

CITY OF GENEVA, ILLINOIS

POLICE PENSION FUND

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2017



CITY OF GENEVA, ILLINOIS
POLICE PENSION FUND
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Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable President
Members of the Board of Trustees
Police Pension Fund
City of Geneva, Illinois

We have audited the accompanying financial statements of the City of Geneva Police Pension Fund (the Fund), a fiduciary fund of the City of Geneva, Illinois (the City) as of April 30, 2017 and for the year then ended and the related notes to financial statements which collectively comprise the basic financial statements of the Fund as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 City'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 City'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 opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net position of the City of Geneva Police Pension Fund as of April 30, 2017, and the changes in plan net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1A, these basic financial statements present only the Fund and are not intended to present fairly the financial position and changes in financial position of the City in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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 an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sikich LLP

Naperville, Illinois
September 15, 2017

BASIC FINANCIAL STATEMENTS

CITY OF GENEVA POLICE PENSION FUND

(A Pension Trust Fund of the City of Geneva, Illinois)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis (MD&A) of the Geneva Police Pension Fund's financial statements. The MD&A addresses the major factors affecting the operations and investment performance of the fund during the fiscal year ended April 30, 2017 and includes comparative information for the fiscal year ended April 30, 2016.

The Geneva Police Pension Fund (the "Fund") is a defined benefit, single-employer public employees' retirement system in accordance with Illinois statutes. It is a pension trust fund of the City of Geneva, Illinois (the "City"). As of April 30, 2017, the Fund's membership included 36 active employees, 22 benefit recipients, and 1 inactive plan member not yet receiving benefits.

Overview of Financial Statements and Accompanying Information

This discussion and analysis is intended to serve as an introduction to the Fund's financial reporting which is comprised of the following components:

1. **Basic Financial Statements:** This information presents the plan net position held in trust for pension benefits for the Fund as of April 30, 2017. This financial information also summarizes the changes in plan net position held in trust for pension benefits for the year then ended.
2. **Notes to Basic Financial Statements:** The notes to basic financial statements provide additional information that is essential to achieve a full understanding of the data provided in the basic financial statements.
3. **Required Supplementary Information:** The required supplementary information consists of schedules and related notes concerning actuarial information, employer contributions, and investment returns.
4. **Other Supplementary Information:** This section includes a schedule of changes in plan net position with budget versus actual comparisons.

The Fund implemented Statement No. 67 of the Governmental Accounting Standards Board (GASB), *Financial Reporting for Pension Plans*, for the fiscal year ended April 30, 2015. The new financial reporting standard modified the Fund's notes to the basic financial statements and required supplementary information as well as required the calculation of a total pension liability and a net pension liability.

GENEVA POLICE PENSION FUND

(A Pension Trust Fund of the City of Geneva, Illinois)

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Plan Net Position

The statement of plan net position is presented for the Fund as of April 30, 2017 and 2016. The financial statement reflects the resources available to pay benefits to members, including retirees and beneficiaries, at the end of the years reported. A summary of the Fund's Plan Net Position is presented below:

Condensed Statement of Plan Net Position

	2016	2017	Dollar Change	Percent Change
Cash and Equivalents	\$ 329,774	\$ 613,186	\$ 283,412	85.9%
Investments, at fair value	17,827,938	19,648,873	1,820,935	10.2%
Receivables	48,694	48,859	165	0.3%
Prepaid Expenses	14,329	7,391	(6,938)	(48.4) %
Total Assets	18,220,735	20,318,309	2,097,574	11.5%
Liabilities	1,154	-	(1,154)	(100.0)%
Total Net Plan Position	<u>\$18,219,581</u>	<u>\$20,318,309</u>	<u>\$2,098,728</u>	11.5%

Financial Highlights

The Fund's net position increased \$2,098,728 or 11.5% during the fiscal year ended April 30, 2017. The change in net position was due primarily to an increase in investment from \$17,827,938 to \$19,648,873.

Under the actuarial methodology required for accounting purposes in accordance with GASB Statement No. 67, the Fund was actuarially funded at 52.4% at April 30, 2017.

The annual money-weighted rate of return for the fund was 10.2% during 2017 (net of fees).

Funded Ratio

The funded ratio of the plan measures the ratio of net position against actuarially determined liabilities and is one indicator of the fiscal strength of a pension fund's ability to meet obligations to its members. An annual actuarial valuation is required by statute. The most recent available valuation showed that the funded status of the Fund as of April 30, 2017 was 52.4% based upon the actuarial parameters established in GASB Statement No. 67. The employer's net pension liability (NPL) was \$18,434,874 on April 30, 2017 as compared to \$18,511,422 on April 30, 2016. The employer's NPL decreased

GENEVA POLICE PENSION FUND

(A Pension Trust Fund of the City of Geneva, Illinois)

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

\$76,548 or 0.4%. The decrease was due primarily to higher investment income in 2017 than in 2016. The actuarial assumptions of the Fund are different than those used by the Illinois Department of Insurance for its valuation of similar funds.

The Fund assumes salary increases of 5.00% and an interest rate of 7.25% compared to a graduated rate of salary increases and 6.75% interest rate for the State of Illinois. Based upon the funding requirements of the City, the Fund's funded ratio rose from 49.6% to 52.4% between April 30, 2016 and 2017. For more information, please refer to the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios included in the Required Supplementary Information section of this report.

Investments

The allocation of investment assets for the Fund as of April 30, 2017 and 2016 were as follows:

	2016		2017	
	Amount	Percentage	Amount	Percentage
Cash and Cash Equivalents	\$329,774	1.8%	\$613,186	3.0%
Money Market Mutual Funds	480,317	2.6%	521,800	2.6%
US Government and Agency Securities	3,102,834	17.1%	2,881,777	14.2%
Municipal Bonds	358,536	2.0%	303,595	1.5%
Corporate Bonds	3,114,487	17.2%	3,124,795	15.4%
Equity Mutual Funds	4,566,710	25.2%	6,180,083	30.5%
Domestic Corporate Equities	6,205,054	34.2%	6,636,823	32.8%
Total	<u>\$18,157,712</u>	<u>100.0%</u>	<u>\$20,262,059</u>	<u>100.0%</u>

Proper implementation of the Fund's investment policy requires the performance of the investment portfolio be periodically evaluated and the portfolio be analyzed to insure compliance with established asset allocation targets and statutory requirements. The Board of Trustees of the Fund evaluates its investment portfolio, in consultation with Morgan Stanley, on a quarterly basis. As shown above, during FY 2017, the Fund expanded its position in equity mutual funds while reducing its position in US Government and Agency Securities and domestic corporate equities based upon returns. The changes in the other asset classes were unremarkable.

GENEVA POLICE PENSION FUND

(A Pension Trust Fund of the City of Geneva, Illinois)

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Changes in Plan Net Position

A condensed statement of changes in plan net position for the years ended April 30, 2017 and 2016 is presented below. The financial statement reflects the changes in the resources available to pay benefits to plan participants, including retirees and beneficiaries.

Additions

Condensed Statement of Changes in Plan Net Position

	<u>2016</u>	<u>2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Additions:				
Employer Contributions	\$1,144,355	\$1,365,906	\$ 221,551	19.4%
Employee Contributions	365,178	319,653	(45,525)	(12.5)%
Net Investment Income	<u>(380,287)</u>	<u>1,815,790</u>	<u>2,196,077</u>	<u>(577.5)%</u>
Total Additions	<u>1,129,246</u>	<u>3,501,349</u>	<u>2,372,103</u>	<u>210.1%</u>
Deductions:				
Pension Benefits	1,212,510	1,370,286	157,776	13.0%
Administrative Expenses	<u>30,437</u>	<u>32,335</u>	<u>1,898</u>	<u>6.2%</u>
Total Deductions	<u>1,242,947</u>	<u>1,402,621</u>	<u>159,674</u>	<u>12.8%</u>
Net Change in Plan Net Position	<u>\$ (113,701)</u>	<u>\$2,098,728</u>	<u>\$ 2,212,429</u>	<u>(1,945.8)%</u>

Additions to plan net position include employer and employee contributions and net income from investment activities. Employer contributions increased from \$1,144,355 in 2016 to \$1,365,906 in 2017, an increase of \$221,551 or 19.4%.

Employee contributions in 2017 decreased by \$45,525 or (12.5)% from the prior year. The contributions required of employees are set by state statute as a percentage of gross salary. Employee contributions decreased in 2017 primarily due to retirements within the workforce.

The fund's net investment income for 2017 was \$1,815,790 as compared to \$(380,287) during 2016. The increase in investment income is due to higher returns in all investment types.

GENEVA POLICE PENSION FUND

(A Pension Trust Fund of the City of Geneva, Illinois)

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Deductions

Deductions from plan net position are primarily benefit payments. During 2017 and 2016, the Fund paid out \$1,370,286 and \$1,212,510, respectively, in benefits. This was an increase of approximately \$157,776 or 13.0% between the two fiscal years. This increase was due to the retirement of two tenured employees. The administrative costs of the Fund represented a nominal 2.3% and 2.4% of total deductions in 2017 and 2016, respectively.

Future Outlook

Employer contributions are expected to increase in 2017 due to potential retirements and the Fund's funded ratio is expected to rise over the course of the next several years based upon the impact of the City making the full actuarially determined contribution each year. It is also anticipated that employee contributions will increase modestly over the next few years consistent with increases in employee salaries. With respect to investment income, the Fund will continue to structure its portfolio with the goal of maximizing returns over the long term within the investment policy guidelines established by the Fund's Board of Trustees and the constraints on allowable investments imposed by state statutes.

Request for Information

This financial report is designed to provide a general overview of Fund finances for interested parties. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Geneva Police Pension Fund, 22 S 1st St, Geneva, IL 60134.

CITY OF GENEVA, ILLINOIS

POLICE PENSION FUND

STATEMENT OF FIDUCIARY NET POSITION

April 30, 2017

ASSETS	
Cash and Short-Term Investments	\$ 613,186
Investments, at Fair Value	
Money Market Mutual Funds	521,800
U.S. Government and Agency Securities	2,881,777
Municipal Bonds	303,595
Corporate Bonds	3,124,795
Equity Mutual Funds	6,180,083
Domestic Corporate Equities	6,636,823
Receivables	
Accrued Interest	48,859
Prepaid Expenses	7,391
	<hr/>
Total Assets	20,318,309
	<hr/>
LIABILITIES	
None	-
	<hr/>
Total Liabilities	-
	<hr/>
NET POSITION RESTRICTED FOR PENSIONS	\$ 20,318,309
	<hr/> <hr/>

See accompanying notes to financial statements.

CITY OF GENEVA, ILLINOIS

POLICE PENSION FUND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended April 30, 2017

ADDITIONS

Contributions

Employer Contributions	\$ 1,365,906
Employee Contributions	<u>319,653</u>

Total Contributions	<u>1,685,559</u>
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Investment Income

Net Appreciation in Fair Value of Investments	1,536,233
Interest and Dividends	<u>373,937</u>

Total Investment Income	1,910,170
Less Investment Expense	<u>(94,380)</u>

Net Investment Income	<u>1,815,790</u>
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Total Additions	<u>3,501,349</u>
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DEDUCTIONS

Pension Benefits	1,370,286
Administrative Expenses	<u>32,335</u>

Total Deductions	<u>1,402,621</u>
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CHANGE IN NET POSITION	2,098,728
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**NET POSITION RESTRICTED
FOR PENSIONS**

May 1	<u>18,219,581</u>
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April 30	<u><u>\$ 20,318,309</u></u>
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See accompanying notes to financial statements.

CITY OF GENEVA, ILLINOIS

POLICE PENSION FUND

NOTES TO FINANCIAL STATEMENTS

April 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Geneva Police Pension Fund (the Fund) of the City of Geneva, Illinois have been prepared in accordance with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

A. Reporting Entity

The Fund is a fiduciary fund of the City of Geneva, Illinois (the City) pursuant to GASB Statement No. 61.

B. Fund Accounting

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

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

C. Basis of Accounting

The Fund is accounted for with a flow of economic resources measurement focus. With this measurement focus, all assets, deferred inflows, liabilities and deferred outflows associated with the operation of this fund are included on the statement of fiduciary net position. Pension trust fund operating statements present increases (e.g., additions) and decreases (e.g., deductions) in net position restricted for pensions.

The accrual basis of accounting is utilized by the pension trust fund. Under this method, additions are recorded when earned and deductions are recorded at the time the liabilities are incurred.

CITY OF GENEVA, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension trust funds are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2. PLAN DESCRIPTION

A. Plan Administration

Police sworn personnel are covered by the Fund, a single-employer defined benefit pension plan sponsored by the City. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the Police Pension Plan as a pension trust fund.

The Fund is governed by a five-member Board of Trustees. Two members of the Board are appointed by the City’s Mayor, one member is elected by pension beneficiaries and two members are elected by active police employees.

B. Plan Membership

At April 30, 2017, the measurement date, membership consisted of:

Inactive Plan Members Currently Receiving Benefits	22
Inactive Plan Members Entitled to but not yet Receiving Benefits	1
Active Plan Members	<u>36</u>
TOTAL	<u><u>59</u></u>

C. Benefits Provided

The following is a summary of benefits of the Fund as provided for in Illinois Compiled Statutes (ILCS):

The Fund provides retirement benefits as well as death and disability benefits in two tiers depending on when a participant enters the plan.

CITY OF GENEVA, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

2. PLAN DESCRIPTION (Continued)

C. Benefits Provided (Continued)

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 on the last day of service, or for one year prior to the last day, whichever is greater. 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 eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer 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 police officer 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. Police officers' salary for pension purposes is capped at \$106,800, plus 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 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 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding 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 proceeding calendar year.

D. Contributions

Employees are required by ILCS to contribute 9.91% of their base salary to the Fund. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the Fund, as actuarially determined by an enrolled actuary. Effective January 1, 2011, the City has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. However, the City has adopted a policy to fund 100% of the past service cost by 2040. For the year ended April 30, 2017, the City's contribution was 41.94% of covered payroll.

CITY OF GENEVA, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

3. INVESTMENTS

The deposits and investments of the Fund are held separately from those of the City and are under the control of the Fund’s Board of Trustees. The Fund categorizes the fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs

A. Investment Policy

ILCS limits the Fund’s investments to those allowable by ILCS and require the Fund’s Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund’s investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment-grade corporate bonds and Illinois Funds. The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran’s loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds, corporate equity and corporate debt securities and real estate investment trusts. There were no changes to the investment policy during the fiscal year ended April 30, 2017.

The Fund’s investment policy in accordance with ILCS establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic Equity	45%	7.20%
International Equity	5%	6.80%
Fixed Income	50%	3.00%

CITY OF GENEVA, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

3. INVESTMENTS (Continued)

A. Investment Policy (Continued)

The long-term expected real rates of return are net of a 1.9% factor for inflation and investment expense. ILCS limits the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study by the Global Investment Committee of Morgan Stanley and was published on March 30, 2017. The best estimate ranges of expected nominal rates of return (including inflation) were developed for each major asset class as of April 30, 2017. These ranges were combined to produce long-term expected rate of return by weighting the expected future nominal rates of return by the target asset allocation percentage. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of April 30, 2017 are listed in the table above.

B. Concentrations

There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5% or more of Fund's investments.

C. Rate of Return

For the year ended April 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.18%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Fund's deposits may not be returned to them. The Fund's investment policy requires all bank balances to be covered by federal depository insurance.

CITY OF GENEVA, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

3. INVESTMENTS (Continued)

E. Interest Rate Risk

The following table presents the investments and maturities of the Fund's fixed income securities as of April 30, 2017:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater Than 10
U.S. Treasury Securities	\$ 2,189,380	\$ 330,722	\$ 820,968	\$ 459,230	\$ 578,460
U.S. Agency Securities	692,397	130,032	249,598	227,296	85,471
Municipal Bonds	303,595	70,045	102,097	-	131,453
Corporate Bonds	3,124,795	85,068	1,594,574	731,279	713,874
TOTAL	\$ 6,310,167	\$ 615,867	\$ 2,767,237	\$ 1,417,805	\$ 1,509,258

The investment policy does not limit the maximum maturity length of investments in the Fund or address interest rate risk.

The Fund has the following recurring fair value measurements as of April 30, 2017:

The U.S. Treasury Securities, equity mutual funds and domestic corporate equities are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. agency securities, corporate bonds and municipal bonds are valued using quoted matrix pricing models (Level 2 inputs).

F. Credit Risk

The Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government, securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government, and investment grade corporate and municipal bonds as rated by at least two of the three rating agencies. The municipal bonds are rated Aa2 to Aaa. The corporate bonds are rated Baa2 to Aaa.

G. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. The Fund's investment policy does not address custodial credit risk over investments. The Fund's investments are exposed to custodial credit risk to the extent not covered by insurance provided by the Securities Investor Protection Corporation (SIPC) at April 30, 2017, as the Fund's counterparty also serves as the custodian.

CITY OF GENEVA, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

3. INVESTMENTS (Continued)

G. Custodial Credit Risk (Continued)

However, the custodian has issued an excess SIPC policy to the Police Pension Fund to mitigate the exposure to custodial credit risk.

4. PENSION LIABILITY OF THE CITY

A. Net Pension Liability

The components of the net pension liability of the Police Pension Plan as of April 30, 2017 were as follows:

Total Pension Liability	\$ 38,753,183
Plan Fiduciary Net Position	20,318,309
City's Net Pension Liability	18,434,874
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.43%

See the schedule of changes in the employer's net pension liability and related ratios on page 13 of the required supplementary information for additional information related to the funded status of the Fund.

B. Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2017 using the following actuarial methods and assumptions.

Actuarial Valuation Date	April 30, 2017
Actuarial Cost Method	Entry-Age Normal
Assumptions	
Inflation	2.50%
Salary Increases	5.00%
Interest Rate	7.25%
Cost of Living Adjustments	3.00%
Asset Valuation Method	Market

CITY OF GENEVA, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

4. PENSION LIABILITY OF THE CITY (Continued)

B. Actuarial Assumptions (Continued)

Mortality rates were based on the RP 2014 BCHA Mortality Table projected to 2017 using improvement scale MP-2016. The actuarial assumptions used in the April 30, 2017 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

C. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's 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 7.25% used to determine the total pension liability.

D. Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the City calculated using the discount rate of 7.25% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 23,788,930	\$ 18,434,874	\$ 14,028,323

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GENEVA, ILLINOIS

POLICE PENSION FUND

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS

Last Three Fiscal Years

MEASUREMENT DATE APRIL 30,	2015	2016	2017
TOTAL PENSION LIABILITY			
Service Cost	\$ 633,473	\$ 669,111	\$ 675,264
Interest	2,152,823	2,422,628	2,703,440
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(135,905)	(250,837)	(111,650)
Changes in Assumptions*	2,096,902	2,194,645	125,412
Benefit Payments, Including Refunds of Member Contributions	(1,087,272)	(1,212,510)	(1,370,286)
Net Change in Total Pension Liability	3,660,021	3,823,037	2,022,180
Total Pension Liability - Beginning	29,247,945	32,907,966	36,731,003
TOTAL PENSION LIABILITY - ENDING	\$ 32,907,966	\$ 36,731,003	\$ 38,753,183
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 1,247,900	\$ 1,144,355	\$ 1,365,906
Contributions - Member	314,018	365,178	319,653
Net Investment Income	1,080,768	(380,287)	1,815,790
Benefit Payments, Including Refunds of Member Contributions	(1,087,272)	(1,212,510)	(1,370,286)
Administrative Expense	(28,154)	(30,437)	(32,335)
Net Change in Plan Fiduciary Net Position	1,527,260	(113,701)	2,098,728
Plan Fiduciary Net Position - Beginning	16,806,022	18,333,282	18,219,581
PLAN FIDUCIARY NET POSITION - ENDING	\$ 18,333,282	\$ 18,219,581	\$ 20,318,309
EMPLOYER'S NET PENSION LIABILITY	\$ 14,574,684	\$ 18,511,422	\$ 18,434,874
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	55.71%	49.60%	52.43%
Covered-Employee Payroll	\$ 3,148,322	\$ 3,130,603	\$ 3,256,583
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	462.93%	591.31%	566.08%

*Mortality assumptions changed for the April 30, 2015, 2016 and 2017 valuations. The interest rate assumption was reduced for the April 30, 2017 valuation.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF GENEVA, ILLINOIS

POLICE PENSION FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Three Fiscal Years

FISCAL YEAR ENDED APRIL 30,	2015	2016	2017
Actuarially Determined Contribution	\$ 1,102,330	\$ 1,144,355	\$ 1,365,906
Contributions in Relation to the Actuarially Determined Contribution	1,247,900	1,144,355	1,365,906
Contribution Deficiency (Excess)	\$ (145,570)	\$ -	\$ -
Covered-Employee Payroll	\$ 3,148,322	\$ 3,130,603	\$ 3,256,583
Contributions as a Percentage of Covered-Employee Payroll	39.64%	36.55%	41.94%

Required Supplementary Information

Valuation Date: May 1 of the preceding year

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period	24
Asset Valuation Method	Market
Inflation	2.50%
Salary Increases	5.00% Compounded Annually, Including Inflation
Investment Rate of Return	7.25%
Mortality	Mortality Rates were Based on the RP 2014 BCHA Mortality Table projected to 2017 using improvement scale MP-2016 in 2017, the RP 2014 BCHA Mortality Table in 2016, and the RP-2000 CHBCA Mortality

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

CITY OF GENEVA, ILLINOIS

POLICE PENSION FUND

SCHEDULE OF INVESTMENT RETURNS

Last Three Fiscal Years

FISCAL YEAR ENDED APRIL 30,	2015	2016	2017
Annual Money-Weighted Rate of Return, Net of Investment Expense	6.50%	(2.10%)	10.18%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

SUPPLEMENTARY INFORMATION

CITY OF GENEVA, ILLINOIS

POLICE PENSION FUND

SCHEDULE OF CHANGES IN PLAN NET POSITION -
BUDGET AND ACTUAL

For the Year Ended April 30, 2017

	Original Budget	Final Budget	Actual	Variance Over (Under)
ADDITIONS				
Contributions				
Employer Contributions	\$ 1,365,910	\$ 1,365,910	\$ 1,365,906	\$ (4)
Employee Contributions	361,825	361,825	319,653	(42,172)
Total Contributions	<u>1,727,735</u>	<u>1,727,735</u>	<u>1,685,559</u>	<u>(42,176)</u>
Investment Income				
Net Appreciation in Fair Value of Investments	-	-	1,536,233	1,536,233
Interest and Dividends	500,000	500,000	373,937	(126,063)
Total Investment Income	500,000	500,000	1,910,170	1,410,170
Less Investment Expense	(88,000)	(88,000)	(94,380)	(6,380)
Net Investment Income	<u>412,000</u>	<u>412,000</u>	<u>1,815,790</u>	<u>1,403,790</u>
Total Additions	<u>2,139,735</u>	<u>2,139,735</u>	<u>3,501,349</u>	<u>1,361,614</u>
DEDUCTIONS				
Pension Benefits	1,453,200	1,453,200	1,370,286	(82,914)
Administrative Expenses	55,350	55,350	32,335	(23,015)
Total Deductions	<u>1,508,550</u>	<u>1,508,550</u>	<u>1,402,621</u>	<u>(105,929)</u>
CHANGE IN NET POSITION	<u>\$ 631,185</u>	<u>\$ 631,185</u>	2,098,728	<u>\$ 1,467,543</u>
NET POSITION RESTRICTED FOR PENSIONS				
May 1			<u>18,219,581</u>	
April 30			<u>\$ 20,318,309</u>	

(See independent auditor's report.)