for:		
Foreign fire		62,806
Tort immunity		52,994
Unrestricted		<u>(12,152,620)</u>
Total net position (deficit)		<u>\$ (9,970,254)</u>

See notes to basic financial statements.

NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

		Program Revenues			
	Expenses	Charges for Service	Capital Grants and Contributions		Net (Expense) Revenue and Change in Net Deficit
Functions/programs:					
Governmental activities:					
Fire and rescue	\$ 6,584,223	\$ 2,212,053	379,499	\$	(3,992,671)
Emergency medical service	3,227,286	589,745	-	\$	(2,637,541)
General government	291,554	-	-	\$	(291,554)
Interest expense	11,743	-	-	\$	(11,743)
	<u>\$ 10,114,806</u>	<u>\$ 2,801,798</u>	<u>379,499</u>		<u>(6,933,509)</u>
Total governmental activities					
General revenues:					
Taxes:					
Property					4,225,878
Personal property replacement					18,670
Foreign fire insurance					27,889
Investment income					438
Other income					45,139
					<u>4,318,014</u>
Total general revenues					
Change in net deficit					(2,615,495)
Net deficit at beginning of year					<u>(7,354,759)</u>
Net deficit at end of year					<u>\$ (9,970,254)</u>

See notes to basic financial statements.

FUND FINANCIAL STATEMENTS

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	<u>General</u>	<u>Ambulance</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 930,984	\$ -	\$ 69,642	\$ 1,000,626
Receivables:				
Property taxes	2,598,630	1,503,500	397,700	4,499,830
Accounts	-	552,274	-	552,274
Due from other funds	116,258	-	-	116,258
 Total assets	<u>\$ 3,645,872</u>	<u>\$ 2,055,774</u>	<u>\$ 467,342</u>	<u>\$ 6,168,988</u>
 LIABILITIES				
Accounts payable	\$ 104,196	\$ 38,334	\$ 2,500	\$ 145,030
Accrued costs	60,167	29,782	10,414	100,363
Due to other funds	149,416	58,833	57,425	265,674
 Total liabilities	<u>313,779</u>	<u>126,949</u>	<u>70,339</u>	<u>511,067</u>
 DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	2,598,630	1,503,500	397,700	4,499,830
 FUND BALANCES (DEFICIT)				
Restricted	115,800	-	52,416	168,216
Assigned	617,663	425,325	-	1,042,988
Unassigned	-	-	(53,113)	(53,113)
 Total fund balances (deficit)	<u>733,463</u>	<u>425,325</u>	<u>(697)</u>	<u>1,158,091</u>
 Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 3,645,872</u>	<u>\$ 2,055,774</u>	<u>\$ 467,342</u>	<u>\$ 6,168,988</u>

See notes to basic financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016**

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

Total fund balances - governmental funds	\$	1,158,091
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		2,394,284
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Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Notes payable	\$	(1,174,218)	
Net pension liabilities		(17,949,556)	
Other post-employment benefit obligation		(1,980,974)	
Compensated absences payable		<u>(530,782)</u>	

Total		(21,635,530)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. Deferred outflows and inflows of resources related to pensions at year-end are as follows:

Deferred outflows of resources related to pensions	\$	8,374,126	
Deferred inflows of resources related to pensions		<u>(257,802)</u>	

Total		8,116,324
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Accrued interest payable was recognized for governmental activities, but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		<u>(3,423)</u>
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Net position (deficit) of governmental activities	\$	<u><u>(9,970,254)</u></u>
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See notes to basic financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Ambulance</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 2,455,704	\$ 1,370,638	\$ 388,074	\$ 4,214,416
Intergovernmental revenue	1,595,127	-	-	1,595,127
Charges for service	616,926	589,745	-	1,206,671
Investment income	438	-	-	438
Grant revenue	379,499	-	-	379,499
Personal property replacement taxes	18,670	-	-	18,670
Foreign fire insurance	27,889	-	-	27,889
Other revenues	46,318	1,981	-	48,299
	<u>5,140,571</u>	<u>1,962,364</u>	<u>388,074</u>	<u>7,491,009</u>
Expenditures:				
Current:				
Fire and rescue	4,785,230	-	277,014	5,062,244
Emergency medical service	236,327	2,073,026	47,686	2,357,039
General government	128,385	18,254	54,691	201,330
Capital outlay:				
Fire and rescue	514,020	-	-	514,020
Emergency medical service	-	23,596	-	23,596
Debt service:				
Principal	118,652	-	-	118,652
Interest	8,320	-	-	8,320
	<u>5,790,934</u>	<u>2,114,876</u>	<u>379,391</u>	<u>8,285,201</u>
Excess (deficiency) of revenues over expenditures	(650,363)	(152,512)	8,683	(794,192)
Other financing sources:				
Issuance of note payable	900,000	-	-	900,000
Net change in fund balances (deficit)	249,637	(152,512)	8,683	105,808
Fund balances (deficit) at beginning of year	483,826	577,837	(9,380)	1,052,283
Fund balances (deficit) at end of year	<u>\$ 733,463</u>	<u>\$ 425,325</u>	<u>\$ (697)</u>	<u>\$ 1,158,091</u>

See notes to basic financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

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

Net change in fund balances (deficit) - total governmental funds	\$	105,808
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized capital outlay (\$516,946) exceeded depreciation (\$184,378) in the current period.		332,568
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The increase in the accrued interest balance results in an increase in interest expense reported in the statement of activities.		(3,423)
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Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Increase in other post-employment benefit obligation	\$	(324,244)	
Increase in compensated absences payable		<u>(13,932)</u>	

Total		(338,176)
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Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded District pension contributions in the current period.		(1,930,268)
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The issuance of long-term debt (e.g., bonds, installment contracts) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt uses current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is summarized as follows:

Issuance of note payable	\$	(900,000)	
Principal repayments of long-term debt		<u>117,996</u>	

Total		<u>(782,004)</u>
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Change in net position of governmental activities	\$	<u>(2,615,495)</u>
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See notes to basic financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2016**

	<u>General Fund</u>		
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Property taxes	\$ 2,610,000	\$ 2,455,704	\$ (154,296)
Intergovernmental revenue	1,615,000	1,595,127	(19,873)
Charges for service	612,000	616,926	4,926
Investment income	1,000	438	(562)
Grant revenue	363,000	379,499	16,499
Personal property replacement taxes	21,000	18,670	(2,330)
Foreign fire insurance	24,000	27,889	3,889
Other revenues	<u>188,000</u>	<u>46,318</u>	<u>(141,682)</u>
Total revenues	<u>5,434,000</u>	<u>5,140,571</u>	<u>(293,429)</u>
Expenditures:			
Current:			
Compensation and salaries	3,008,540	3,030,611	(22,071)
Employee benefits	1,136,600	1,348,676	(212,076)
Outside services	151,150	160,989	(9,839)
Administrative	33,750	26,406	7,344
Dues and fees	6,100	8,920	(2,820)
Education and training	22,600	11,462	11,138
Insurance	284,000	327,980	(43,980)
Equipment and maintenance	135,800	167,154	(31,354)
Buildings and grounds	91,400	67,744	23,656
Other	62,000	-	62,000
Capital outlay	402,500	514,020	(111,520)
Debt service:			
Principal	129,560	118,652	10,908
Interest	<u>50,000</u>	<u>8,320</u>	<u>41,680</u>
Total expenditures	<u>5,514,000</u>	<u>5,790,934</u>	<u>(276,934)</u>
Deficiency of revenues over expenditures	(80,000)	(650,363)	(570,363)
Other financing sources:			
Proceeds from note payable	<u>-</u>	<u>900,000</u>	<u>900,000</u>
Net change in fund balances	(80,000)	249,637	329,637
Fund balances at beginning of year	<u>483,826</u>	<u>483,826</u>	<u>-</u>
Fund balances at end of year	<u>\$ 403,826</u>	<u>\$ 733,463</u>	<u>\$ 329,637</u>

See notes to basic financial statements.

Ambulance Fund

<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
\$ 1,500,000	\$ 1,370,638	\$ (129,362)
-	-	-
600,000	589,745	(10,255)
-	-	-
-	-	-
-	-	-
-	1,981	1,981
<u>2,100,000</u>	<u>1,962,364</u>	<u>(137,636)</u>
1,559,300	1,518,120	41,180
257,000	287,328	(30,328)
121,150	124,670	(3,520)
10,450	9,135	1,315
3,100	3,145	(45)
9,100	5,974	3,126
-	-	-
92,600	113,632	(21,032)
45,300	29,276	16,024
-	-	-
22,000	23,596	(1,596)
-	-	-
<u>50,000</u>	<u>-</u>	<u>50,000</u>
<u>2,170,000</u>	<u>2,114,876</u>	<u>55,124</u>
(70,000)	(152,512)	(82,512)
-	-	-
(70,000)	(152,512)	(82,512)
<u>577,837</u>	<u>577,837</u>	<u>-</u>
<u>\$ 507,837</u>	<u>\$ 425,325</u>	<u>\$ (82,512)</u>

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
STATEMENT OF NET POSITION
FIDUCIARY FUND - PENSION TRUST FUND -
FIREFIGHTERS' PENSION FUND
DECEMBER 31, 2016**

ASSETS

Cash	\$	288,189
Accrued interest receivable		101,714
Due from other funds		149,416
Investments:		
Bonds:		
Corporate		2,674,870
Municipal		480,155
Common stocks		130,629
GNMA		3,321
Mutual funds:		
Alternative strategy		581,198
Equity		6,570,626
Fixed income		293,233
U.S. government agency obligations		2,544,686
U.S. Treasury notes		<u>117,276</u>
Total assets		<u>\$ 13,935,313</u>

NET POSITION

Net position restricted for pensions	\$	<u>13,935,313</u>
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See notes to basic financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND - PENSION TRUST FUND -
FIREFIGHTERS' PENSION FUND
YEAR ENDED DECEMBER 31, 2016**

Additions:	
Contributions:	
Employer	\$ 664,580
Member	<u>299,999</u>
Total contributions	<u>964,579</u>
Investment earnings:	
Investment income	715,666
Investment expense	<u>(53,830)</u>
Net investment earnings	<u>661,836</u>
Total additions	<u>1,626,415</u>
Deductions:	
Benefit payments	437,126
Refund of member contributions	6,744
Administrative expense	<u>34,523</u>
Total deductions	<u>478,393</u>
Net increase in net position	1,148,022
Net position at beginning of year	<u>12,787,291</u>
Net position at end of year	<u>\$ 13,935,313</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of North Palos Fire Protection District, Illinois (the "District"). All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. The District does not engage in any business-type activities.

B. Reporting Entity

The District provides fire, rescue, emergency medical services and general administrative services. The District entered into an intergovernmental agreement with the Village of Worth, Illinois to take over fire and emergency medical services within the Village effective January 1, 2009. The District charges an annual fee to the Village in accordance with the agreement.

The accompanying financial statements present the District and its component units, entities for which the government is considered to be financially accountable. Fiduciary-type component units are, in substance, part of the District's operations, even though they are legally separate entities. Thus, the fiduciary-type component unit is appropriately presented as a fund of the District.

Fiduciary-type component unit. The District's fiduciary-type component unit consists of the North Palos Fire Protection District Firefighters' Pension Fund ("FPF").

The District's sworn firefighters participate in the FPF. FPF functions for the benefit of these employees and is governed by a pension board. The District and the FPF participants are obligated to fund all FPF costs based upon actuarial valuations. The state of Illinois is authorized to establish benefit levels and the District is authorized to approve the actuarial assumptions used in the determination of the contribution levels. Although it is legally separate from the District, the FPF is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the District's sworn firefighters. The FPF is reported as a pension trust fund.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities incorporate data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary-type component unit. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. The remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District has the following major governmental funds:

The General Fund is the District's primary operating fund. It is comprised of two subfunds: the Corporate Fund and the Tort Liability Fund. The Corporate Fund accounts primarily for the direct costs of fire suppression and an allocation of administration costs. The Tort Liability Fund accounts for all costs of insurance and risk management.

The Ambulance Fund accounts for the direct costs of emergency medical services and an allocation of administrative costs.

The District has the following nonmajor governmental funds:

Special revenue funds:

This fund type is used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The District's nonmajor special revenue funds are the Illinois Municipal Retirement Fund; the Social Security Fund; the Audit Fund; and the Emergency, Rescue, Crew and Equipment Fund.

Additionally, the District reports the following fiduciary fund type:

The Pension Trust Fund accumulates resources for the benefit of the members of the pension fund.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Additionally, property taxes are recognized on the current year's levy in conjunction with the amount budgeted by the Board of Trustees for the current year with the unrecognized amount being recorded as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for service, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for the revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The pension trust fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2016**

F. Budgetary Information

1. Budgetary Basis of Accounting

An annual budget and appropriation is adopted on a basis consistent with accounting principles generally accepted in the United States of America for all funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Chief submits to the District Board of Trustees a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them for the general, special revenue and pension trust funds.
2. Public hearings are conducted by the District to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance. The budget for the year ended December 31, 2016 was adopted through the passage of ordinance number 2015-10 on December 16, 2015.
4. The Chief is authorized to transfer appropriated amounts between line items within funds with proper Board approval.
5. Formal appropriation integration is employed as a management control device during the year.
6. Appropriation authority lapses at year-end.
7. State law requires that "expenditures be made in conformity with appropriation/budget." The level of legal control is generally considered the entire appropriation.
8. Budgeted revenue amounts are as originally adopted. Budgeted expenditure amounts reported in the financial statements represent the working budget as adopted. The appropriation as adopted for each fund is as follows:

General Fund:	
Corporate subfund	\$ 4,873,000
Tort Liability subfund	478,500
Special revenue funds:	
Ambulance	2,387,000
Audit	22,000
Emergency, Rescue, Crew and Equipment	214,500
Illinois Municipal Retirement	33,000
Social Security	178,200
Fiduciary fund:	
Pension Trust	742,500

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2016**

2. Excess of Expenditures over Working Budget

The following fund had an excess of actual expenditures over the working budget amount for the year ended December 31, 2016:

Fund	Budget	Actual	Variance
Major governmental fund:			
General Fund:			
Corporate subfund	\$ 5,079,000	\$ 5,318,280	\$ (239,280)
Tort Liability subfund	435,000	472,654	(37,654)
Nonmajor governmental fund:			
Illinois Municipal Retirement Fund	30,000	36,983	(6,983)

The overexpenditure in the Corporate subfund was funded by proceeds from a note payable. The overexpenditure in the Tort Liability subfund was funded by accounts payable and available fund balance. The overexpenditure in the Illinois Municipal Retirement Fund was funded by an advance from another fund.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Investments

Investments are reported at fair value.

2. Receivables

All property tax and accounts receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible property taxes is \$139,266 (3% of the tax levy as is recommended by the County Clerk, except in the case of bond levies for which the allowance is equal to 5% of the tax levy as is recommended by the County Clerk). The allowance for uncollectible accounts receivable of \$67,000 is based on previous collection experience.

3. Capital Assets

Capital assets, which include land, buildings and improvements, apparatus, vehicles, and equipment, reported in the government-wide financial statements are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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 their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2016**

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements, apparatus, vehicles, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	50
Apparatus	10 - 25
Vehicles	10
Equipment	10 - 40

4. *Deferred Outflows/Inflows of Resources*

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category in the statement of net position. It is the deferred outflows of resources related to pensions (see Notes III.F.1 and 2 for further discussion of deferred outflows of resources related to pensions).

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *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 (revenues) until that time. The District has two items that qualify for reporting in this category. One item, *unavailable revenue*, is reported in the government-wide statement of net position and the governmental funds balance sheet. The District reports unavailable revenues from one source - property taxes. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The other item, deferred inflows of resources related to pensions, is reported in the statement of net position (see Notes III.F.1 and 2 for further discussion of deferred inflows of resources related to pensions).

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as gains (losses) on refundings, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains (losses) on refundings are reported as deferred inflows (outflows) of resources. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

In the fund financial statements, governmental fund types recognize 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 sources while discounts 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.

6. *Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

7. *Fund Balance Flow Assumptions*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Trustees may by resolution authorize an individual or body to assign fund balance. The Board of Trustees has not adopted such a resolution. The Board of Trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to individuals or entities who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied as of January 1 on property values assessed on the same date. The tax levy is divided into two billings: the first billing (mailed on or about February 1) is an estimate of the current year's levy based on the prior year's taxes; the second billing (mailed on or about July 1) reflects adjustments to the current year's actual levy. The billings are considered past due 30 days after the respective tax billing date at which time the applicable property is subject to lien and penalties and interest are assessed. The District receives significant collections of property taxes in the month following the due date.

3. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The liability for sick pay is reported as incurred in the government-wide financial statements. A liability for sick pay benefits is reported in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

I. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could differ from those estimates.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

J. Comparative Data

Comparative data for the prior year have been presented in the combining and individual fund financial statements and schedules in order to provide an understanding of the changes in financial position and operations of the funds.

K. Reclassifications

Certain amounts as previously reported for the prior year have been reclassified to conform to the current year's presentation.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balances

The following funds had deficit fund balances at December 31, 2016:

Major governmental fund:	
General Fund:	
Tort Liability subfund	\$ (37,164)
Nonmajor governmental funds:	
Illinois Municipal Retirement Fund	(17,752)
Audit Fund	(13,877)
Emergency, Rescue, Crew and Equipment Fund	(21,484)

The District plans to transfer funds from other funds to eliminate these deficits.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for custodial credit risk. As of December 31, 2016, \$849,691 of the District's bank balances of \$1,450,688 was uninsured and collateralized with securities held by the pledging financial institutions.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
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Investments

The District had the following investments as of December 31, 2016:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Average Credit Quality Ratings (1)</u>	<u>Weighted Average Years to Maturity (2)</u>
Pension Trust Fund:			
Bonds:			
Corporate	\$ 2,674,870	A1 - Baa2	4
Municipal *	480,155	Aa1 - Aa2	3
Common stocks	130,629	N/A	N/A
GNMA	3,321	N/A	4
Mutual funds:			
Alternative strategy	581,198	N/A	N/A
Equity	6,570,626	N/A	N/A
Fixed income	293,233	N/A	11
U.S. government agency notes	2,544,686	Aaa	4
U.S. Treasury securities	<u>117,276</u>	N/A	1
 Total	 <u>\$ 13,395,994</u>		

- (1) Ratings are provided where applicable to indicate associated *Credit Risk*. N/A indicates not applicable.
 - (2) *Interest Rate Risk* is estimated using weighted average years to maturity. N/A indicates not applicable.
 - (3) Pooled cash and investments are reported as *cash and investments*. Investments in the pool are not separately reported in the financial statements as ownership of investments cannot be assigned to individual funds.
- * Some investments are not rated

Investment Policies

The District's investments are subject to the following risks:

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
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The District does not have a specific policy to address the above risks. At December 31, 2016, more than 5% of the Pension Trust Fund's investments were with the Federal Home Loan Bank.

B. Fair Value Measurements

The Firefighters' Pension Fund categorizes its 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 Firefighters' Pension Fund had the following recurring fair value measurements as of December 31, 2016:

Bonds, U.S. government agency obligations, U.S. Treasury notes, and other pooled fixed income investments - valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yield currently available on comparable securities of issuers with similar credit ratings.

Common stocks - valued at quoted market prices for identical assets in active markets.

Mutual funds - valued at the daily closing price as reported by the fund. Mutual funds held by the Firefighters' Pension Fund are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Firefighters' Pension Fund are deemed to be actively traded.

NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
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The following table summarizes the investments of the Firefighters' Pension Fund for which fair values are determined on a recurring basis as of December 31, 2016:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Bonds:				
Corporate	\$ -	\$ 2,674,870	\$ -	\$ 2,674,870
Municipal	-	480,155	-	480,155
Common stocks	130,629	-	-	130,629
GNMA	-	3,321	-	3,321
Mutual funds:				
Alternative strategy	581,198	-	-	581,198
Equity	6,570,626	-	-	6,570,626
Fixed income	293,233	-	-	293,233
U.S. government agency obligations	-	2,544,686	-	2,544,686
U.S. Treasury notes	-	117,276	-	117,276
Total investments at fair value	<u>\$ 7,575,686</u>	<u>\$ 5,820,308</u>	<u>\$ -</u>	<u>\$ 13,395,994</u>

C. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at December 31, 2016 were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental funds:		
General Fund:		
Corporate subfund	\$ 116,258	\$ 149,416
Ambulance Fund	-	58,833
Nonmajor governmental funds	-	57,425
Total governmental funds	116,258	265,674
Fiduciary fund:		
Firefighters' Pension Fund	149,416	-
Total all funds	<u>\$ 265,674</u>	<u>\$ 265,674</u>

NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
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The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

D. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 290,700	\$ -	\$ -	\$ 290,700
Capital assets, being depreciated:				
Buildings and improvements	1,245,740	53,500	-	1,299,240
Apparatus and vehicles	2,816,830	463,446	(220,000)	3,060,276
Equipment	279,383	-	-	279,383
Total capital assets, being depreciated	<u>4,341,953</u>	<u>516,946</u>	<u>(220,000)</u>	<u>4,638,899</u>
Less accumulated depreciation for:				
Buildings and improvements	832,357	25,593	-	857,950
Apparatus and vehicles	1,601,427	147,054	(220,000)	1,528,481
Equipment	137,153	11,731	-	148,884
Total accumulated depreciation	<u>2,570,937</u>	<u>184,378</u>	<u>(220,000)</u>	<u>2,535,315</u>
Total capital assets, being depreciated, net	<u>1,771,016</u>	<u>332,568</u>	<u>-</u>	<u>2,103,584</u>
Governmental activities capital assets, net	<u>\$ 2,061,716</u>	<u>\$ 332,568</u>	<u>\$ -</u>	<u>\$ 2,394,284</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Fire and rescue	\$ 92,957
Emergency medical service	84,255
General government	<u>7,166</u>
Total depreciation expense - governmental activities	<u>\$ 184,378</u>

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

E. Long-term Liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 392,214	\$ 900,000	\$ 117,996	\$ 1,174,218	\$ 989,208
Net pension liabilities:					
Firefighters' Pension Fund	14,481,672	2,571,652	(395,518)	17,448,842	-
Illinois Municipal Retirement Fund	564,940	55,919	120,145	500,714	-
Other post-employment benefit obligation	1,656,730	360,346	36,102	1,980,974	-
Compensated absences payable	<u>516,850</u>	<u>59,166</u>	<u>45,234</u>	<u>530,782</u>	<u>110,000</u>
Total	<u>\$ 17,612,406</u>	<u>\$ 3,947,083</u>	<u>\$ (76,041)</u>	<u>\$ 21,635,530</u>	<u>\$ 1,099,208</u>

Notes Payable

Note payable to the state of Illinois for the purchase of a fire truck. The note is non-interest bearing and due in annual installments of \$6,129 through November, 2024.

Future maturities of the note payable are as follows:

2017	\$ 6,129
2018	6,129
2019	6,129
2020	6,129
2021	6,129
2022 - 2024	<u>18,383</u>
Total	<u>\$ 49,028</u>

Note payable to a finance company, due in monthly installments of \$1,018 including interest at 2.75%, with the final payment due in January, 2017.

Future maturities of the note payable are as follows:

<u>Fiscal Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 1,018</u>	<u>\$ -</u>	<u>\$ 1,018</u>

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Note payable to a finance company, due in monthly installments of \$6,079 including interest at 2.625%, with the final payment due in December, 2019.

Future maturities of the note payable are as follows:

<u>Fiscal Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 68,245	\$ 4,703	\$ 72,948
2018	70,059	2,889	72,948
2019	<u>72,052</u>	<u>896</u>	<u>72,948</u>
Total	<u>\$ 210,356</u>	<u>\$ 8,488</u>	<u>\$ 218,844</u>

Note payable to a finance company, due in monthly installments of \$2,781 including interest at 2.73%, with the final payment due in May, 2017.

Future maturities of the note payable are as follows:

<u>Fiscal Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 13,816</u>	<u>\$ 89</u>	<u>\$ 13,905</u>

Note payable to a bank, due in monthly interest-only installments at 4%, with the payment of outstanding principal due in February, 2017.

Future maturities of the note payable are as follows:

<u>Fiscal Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 900,000</u>	<u>\$ 3,550</u>	<u>\$ 903,550</u>

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
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Total annual debt service requirements to maturity for all governmental activity debt outstanding are as follows:

Fiscal Year Due	Principal	Interest	Total
2017	\$ 989,208	\$ 8,342	\$ 997,550
2018	76,188	2,889	79,077
2019	78,181	896	79,077
2020	6,129	-	6,129
2021	6,129	-	6,129
2022 - 2024	<u>18,383</u>	<u>-</u>	<u>18,383</u>
Total	<u>\$ 1,174,218</u>	<u>\$ 12,127</u>	<u>\$ 1,186,345</u>

Legal Debt Margin

The legal debt margin of the District as of December 31, 2016 is determined as follows:

Assessed valuation - 2015 tax year (most recent year available)	<u>\$ 363,436,110</u>
Statutory debt limitation (5.75% of assessed valuation)	\$ 20,897,576
Less total debt outstanding	<u>1,174,218</u>
Legal debt margin	<u>\$ 19,723,358</u>

F. Employee Retirement and Postemployment Benefit Plans

The District maintains a single-employer, defined benefit pension plan (Firefighters' Pension Fund) which covers its qualified Fire Department employees and participates in the statewide Illinois Municipal Retirement Fund, an agent multiple-employer defined benefit public employee pension plan which covers substantially all of the remaining qualified District employees. The District also administers the Health Insurance Plan for Retired Employees that provides limited health care insurance coverage for eligible retired employees. The information presented below is the most current information available as of December 31, 2016.

1. Firefighters' Pension Plan

Description of Plan. The Firefighters' Pension Plan is a single-employer defined benefit retirement plan that is administered by the Firefighters' Pension Fund board of trustees. The Firefighters' Pension Fund's Board of Trustees consists of five members. Two members are appointed by the president of the board of trustees, two members are elected by the active sworn members, and one member is elected by retired and/or disabled participants.

The defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
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The District accounts for the plan as a pension trust fund and a stand alone report is not issued by the Firefighters' Pension Fund.

Benefits Provided. The Firefighters' Pension Plan provides retirement 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 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% 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 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% of the original pension and 3% 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. In 2016, a firefighter's salary for pension purposes is capped at \$115,481. The cap is adjusted annually by the lesser of 1/2 of the annual change in the Consumer Price Index or 3% 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% of such salary. Employees with at least ten years of service may retire at or after age 50 and receive a reduced benefit (i.e., 1/2% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Non-compounding increases occur annually, each January thereafter. The increase is the lesser of 3% or 1/2 of the change in the Consumer Price Index for the preceding calendar year.

Plan Membership. At December 31, 2016, the Firefighters' Pension Plan membership consisted of the following:

Inactive plan members currently receiving benefits	10
Inactive plan members entitled to but not receiving benefits	0
Active plan members	<u>32</u>
 Total	 <u><u>42</u></u>

Contributions. Employees are required by Illinois Compiled Statutes (ILCS) 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 contribute the remaining amounts necessary to finance the Firefighters' Pension Plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the District has until the year 2040 to fund 90% of the past service cost for the Firefighters' Pension Plan. For the year ended December 31, 2016, the District's contribution was 20.43% of covered payroll.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
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Investment Policy. The Firefighters' Pension Plan investment program is derived from the terms and provisions of the Illinois Compiled Statutes (ILCS). ILCS requires the Firefighters' Pension Fund's board of trustees to adopt an investment policy which can be amended by a majority vote of the Board. During the year, no changes to the investment policy were approved by the board of trustees.

The following investments are allowed as limited by the provisions of the ILCS:

- Direct obligations of the United States of America
- Obligations that are fully guaranteed or insured by the United States of America
- Obligations of agencies of the United States of America
- Insured savings accounts or certificates of deposit issued by banks or savings and loan associations
- Insured investments in credit unions
- Bonds of the state of Illinois
- Pooled accounts managed by the Illinois Public Treasurer's Investment Pool
- Funds and pooled accounts managed, operated and administered by banks, subsidiaries of banks, or subsidiaries of bank holding companies
- Obligations of any county, township, or municipal corporation of the state of Illinois
- Money market mutual funds
- General and separate accounts of life insurance companies
- Mutual funds
- Common and preferred stocks

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 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method - Entry-age

Inflation - 2.50%

Salary increases - 4.00 - 12.89%

Investment rate of return - 6.75%, compounded annually, net of pension plan investment expense, including inflation

Asset valuation method - Market

Mortality rates were based on the actuary's 2016 Illinois Firefighters' Mortality Rates. Retirement rates were based on the actuary's 2016 Illinois Firefighters' Retirement Rates capped at age 65, with a 50% rate at 26 years of service. Disability Rates and Termination Rates were based on the actuary's 2016 Illinois Firefighters' Disability and Termination Rates, respectively.

NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
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The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2016 - December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Firefighters' Pension Plan's target asset allocation as of December 31, 2016 (see the discussion of the Firefighters' Pension Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core fixed income	44.8 %	1.2 %
Domestic equity	44.7	6.5
Cash	4.4	0.5
Real estate	4.0	5.8
Other	1.1	2.4
International equity	<u>1.0</u>	7.0
Total	<u>100.0 %</u>	

Single Discount Rate. A Single Discount Rate of 5.05% was used to measure the total pension liability. The projection of cash flows used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 6.75% was applied to periods of projected benefit payments through 2052. A municipal bond rate of 3.78% for high quality 20-year tax-exempt general obligation bonds was applied to periods of projected benefit payments after 2052.

NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
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Changes in the Net Pension Liability. Changes in the District's net pension liability for the year ended December 31, 2016 were as follows:

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
Balances at December 31, 2015	\$ 27,268,963	\$ 12,787,291	\$ 14,481,672
Changes for the year:			
Service cost	1,387,091	-	1,387,091
Interest	1,365,874	-	1,365,874
Differences between expected and actual experience	1,433,463	-	1,433,463
Changes in assumptions	372,634	-	372,634
Net investment income	-	661,836	(661,836)
Contributions - employees	-	299,999	(299,999)
Contributions - employer	-	664,580	(664,580)
Benefit payments, including refunds of employee contributions	(443,870)	(443,870)	-
Administrative expense	-	(34,523)	34,523
Net changes	<u>4,115,192</u>	<u>1,148,022</u>	<u>2,967,170</u>
Balances at December 31, 2016	<u>\$ 31,384,155</u>	<u>\$ 13,935,313</u>	<u>\$ 17,448,842</u>

The change in assumptions amount of \$372,634 was primarily the result of changes in demographic assumptions based on a study of firefighters and fire pension funds in Illinois.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the District, calculated using the discount rate of 5.05%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1.0 percentage-point lower or 1.0 percentage-point higher than the current rate:

	1% Lower <u>(4.05%)</u>	Current Discount Rate <u>(5.05%)</u>	1% Higher <u>(6.05%)</u>
District's net pension liability	<u>\$ 23,961,705</u>	<u>\$ 17,448,842</u>	<u>\$ 12,359,495</u>

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in other locations in this report as the Plan is reported as a fiduciary fund of the District.

NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
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YEAR ENDED DECEMBER 31, 2016

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2016, the District recognized pension expense of \$2,571,652. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,307,610	\$ 203,407
Changes of assumptions	6,277,479	-
Net difference between projected and actual earnings on Plan investments	<u>695,176</u>	<u>-</u>
Total	<u>\$ 8,280,265</u>	<u>\$ 203,407</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense in years ending December 31 as follows:

2017	\$ 975,561
2018	975,561
2019	975,560
2020	801,994
2021	758,375
Thereafter	<u>3,589,807</u>
Total	<u>\$ 8,076,858</u>

2. 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.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
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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). Employees of the District who are eligible to participate in the plan participate in the RP.

The RP has 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 ten 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 ten years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms. As of December 31, 2016, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	1
Inactive Plan members entitled to but not yet receiving benefits	1
Active Plan members	<u>2</u>
 Total	 <u><u>4</u></u>

Contributions. As set by statute, the District's RP 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 38.17%. For the year ended December 31, 2016, the District contributed \$44,186 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 the IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

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.

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.
- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2016:

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	38 %	6.85 %
Fixed income	27	3.00
International equity	17	6.75
Alternative investments	9	2.65-7.35
Real estate	8	5.75
Cash equivalents	<u>1</u>	2.25
Total	<u><u>100 %</u></u>	

Single Discount Rate. A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

Based on the above assumptions, the District's IMRF fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability.

NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Changes in the Net Pension Liability. Changes in the District's net pension liability for the year ended December 31, 2016 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2015	<u>\$ 1,285,285</u>	<u>\$ 720,345</u>	<u>\$ 564,940</u>
Changes for the year:			
Service cost	12,271	-	12,271
Interest	92,828	-	92,828
Differences between expected and actual experience	(43,815)	-	(43,815)
Changes in assumptions	(17,533)	-	(17,533)
Net investment income	-	50,254	(50,254)
Contributions - employees	-	5,025	(5,025)
Contributions - employer	-	44,186	(44,186)
Benefit payments, including refunds of employee contributions	(70,581)	(70,581)	-
Other changes	<u>-</u>	<u>8,512</u>	<u>(8,512)</u>
Net changes	<u>(26,830)</u>	<u>37,396</u>	<u>(64,226)</u>
Balances at December 31, 2016	<u>\$ 1,258,455</u>	<u>\$ 757,741</u>	<u>\$ 500,714</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the District calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.0 percentage-point lower or 1.0 percentage-point higher than the current rate:

	1% Lower (6.50%)	Current Discount Rate (7.50%)	1% Higher (8.50%)
District's net pension liability	<u>\$ 675,608</u>	<u>\$ 500,714</u>	<u>\$ 361,826</u>

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2016, the District recognized pension expense of \$55,919. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 36,842	\$ 37,136
Changes in assumptions	21,256	17,259
Net difference between projected and actual earnings on Plan investments	<u>35,763</u>	<u>-</u>
Total	<u>\$ 93,861</u>	<u>\$ 54,395</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense in years ending December 31 as follows:

2017	\$ 17,901
2018	17,902
2019	16,027
2020	(25)
2021	(7,103)
Thereafter	<u>(5,236)</u>
Total	<u>\$ 39,466</u>

3. Summary of Pension Information

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Firefighters' Pension Plan (FPP) and the Illinois Municipal Retirement Fund (IMRF) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension-related assets, deferred outflows of resources, liabilities, deferred inflows of resources, and pension expense/expenditures are summarized as follows:

	<u>FPP</u>	<u>IMRF</u>	<u>Total</u>
Deferred outflows of resources	\$ 8,280,265	\$ 93,861	\$ 8,374,126
Net pension liability	17,448,842	500,714	17,949,556
Deferred inflows of resources	203,407	54,395	257,802
Pension expense	2,571,652	55,919	2,627,571
Pension expenditures	664,580	44,186	708,766

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

4. Health Insurance Plan for Retired Employees

Plan Description. The Health Insurance Plan for Retired Employees (HIPRE) is a single-employer defined benefit healthcare plan administered by the District. The District provides limited health care insurance coverage for its eligible retired employees. Such coverage is provided for retired employees until they reach age 65. Retired firefighters are required to pay 25% of the premiums; all other employees pay 60% of the premiums for such coverage and the District pays the balance of the costs.

Funding Policy. The contribution requirements are established by the District, using an actuarial study that is based on projected pay-as-you-go financing. For fiscal year 2016, the District contributed \$36,102 to the plan. Plan members receiving benefits contributed \$0.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to HIPRE.

Annual required contribution	\$ 330,241
Interest on net OPEB obligation	66,269
Adjustment to annual required contribution	<u>(36,164)</u>
Annual OPEB cost (expense)	360,346
Contributions made	<u>36,102</u>
Change in net OPEB obligation	324,244
Net OPEB obligation at beginning of year	<u>1,656,730</u>
Net OPEB obligation at end of year	<u><u>\$ 1,980,974</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three most recent fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/16	\$ 360,346	10.02 %	\$ 1,980,974
12/31/15	306,555	11.78	1,656,730
12/31/14	337,473	10.70	1,386,277

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,647,345, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,647,345. The covered payroll (annual payroll of active employees covered by the plan) was \$2,676,626 and the ratio of the UAAL to covered payroll was 98.9%.

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 basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.50% initially, reduced by decrements to an ultimate rate of 5.50%. The UAAL is being amortized as a level percentage of projected pay on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

G. Fund Balances

As of December 31, 2016, fund balances were comprised of the following:

	General Fund	Ambulance Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Restricted for:				
Foreign fire	\$ 62,806	\$ -	\$ -	\$ 62,806
Retirement benefits	-	-	52,416	52,416
Traffic preempt co-op	52,994	-	-	52,994
Total restricted	<u>115,800</u>	<u>-</u>	<u>52,416</u>	<u>168,216</u>
Assigned to:				
Benefit buyback	286,131	129,708	-	415,839
Capital expenditures	174,947	153,149	-	328,096
Retiree health insurance	156,585	142,468	-	299,053
Total assigned	<u>617,663</u>	<u>425,325</u>	<u>-</u>	<u>1,042,988</u>
Unassigned	<u>-</u>	<u>-</u>	<u>(53,113)</u>	<u>(53,113)</u>
Total fund balances (deficit)	<u>\$ 733,463</u>	<u>\$ 425,325</u>	<u>\$ (697)</u>	<u>\$ 1,158,091</u>

H. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injury to employees; employee medical coverage; and natural disasters. In order to protect against such losses, the District has purchased insurance from various sources. Insurance policies for coverage other than workers' compensation were purchased from private insurance companies. Workers' compensation coverage was obtained by through the Illinois Public Risk Fund. The amount of coverage has not decreased nor have the amount of settlements exceeded coverage in the current year or any of the past three years.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

I. Tort Immunity Expenditures

Tort immunity expenditures for the year ended December 31, 2016 are summarized as follows:

Personnel	\$ 128,336
Liability and workers' compensation insurance	327,980
Buildings and grounds	660
Education and training	4,622
Other	<u>10,560</u>
Total	<u>\$ 472,158</u>

J. Subsequent Events

Management has evaluated subsequent events through August 16, 2017, which is the date the financial statements were available to be issued.

On June 26, 2017, the District entered into a \$600,000 note payable agreement with a bank. Interest is payable on the outstanding balance at the prime rate plus 1% with a minimum rate of 5.25%. The note is due on June 26, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

**EMPLOYEE RETIREMENT AND POSTEMPLOYMENT
BENEFIT PLAN INFORMATION**

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION -
FIREFIGHTERS' PENSION PLAN
DECEMBER 31, 2016
(SCHEDULE TO BE BUILT PROSPECTIVELY)**

SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ 1,387,091	\$ 1,163,012	\$ 847,651
Interest	1,365,874	919,067	1,037,408
Differences between expected and actual experience	1,433,463	(245,963)	1,429,162
Changes in assumptions	372,634	7,179,729	701,778
Benefit payments, including refunds of member contributions	<u>(443,870)</u>	<u>(404,096)</u>	<u>(357,795)</u>
Net change in total pension liability	4,115,192	8,611,749	3,658,204
Total pension liability at beginning of year	<u>27,268,963</u>	<u>18,657,214</u>	<u>14,999,010</u>
Total pension liability at end of year	<u>\$ 31,384,155</u>	<u>\$ 27,268,963</u>	<u>\$ 18,657,214</u>
Plan fiduciary net position:			
Contributions - employer	\$ 664,580	\$ 578,109	\$ 528,580
Contributions - member	299,999	302,103	322,894
Net investment income	661,836	(19,189)	508,095
Benefit payments, including refunds of member contributions	(443,870)	(404,096)	(357,795)
Administrative expense	(34,523)	(8,058)	(16,707)
Other	<u>-</u>	<u>-</u>	<u>41,935</u>
Net change in plan fiduciary net position	1,148,022	448,869	1,027,002
Plan fiduciary net position at beginning of year	<u>12,787,291</u>	<u>12,338,422</u>	<u>11,311,420</u>
Plan fiduciary net position at end of year	<u>\$ 13,935,313</u>	<u>\$ 12,787,291</u>	<u>\$ 12,338,422</u>
District's net pension liability at end of year	<u>\$ 17,448,842</u>	<u>\$ 14,481,672</u>	<u>\$ 6,318,792</u>
Plan fiduciary net position as a percentage of total pension liability	<u>44.40 %</u>	<u>46.89 %</u>	<u>66.13 %</u>
Covered-employee payroll	<u>\$ 3,252,231</u>	<u>\$ 2,769,045</u>	<u>\$ 2,965,866</u>
District's net pension liability as a percentage of covered-employee payroll	<u>536.52 %</u>	<u>522.98 %</u>	<u>213.05 %</u>

Notes to Schedule:

Changes in Assumptions. The change in assumptions amount of \$372,634 in 2016 was primarily the result of changes in demographic assumptions based on a study of pension funds in Illinois.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION -
 FIREFIGHTERS' PENSION PLAN
 DECEMBER 31, 2016
 (SCHEDULE TO BE BUILT PROSPECTIVELY)**

SCHEDULE OF DISTRICT CONTRIBUTIONS

	<u>2016</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 885,291	\$ 834,526	\$ 834,526
Contributions in relation to the actuarially determined contribution	<u>664,580</u>	<u>578,109</u>	<u>528,580</u>
Contribution deficiency	<u>\$ 220,711</u>	<u>\$ 256,417</u>	<u>\$ 305,946</u>
Covered-employee payroll	<u>\$ 3,252,231</u>	<u>\$ 2,769,045</u>	<u>\$ 2,965,866</u>
Contributions as a percentage of covered-employee payroll	<u>20.43 %</u>	<u>20.88 %</u>	<u>17.82 %</u>

Notes to Schedule:

Valuation Date. Actuarially determined contribution rates are calculated as of December 31, 2016.

Methods and Assumptions used to Determine Contribution Rates.

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	Market value
Inflation	2.5%
Salary increases	4.00% - 12.89%
Investment rate of return	6.75%, net of administrative expenses.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION -
ILLINOIS MUNICIPAL RETIREMENT FUND
LAST TEN CALENDAR YEARS
(SCHEDULE TO BE BUILT PROSPECTIVELY)**

SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY

	<u>2016</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 12,271	\$ 10,826
Interest	92,828	88,089
Differences between expected and actual experience	(43,815)	34,382
Changes in assumptions	(17,533)	(3,471)
Benefit payments, including refunds of employee contributions	<u>(70,581)</u>	<u>(68,726)</u>
Net change in total pension liability	(26,830)	61,100
Total pension liability at beginning of year	<u>1,285,285</u>	<u>1,224,185</u>
Total pension liability at end of year	<u>\$ 1,258,455</u>	<u>\$ 1,285,285</u>
Plan fiduciary net position:		
Contributions - employer	\$ 44,186	\$ 41,942
Contributions - employees	5,025	4,945
Net investment income	50,254	3,333
Benefit payments, including refunds of employee contributions	(70,581)	(68,726)
Other	<u>8,512</u>	<u>61,317</u>
Net change in plan fiduciary net position	37,396	42,811
Plan fiduciary net position at beginning of year	<u>720,345</u>	<u>677,534</u>
Plan fiduciary net position at end of year	<u>\$ 757,741</u>	<u>\$ 720,345</u>
District's net pension liability at end of year	<u>\$ 500,714</u>	<u>\$ 564,940</u>
Plan fiduciary net position as a percentage of total pension liability	<u>60.21 %</u>	<u>56.05 %</u>
Covered-employee payroll	<u>\$ 111,665</u>	<u>\$ 109,883</u>
District's net pension liability as a percentage of covered-employee payroll	<u>448.41 %</u>	<u>514.13 %</u>

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION -
 ILLINOIS MUNICIPAL RETIREMENT FUND
 LAST TEN CALENDAR YEARS
 (SCHEDULE TO BE BUILT PROSPECTIVELY)**

SCHEDULE OF DISTRICT CONTRIBUTIONS

	2016	2015
Actuarially determined contribution	\$ 44,186	\$ 41,942
Contributions in relation to the actuarially determined contribution	44,186	41,942
Contribution excess	\$ -	\$ -
Covered-employee payroll	\$ 111,665	\$ 109,883
Contributions as a percentage of covered-employee payroll	39.57 %	38.17 %

Notes to Schedule:

Valuation Date. Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions used to Determine Contribution Rates.

Actuarial cost method	Aggregate entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27-year closed period
Asset valuation method	5-Year smoothed market; 20% corridor
Wage growth	3.5%
Price inflation	2.75%, approximate; no explicit price inflation assumption is used in this valuation.
Salary increases	3.75% to 14.50%, including inflation
Investment rate of return	7.5%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION -
ILLINOIS MUNICIPAL RETIREMENT FUND
LAST TEN CALENDAR YEARS
(SCHEDULE TO BE BUILT PROSPECTIVELY)**

Mortality

RP-2014 Blue Collar Health Annuitant Mortality Table, adjusted to match current IMRF experience. For disabled lives, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other information:

Notes

There were no benefit changes during the year.

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION -
 HEALTH INSURANCE PLAN FOR RETIRED EMPLOYEES
 DECEMBER 31, 2016**

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
December 31, 2014	\$ 0	\$ 2,647,345	\$ 2,647,345	0.00 %	\$ 2,676,626	98.91 %
December 31, 2013	0	2,647,345	2,647,345	0.00	2,676,626	98.91
December 31, 2012	0	2,647,345	2,647,345	0.00	2,676,626	98.91

Information provided above is the most current information available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
December 31, 2016	\$ 330,241	10.93 %
December 31, 2015	330,241	10.93
December 31, 2014	330,241	10.93
December 31, 2013	220,123	5.35
December 31, 2012	220,123	5.35
December 31, 2011	197,673	5.96

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 COMBINING SCHEDULE OF GENERAL FUND
 BALANCE SHEET ACCOUNTS
 DECEMBER 31, 2016
 WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015**

	<u>Corporate</u>	<u>Tort Liability</u>	<u>Adjustment</u>
ASSETS			
Cash and investments	\$ 929,016	\$ 1,968	\$ -
Property taxes receivable	2,158,250	440,380	-
Due from other funds	116,258	-	-
Total assets	<u>\$ 3,203,524</u>	<u>\$ 442,348</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ 68,125	\$ 36,071	\$ -
Accrued costs	57,106	3,061	-
Due to other funds	149,416	-	-
Total liabilities	274,647	39,132	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	2,158,250	440,380	-
FUND BALANCES (DEFICIT)			
Restricted	115,800	-	-
Assigned	654,827	-	(37,164)
Unassigned	-	(37,164)	37,164
Total fund balances (deficit)	770,627	(37,164)	-
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 3,203,524</u>	<u>\$ 442,348</u>	<u>\$ -</u>

Totals

<u>2016</u>	<u>2015</u>
\$ 930,984	\$ 574,390
2,598,630	2,542,165
<u>116,258</u>	<u>41,607</u>
<u>\$ 3,645,872</u>	<u>\$ 3,158,162</u>

\$ 104,196	\$ 44,887
60,167	39,793
<u>149,416</u>	<u>57,956</u>
<u>313,779</u>	<u>142,636</u>

<u>2,598,630</u>	<u>2,531,700</u>
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115,800	103,082
617,663	380,744
<u>-</u>	<u>-</u>
<u>733,463</u>	<u>483,826</u>

<u>\$ 3,645,872</u>	<u>\$ 3,158,162</u>
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NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
COMBINING SCHEDULE OF GENERAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Corporate</u>	<u>Tort Liability</u>	<u>Totals</u>	
			<u>2016</u>	<u>2015</u>
Revenues:				
Property taxes	\$ 2,035,218	\$ 420,486	\$ 2,455,704	\$ 2,292,135
Intergovernmental revenue	1,595,127	-	1,595,127	1,548,277
Charges for service	616,926	-	616,926	571,789
Investment income	438	-	438	21,973
Grant revenue	379,499	-	379,499	9,651
Personal property replacement taxes	18,670	-	18,670	21,070
Foreign fire insurance	27,889	-	27,889	24,786
Other revenues	46,318	-	46,318	22,856
Total revenues	<u>4,720,085</u>	<u>420,486</u>	<u>5,140,571</u>	<u>4,512,537</u>
Expenditures:				
Current:				
Compensation and salaries	2,902,275	128,336	3,030,611	2,941,831
Employee benefits	1,348,676	-	1,348,676	1,132,848
Outside services	152,607	8,382	160,989	151,298
Administrative	26,406	-	26,406	59,901
Dues and fees	6,742	2,178	8,920	5,483
Education and training	6,840	4,622	11,462	17,965
Insurance	-	327,980	327,980	288,752
Equipment and maintenance	167,154	-	167,154	157,249
Buildings and grounds	67,084	660	67,744	103,758
Other	-	-	-	3,133
Capital outlay	513,524	496	514,020	12,743
Debt service:				
Principal	118,652	-	118,652	113,134
Interest	8,320	-	8,320	11,488
Total expenditures	<u>5,318,280</u>	<u>472,654</u>	<u>5,790,934</u>	<u>4,999,583</u>
Deficiency of revenues over expenditures	(598,195)	(52,168)	(650,363)	(487,046)
Other financing sources:				
Issuance of note payable	900,000	-	900,000	-
Net change in fund balances	<u>301,805</u>	<u>(52,168)</u>	<u>249,637</u>	<u>(487,046)</u>
Fund balances at beginning of year	<u>468,822</u>	<u>15,004</u>	<u>483,826</u>	<u>970,872</u>
Fund balances (deficit) at end of year	<u>\$ 770,627</u>	<u>\$ (37,164)</u>	<u>\$ 733,463</u>	<u>\$ 483,826</u>

CORPORATE FUND

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
CORPORATE FUND
BALANCE SHEET
DECEMBER 31, 2016
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 929,016	\$ 560,358
Property taxes receivable	2,158,250	2,117,775
Due from other funds	<u>116,258</u>	<u>41,607</u>
 Total assets	 <u>\$ 3,203,524</u>	 <u>\$ 2,719,740</u>
LIABILITIES		
Accounts payable	\$ 68,125	\$ 44,887
Accrued costs	57,106	38,325
Due to other funds	<u>149,416</u>	<u>57,956</u>
 Total liabilities	 <u>274,647</u>	 <u>141,168</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	<u>2,158,250</u>	<u>2,109,750</u>
FUND BALANCES		
Restricted	115,800	88,078
Assigned	<u>654,827</u>	<u>380,744</u>
 Total fund balances	 <u>770,627</u>	 <u>468,822</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 3,203,524</u>	 <u>\$ 2,719,740</u>

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
CORPORATE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2016</u>			<u>2015</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property taxes	\$ 2,175,000	\$ 2,035,218	\$ (139,782)	\$ 1,891,549
Intergovernmental revenue	1,615,000	1,595,127	(19,873)	1,548,277
Charges for service	612,000	616,926	4,926	571,789
Investment income	1,000	438	(562)	21,973
Grant revenue	363,000	379,499	16,499	9,651
Personal property replacement taxes	21,000	18,670	(2,330)	21,070
Foreign fire insurance	24,000	27,889	3,889	24,786
Other revenues	188,000	46,318	(141,682)	21,766
	<u>4,999,000</u>	<u>4,720,085</u>	<u>(278,915)</u>	<u>4,110,861</u>
Expenditures:				
Current:				
Compensation and salaries	2,871,590	2,902,275	(30,685)	2,849,726
Employee benefits	1,136,600	1,348,676	(212,076)	1,132,848
Outside services	143,700	152,607	(8,907)	146,223
Administrative	33,750	26,406	7,344	59,901
Dues and fees	6,100	6,742	(642)	5,483
Education and training	16,500	6,840	9,660	16,640
Equipment and maintenance	135,800	167,154	(31,354)	157,249
Buildings and grounds	91,400	67,084	24,316	101,793
Other	62,000	-	62,000	3,133
Capital outlay	402,000	513,524	(111,524)	12,299
Debt service:				
Principal	129,560	118,652	10,908	113,134
Interest	50,000	8,320	41,680	11,488
	<u>5,079,000</u>	<u>5,318,280</u>	<u>(239,280)</u>	<u>4,609,917</u>
Deficiency of revenues over expenditures	(80,000)	(598,195)	(518,195)	(499,056)
Other financing sources:				
Issuance of note payable	-	900,000	900,000	-
Net change in fund balances	(80,000)	301,805	381,805	(499,056)
Fund balances at beginning of year	468,822	468,822	-	967,878
Fund balances at end of year	<u>\$ 388,822</u>	<u>\$ 770,627</u>	<u>\$ 381,805</u>	<u>\$ 468,822</u>

TORT LIABILITY FUND

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
TORT LIABILITY FUND
BALANCE SHEET
DECEMBER 31, 2016
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 1,968	\$ 14,032
Property taxes receivable	<u>440,380</u>	<u>424,390</u>
Total assets	<u>\$ 442,348</u>	<u>\$ 438,422</u>
LIABILITIES		
Accounts payable	\$ 36,071	\$ -
Accrued costs	<u>3,061</u>	<u>1,468</u>
Total liabilities	<u>39,132</u>	<u>1,468</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	<u>440,380</u>	<u>421,950</u>
FUND BALANCE (DEFICIT)		
Restricted	-	15,004
Unassigned	<u>(37,164)</u>	<u>-</u>
Total fund balance (deficit)	<u>(37,164)</u>	<u>15,004</u>
Total liabilities, deferred inflows of resources, and fund balance (deficit)	<u>\$ 442,348</u>	<u>\$ 438,422</u>

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
TORT LIABILITY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2016</u>			<u>2015</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property taxes	\$ 435,000	\$ 420,486	\$ (14,514)	\$ 400,586
Investment income	-	-	-	1,090
Total revenues	<u>435,000</u>	<u>420,486</u>	<u>(14,514)</u>	<u>401,676</u>
Expenditures:				
Current:				
Compensation and salaries	136,950	128,336	8,614	92,105
Outside services	7,450	8,382	(932)	5,075
Administrative	-	2,178	(2,178)	-
Education and training	6,100	4,622	1,478	1,325
Insurance	284,000	327,980	(43,980)	288,752
Buildings and grounds	-	660	(660)	1,965
Capital outlay	<u>500</u>	<u>496</u>	<u>4</u>	<u>444</u>
Total expenditures	<u>435,000</u>	<u>472,654</u>	<u>(37,654)</u>	<u>389,666</u>
Excess (deficiency) of revenues over expenditures	-	(52,168)	(52,168)	12,010
Fund balances at beginning of year	<u>15,004</u>	<u>15,004</u>	<u>-</u>	<u>2,994</u>
Fund balances (deficit) at end of year	<u>\$ 15,004</u>	<u>\$ (37,164)</u>	<u>\$ (52,168)</u>	<u>\$ 15,004</u>

AMBULANCE FUND

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 AMBULANCE FUND
 BALANCE SHEET
 DECEMBER 31, 2016
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ -	\$ 83,891
Receivables:		
Property taxes	1,503,500	1,463,025
Accounts	<u>552,274</u>	<u>525,902</u>
Total assets	<u>\$ 2,055,774</u>	<u>\$ 2,072,818</u>
LIABILITIES		
Accounts payable	\$ 38,334	\$ 18,831
Accrued costs	29,782	21,150
Due to other funds	<u>58,833</u>	<u>-</u>
Total liabilities	126,949	39,981
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	1,503,500	1,455,000
FUND BALANCES		
Assigned	<u>425,325</u>	<u>577,837</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,055,774</u>	<u>\$ 2,072,818</u>

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 AMBULANCE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2016
 WITH COMPARATIVE ACTUAL AMOUNTS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2016</u>			<u>2015</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property taxes	\$ 1,500,000	\$ 1,370,638	\$ (129,362)	\$ 1,313,308
Charges for service	600,000	589,745	(10,255)	566,532
Grant revenue	-	-	-	4,825
Other revenues	-	1,981	1,981	825
	<u>2,100,000</u>	<u>1,962,364</u>	<u>(137,636)</u>	<u>1,885,490</u>
Total revenues				
Expenditures:				
Current:				
Compensation and salaries	1,559,300	1,518,120	41,180	1,552,281
Employee benefits	257,000	287,328	(30,328)	216,061
Outside services	121,150	124,670	(3,520)	119,293
Administrative	10,450	9,135	1,315	18,497
Dues and fees	3,100	3,145	(45)	2,812
Education and training	9,100	5,974	3,126	5,785
Equipment and maintenance	92,600	113,632	(21,032)	100,105
Buildings and grounds	45,300	29,276	16,024	39,371
Capital outlay	22,000	23,596	(1,596)	33,030
Debt service:				
Interest	50,000	-	50,000	-
	<u>2,170,000</u>	<u>2,114,876</u>	<u>55,124</u>	<u>2,087,235</u>
Total expenditures				
Deficiency of revenues over expenditures	(70,000)	(152,512)	(82,512)	(201,745)
Fund balances at beginning of year	<u>577,837</u>	<u>577,837</u>	<u>-</u>	<u>779,582</u>
Fund balances at end of year	<u>\$ 507,837</u>	<u>\$ 425,325</u>	<u>\$ (82,512)</u>	<u>\$ 577,837</u>

NONMAJOR GOVERNMENTAL FUNDS

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 COMBINING BALANCE SHEET -
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2016**

	<u>Special Revenue Funds</u>			
	<u>Illinois Municipal Retirement</u>	<u>Social Security</u>	<u>Audit</u>	<u>Emergency, Rescue, Crew and Equipment</u>
ASSETS				
Cash and investments	\$ 10,080	\$ 59,562	\$ -	\$ -
Property taxes receivable	<u>43,650</u>	<u>145,500</u>	<u>19,400</u>	<u>189,150</u>
Total assets	<u>\$ 53,730</u>	<u>\$ 205,062</u>	<u>\$ 19,400</u>	<u>\$ 189,150</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 2,500	\$ -
Accrued costs	-	7,146	-	3,268
Due to other funds	<u>27,832</u>	<u>-</u>	<u>11,377</u>	<u>18,216</u>
Total liabilities	<u>27,832</u>	<u>7,146</u>	<u>13,877</u>	<u>21,484</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>43,650</u>	<u>145,500</u>	<u>19,400</u>	<u>189,150</u>
FUND BALANCE (DEFICITS)				
Restricted	-	52,416	-	-
Unassigned	<u>(17,752)</u>	<u>-</u>	<u>(13,877)</u>	<u>(21,484)</u>
Total fund balance (deficits)	<u>(17,752)</u>	<u>52,416</u>	<u>(13,877)</u>	<u>(21,484)</u>
Total liabilities, deferred inflows of resources, and fund balance (deficits)	<u>\$ 53,730</u>	<u>\$ 205,062</u>	<u>\$ 19,400</u>	<u>\$ 189,150</u>

**Total
Nonmajor
Governmental
Funds**

\$ 69,642
397,700

\$ 467,342

\$ 2,500
10,414
57,425

70,339

397,700

52,416
(53,113)

(697)

\$ 467,342

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE (DEFICITS) -
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2016**

	<u>Special Revenue Funds</u>			
	<u>Illinois Municipal Retirement</u>	<u>Social Security</u>	<u>Audit</u>	<u>Emergency, Rescue, Crew and Equipment</u>
Revenues:				
Property taxes	\$ 19,464	\$ 156,811	\$ 17,577	\$ 194,222
Expenditures:				
Current:				
Compensation and salaries	-	-	-	191,042
Employee benefits	36,983	137,466	-	-
Outside services	-	-	13,900	-
Total expenditures	<u>36,983</u>	<u>137,466</u>	<u>13,900</u>	<u>191,042</u>
Excess (deficiency) of revenues over expenditures	(17,519)	19,345	3,677	3,180
Fund balance (deficits) at beginning of year	<u>(233)</u>	<u>33,071</u>	<u>(17,554)</u>	<u>(24,664)</u>
Fund balance (deficits) at end of year	<u>\$ (17,752)</u>	<u>\$ 52,416</u>	<u>\$ (13,877)</u>	<u>\$ (21,484)</u>

**Total
Nonmajor
Governmental
Funds**

\$ 388,074

191,042
174,449
13,900

379,391

8,683

(9,380)

\$ (697)

SPECIAL REVENUE FUNDS

ILLINOIS MUNICIPAL RETIREMENT FUND

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND
BALANCE SHEET
DECEMBER 31, 2016
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 10,080	\$ -
Property taxes receivable	<u>43,650</u>	<u>19,579</u>
Total assets	<u>\$ 53,730</u>	<u>\$ 19,579</u>
LIABILITIES		
Due to other funds	\$ 27,832	\$ 412
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	43,650	19,400
FUND DEFICITS		
Unrestricted	<u>(17,752)</u>	<u>(233)</u>
Total liabilities, deferred inflows of resources, and fund deficits	<u>\$ 53,730</u>	<u>\$ 19,579</u>

NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE (DEFICITS) - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2016</u>			<u>2015</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property taxes	\$ 20,000	\$ 19,464	\$ (536)	\$ 29,157
Expenditures:				
Current:				
Employee benefits	<u>30,000</u>	<u>36,983</u>	<u>(6,983)</u>	<u>43,675</u>
Deficiency of revenues over expenditures	(10,000)	(17,519)	(7,519)	(14,518)
Fund balance (deficits) at beginning of year	<u>(233)</u>	<u>(233)</u>	<u>-</u>	<u>14,285</u>
Fund deficits at end of year	<u>\$ (10,233)</u>	<u>\$ (17,752)</u>	<u>\$ (7,519)</u>	<u>\$ (233)</u>

SOCIAL SECURITY FUND

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
SOCIAL SECURITY FUND
BALANCE SHEET
DECEMBER 31, 2016
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 59,562	\$ 36,891
Property taxes receivable	<u>145,500</u>	<u>158,158</u>
Total assets	<u>\$ 205,062</u>	<u>\$ 195,049</u>
LIABILITIES		
Accrued costs	\$ 7,146	\$ 4,838
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	145,500	157,140
FUND BALANCES		
Restricted	<u>52,416</u>	<u>33,071</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 205,062</u>	<u>\$ 195,049</u>

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
SOCIAL SECURITY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2016</u>			<u>2015</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property taxes	\$ 162,000	\$ 156,811	\$ (5,189)	\$ 166,425
Expenditures:				
Current:				
Employee benefits	<u>162,000</u>	<u>137,466</u>	<u>24,534</u>	<u>114,082</u>
Excess of revenues over expenditures	-	19,345	19,345	52,343
Fund balances (deficit) at beginning of year	<u>33,071</u>	<u>33,071</u>	<u>-</u>	<u>(19,272)</u>
Fund balances at end of year	<u>\$ 33,071</u>	<u>\$ 52,416</u>	<u>\$ 19,345</u>	<u>\$ 33,071</u>

AUDIT FUND

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 AUDIT FUND
 BALANCE SHEET
 DECEMBER 31, 2016
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Property taxes receivable	\$ <u>19,400</u>	\$ <u>19,508</u>
LIABILITIES		
Accounts payable	\$ 2,500	\$ -
Due to other funds	<u>11,377</u>	<u>17,662</u>
Total liabilities	13,877	17,662
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	19,400	19,400
FUND DEFICITS		
Unassigned	<u>(13,877)</u>	<u>(17,554)</u>
Total liabilities, deferred inflows of resources, and fund deficits	<u>\$ 19,400</u>	<u>\$ 19,508</u>

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 AUDIT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND DEFICITS - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2016
 WITH COMPARATIVE ACTUAL AMOUNTS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2016</u>			<u>2015</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property taxes	\$ 20,000	\$ 17,577	\$ (2,423)	\$ 17,673
Expenditures:				
Current:				
Outside services	<u>20,000</u>	<u>13,900</u>	<u>6,100</u>	<u>23,000</u>
Excess (deficiency) of revenues over expenditures	-	3,677	3,677	(5,327)
Fund deficits at beginning of year	<u>(17,554)</u>	<u>(17,554)</u>	<u>-</u>	<u>(12,227)</u>
Fund deficits at end of year	<u>\$ (17,554)</u>	<u>\$ (13,877)</u>	<u>\$ 3,677</u>	<u>\$ (17,554)</u>

**EMERGENCY, RESCUE, CREW AND
EQUIPMENT FUND**

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
EMERGENCY, RESCUE, CREW AND EQUIPMENT FUND
BALANCE SHEET
DECEMBER 31, 2016
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Property taxes receivable	\$ <u>189,150</u>	\$ <u>190,313</u>
LIABILITIES		
Accrued costs	\$ 3,268	\$ 2,294
Due to other funds	<u>18,216</u>	<u>23,533</u>
Total liabilities	21,484	25,827
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	189,150	189,150
FUND DEFICITS		
Unassigned	<u>(21,484)</u>	<u>(24,664)</u>
Total liabilities, deferred inflows of resources, and fund deficits	<u>\$ 189,150</u>	<u>\$ 190,313</u>

NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
EMERGENCY, RESCUE, CREW AND EQUIPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND DEFICITS - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2016</u>			<u>2015</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property taxes	\$ 195,000	\$ 194,222	\$ (778)	\$ 190,358
Expenditures:				
Current:				
Compensation and salaries	<u>195,000</u>	<u>191,042</u>	<u>3,958</u>	<u>197,872</u>
Excess (deficiency) of revenues over expenditures	-	3,180	3,180	(7,514)
Fund deficits at beginning of year	<u>(24,664)</u>	<u>(24,664)</u>	<u>-</u>	<u>(17,150)</u>
Fund deficits at end of year	<u>\$ (24,664)</u>	<u>\$ (21,484)</u>	<u>\$ 3,180</u>	<u>\$ (24,664)</u>

FIDUCIARY FUND

PENSION TRUST FUND

FIREFIGHTERS' PENSION FUND

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
 FIREFIGHTERS' PENSION FUND
 STATEMENT OF NET POSITION
 DECEMBER 31, 2016
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2015**

ASSETS	2016	2015
Cash	\$ 288,189	\$ 786,040
Accrued interest receivable	101,714	49,128
Due from other funds	149,416	57,956
Investments:		
Bonds:		
Corporate	2,674,870	2,318,642
Municipal	480,155	460,151
Common stocks	130,629	121,074
GNMA	3,321	6,221
Mutual funds:		
Alternative strategy	581,198	478,002
Equity	6,570,626	5,950,027
Fixed income	293,233	277,204
U.S. government agency notes	2,544,686	2,082,475
U.S. Treasury securities	117,276	200,371
Total assets	\$ 13,935,313	\$ 12,787,291
NET POSITION		
Net position restricted for pensions	\$ 13,935,313	\$ 12,787,291

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
FIREFIGHTERS' PENSION FUND
SCHEDULE OF CHANGES IN NET POSITION - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE
YEAR ENDED DECEMBER 31, 2015**

	<u>2016</u>			<u>2015</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Additions:				
Contributions:				
Employer	\$ 675,000	\$ 664,580	\$ (10,420)	\$ 578,109
Member	-	299,999	299,999	302,103
Total contributions	<u>675,000</u>	<u>964,579</u>	<u>289,579</u>	<u>880,212</u>
Investment earnings:				
Investment income	-	715,666	715,666	32,714
Investment expense	-	(53,830)	(53,830)	(51,903)
Net investment earnings	<u>-</u>	<u>661,836</u>	<u>661,836</u>	<u>(19,189)</u>
Total additions	<u>675,000</u>	<u>1,626,415</u>	<u>951,415</u>	<u>861,023</u>
Deductions:				
Benefit payments	675,000	437,126	237,874	391,791
Refund of member contributions	-	6,744	(6,744)	12,305
Administrative expense	-	34,523	(34,523)	8,058
Total deductions	<u>675,000</u>	<u>478,393</u>	<u>196,607</u>	<u>412,154</u>
Net increase in net position	-	1,148,022	1,148,022	448,869
Net position at beginning of year	<u>12,787,291</u>	<u>12,787,291</u>	<u>-</u>	<u>12,338,422</u>
Net position at end of year	<u>\$ 12,787,291</u>	<u>\$ 13,935,313</u>	<u>\$ 1,148,022</u>	<u>\$ 12,787,291</u>

OTHER INFORMATION SECTION

**NORTH PALOS FIRE PROTECTION DISTRICT, ILLINOIS
SCHEDULE OF ASSESSED VALUATION, RATES, EXTENSIONS AND COLLECTIONS
LAST TEN YEARS**

Tax levy year	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Equalized assessed valuation	<u>\$ 363,436,110</u>	<u>\$ 372,733,775</u>	<u>\$ 386,038,884</u>	<u>\$ 418,219,614</u>	<u>\$ 454,834,323</u>
Tax rates (per \$100 of equalized assessed valuation):					
Corporate	0.3901	0.3718	0.3431	0.4000	0.3838
Tort liability	0.1197	0.1131	0.1548	0.0525	0.0464
Ambulance	0.3901	0.3718	0.3375	0.3000	0.2967
Firefighters' pension	0.1872	0.1628	0.1436	0.1293	0.0709
Illinois municipal retirement	0.0055	0.0083	0.0047	0.0042	0.0013
Social security	0.0446	0.0472	0.0368	0.0330	0.0169
Audit	0.0050	0.0050	0.0050	0.0049	0.0026
Emergency, rescue, crew and equipment	<u>0.0553</u>	<u>0.0539</u>	<u>0.0500</u>	<u>0.0500</u>	<u>0.0500</u>
Total	<u>1.1975</u>	<u>1.1339</u>	<u>1.0755</u>	<u>0.9739</u>	<u>0.8686</u>
Percent difference	<u>0.0636</u>	<u>0.0584</u>	<u>0.1016</u>	<u>0.1053</u>	<u>0.1679</u>
Tax extensions:					
Corporate	\$ 1,417,801	\$ 1,385,824	\$ 1,324,499	\$ 1,672,878	\$ 1,745,654
Tort liability	435,000	421,562	597,588	219,390	211,043
Ambulance	1,417,801	1,385,824	1,302,881	1,254,659	1,349,493
Firefighters' pension	680,250	606,811	554,352	540,750	322,478
Illinois municipal retirement	20,000	30,937	18,144	17,510	5,913
Social security	162,000	175,930	142,062	138,020	76,867
Audit	18,172	18,637	19,302	20,600	11,826
Emergency, rescue, crew and equipment	<u>200,850</u>	<u>200,904</u>	<u>193,019</u>	<u>209,110</u>	<u>227,417</u>
Total	<u>\$ 4,351,874</u>	<u>\$ 4,226,429</u>	<u>\$ 4,151,847</u>	<u>\$ 4,072,917</u>	<u>\$ 3,950,691</u>
Tax collections	<u>\$ 4,155,366</u>	<u>\$ 4,048,675</u>	<u>\$ 3,901,568</u>	<u>\$ 3,967,361</u>	<u>\$ 3,766,350</u>
Percent collected	<u>95.48%</u>	<u>95.79%</u>	<u>93.97%</u>	<u>97.41%</u>	<u>95.33%</u>

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>\$ 554,996,968</u>	<u>\$ 547,007,419</u>	<u>\$ 542,405,102</u>	<u>\$ 481,908,618</u>	<u>\$ 455,645,836</u>
0.2873	0.2976	0.2811	0.3145	0.3199
0.0371	0.0262	0.0541	0.0564	0.0588
0.2259	0.2241	0.2121	0.2366	0.2335
0.0788	0.0595	0.0816	0.0619	0.0700
0.0032	0.0046	0.0042	0.0038	0.0041
0.0223	0.0138	0.0133	0.0096	0.0099
0.0049	0.0030	0.0028	0.0028	0.0032
<u>0.0412</u>	<u>0.0462</u>	<u>0.0447</u>	<u>0.0477</u>	<u>0.0500</u>
<u>0.7007</u>	<u>0.6750</u>	<u>0.6939</u>	<u>0.7333</u>	<u>0.7494</u>
<u>0.0257</u>	<u>(0.0189)</u>	<u>(0.0394)</u>	<u>(0.0161)</u>	<u>0.0412</u>
\$ 1,594,506	\$ 1,627,894	\$ 1,524,701	\$ 1,515,603	\$ 1,457,611
205,904	143,316	293,441	271,796	267,920
1,253,738	1,225,844	1,150,441	1,140,196	1,063,933
437,338	325,469	442,603	298,301	318,952
17,760	25,162	22,781	18,313	18,681
123,764	75,487	72,140	46,263	45,109
27,195	16,410	15,187	13,493	14,581
<u>228,659</u>	<u>252,717</u>	<u>242,455</u>	<u>229,870</u>	<u>227,823</u>
<u>\$ 3,888,864</u>	<u>\$ 3,692,299</u>	<u>\$ 3,763,749</u>	<u>\$ 3,533,835</u>	<u>\$ 3,414,610</u>
<u>\$ 3,780,113</u>	<u>\$ 3,536,494</u>	<u>\$ 3,623,647</u>	<u>\$ 3,182,666</u>	<u>\$ 3,118,352</u>
<u>97.20%</u>	<u>95.78%</u>	<u>96.28%</u>	<u>90.06%</u>	<u>91.32%</u>