

**CITY OF GENEVA, ILLINOIS**

**REPORT ON ALLOCATION OF PENSION  
AMOUNTS FOR THE ILLINOIS MUNICIPAL  
RETIREMENT FUND**

For the Year Ended  
December 31, 2015



**CITY OF GENEVA, ILLINOIS**  
**REPORT ON ALLOCATION OF PENSION AMOUNTS**  
**FOR THE ILLINOIS MUNICIPAL RETIREMENT FUND**  
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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor  
Members of the City Council  
City of Geneva

### **Report on the Schedules**

We have audited the accompanying Schedule of Employer Allocations of the City of Geneva, Illinois (the City) as of and for the year ended December 31, 2015 and the related notes. We have also audited the total for all entities of the columns net pension liability as of December 31, 2015, total deferred outflows of resources, total deferred inflows of resources, and total pension expense subject to allocation (specified column totals) included in the accompanying Schedule of Pension Amounts by Employer (Schedules) of the City for the year ended December 31, 2015.

### **Management's Responsibility for the Schedules**

Management is responsible for the preparation and fair presentation of these Schedules 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 the Schedules that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on the Schedule of Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Employer 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 Schedule of Employer Allocations and specified column totals included in the Schedule of Pension Amounts by Employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule of Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Employer, 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 Schedule of Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Employer 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 Schedule of Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Employer.

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 Schedules referred to above present fairly, in all material respects, the employer allocations as of and for the year ended December 31, 2015 and the total of all participating entities of the City of Geneva, Illinois for net pension liability as of December 31, 2015, and total deferred outflows of resources, total deferred inflows of resources, and total pension expense subjected to allocation for the total of all participating entities for the City's participation in the Illinois Municipal Retirement Fund (IMRF) as of and for the year ended December 31, 2015.

### **Other Matter**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City as of and for the year ended December 31, 2015, and our report thereon, dated September 20, 2016, expressed an unmodified opinion on those financial statements.

### **Restriction on Use**

Our report is intended solely for the information and use of the City of Geneva and Tri-Com Central Dispatch and is not intended to be, and should not be, used by anyone other than these specified parties.

*Sikich LLP*

Naperville, Illinois  
September 20, 2016

**CITY OF GENEVA, ILLINOIS**

**SCHEDULE OF EMPLOYER ALLOCATIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND**

For the Year Ended December 31, 2015

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	<u>Contributions</u>	<u>Average</u>
<b>Employer</b>		
City of Geneva	\$ 825,909	82.00%
Tri-Com Central Dispatch	179,008	18.00%
	<hr/>	
<b>TOTAL</b>	<u>\$ 1,004,917</u>	<u>100.00%</u>

**CITY OF GENEVA, ILLINOIS**

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

For the Year Ended December 31, 2015

Entity	Deferred Outflows of Resources				Deferred Inflows of Resources				
	Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Changes of Assumptions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense
City of Geneva	\$ 5,345,678	\$ -	\$ 1,893,768	\$ 78,404	\$ 1,972,172	\$ (107,330)	\$ -	\$ (107,330)	\$ 1,749,299
Tri-Com	1,173,441	-	415,706	17,211	432,917	(23,560)	-	(23,560)	383,990
<b>TOTAL</b>	<b>\$ 6,519,119</b>	<b>\$ -</b>	<b>\$ 2,309,474</b>	<b>\$ 95,615</b>	<b>\$ 2,405,089</b>	<b>\$ (130,890)</b>	<b>\$ -</b>	<b>\$ (130,890)</b>	<b>\$ 2,133,289</b>

# CITY OF GENEVA, ILLINOIS

## NOTES TO THE SCHEDULE OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER

December 31, 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Geneva, Illinois (the City) contributes to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system. The benefits, benefit levels, employee contributions and employer contributions are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. IMRF issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523 or at <https://www.imrf.org/>. As noted above, IMRF is an agent multiple-employer defined benefit pension plan. The City and Tri-Com Central Dispatch (Tri-Com), a nonemployer contributing entity, both participate in the plan and therefore, the plan is treated as a cost-sharing plan.

All employees (other than those covered by the Police Pension Plan and Firefighters' Pension Plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

#### a. Nature of Schedules

Employers participating in a cost-sharing pension plan are required to recognize their proportionate share of the collective pension amounts for pension benefits provided to members through the IMRF plan.

GASB Statement No. 68, paragraph 92, states that in determining the employer's portion of the collective net pension liability (NPL), the basis should be consistent with the manner in which contributions to the pension plan, excluding those to separately finance specific liabilities of the individual employer to the Plan, are determine, which is consistent with paragraphs 48-51. GASB Statement No. 68, paragraph 92 further states that in determining the nonemployer's proportion of the collective NPL and corresponding pension amounts, the City should follow the terms to determine the specific relationship of the contribution requirements of the nonemployer contributing entity (Tri-Com) to those of the employer (the City).

The Schedule of Employer Allocations presents the actual fiscal year 2016 contributions used within the proportionate share calculation for the City and Tri-Com and respective allocation percentage. This percentage was also used to allocate the opening net position.

**CITY OF GENEVA , ILLINOIS**  
**NOTES TO THE SCHEDULE OF EMPLOYER ALLOCATIONS**  
**AND PENSION AMOUNTS BY EMPLOYER (Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

a. Nature of Schedules (Continued)

The Schedule of Pension Amounts by Employer presents the proportionate share of total net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense. The pension expense includes the amortization of the differences between expected and actual economic and demographic experience, differences between actual and projected investment earnings (net) on investments, employer contributions made after the measurement date of the total pension liability, and the impact of changes of assumptions and future economic or demographic factors or other inputs.

b. Measurement Focus and Basis of Accounting

The financial transactions are recorded using the economic resources measurement focus and the accrual basis of accounting.

c. Use of Estimates in the Preparation of the Schedules

The preparation of the IMRF schedules in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts, and the changes therein, and disclosures. Actual results could differ from those estimates and differences could be material. IMRF uses an actuary to determine the total pension liability for the defined benefit plan and to calculate the actuarially determined contributions of the City and Tri-Com.

d. Basis of Allocation

In determining the proportionate share of the net pension liability and corresponding employer pension amounts for a cost-sharing plan, the basis should be consistent with the manner in which contributions to IMRF are determined. The City has determined that the actual contributions made to IMRF during fiscal year 2016 are appropriate as the basis because they are representative of future contributions.

The NPL is the City's total pension liability less the fiduciary net position. The NPL was determined by an actuarial valuation measured as of December 31, 2015. The City allocates a portion of the NPL to Tri-Com based on the allocation percentage calculated within the Schedule of Employer Allocations.

**CITY OF GENEVA , ILLINOIS**  
**NOTES TO THE SCHEDULE OF EMPLOYER ALLOCATIONS**  
**AND PENSION AMOUNTS BY EMPLOYER (Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

e. Pension Expense and Amortization of Expense

Pension expense, as well as deferred outflows of resources and deferred inflows of resources related to pensions, should be recognized for the City and Tri-Com's proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

Deferred outflows of resources are the consumption of net assets that are applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position. Deferred inflows of resources are the acquisition of net assets that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position. Other than differences between projected and actual investment earnings, deferred inflows and outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through IMRF (active or inactive), determined as of the beginning of the measurement period.

Net deferred inflows (or outflows) of resources pertaining to differences between projected and actual investment earnings are similarly recognized over a closed five-year period.

The components of pension expense are:

Service cost	\$ 876,371
Interest	3,341,545
Difference between expected and actual experience	(166,995)
Changes in assumptions	121,990
Employee contributions	(377,391)
Net investment income	(208,400)
Other (net transfer)	820,368
Recognition of deferred inflows	130,890
Recognition of deferred outflows	<u>(2,405,089)</u>
 TOTAL	 <u><u>\$ 2,133,289</u></u>

The average of the expected remaining service lives of all members for calendar year 2015 is 4.6253 years.

**CITY OF GENEVA , ILLINOIS**  
**NOTES TO THE SCHEDULE OF EMPLOYER ALLOCATIONS**  
**AND PENSION AMOUNTS BY EMPLOYER (Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

f. Net Pension Liability

The net pension liability for fiscal year 2016 (measurement date December 31, 2015) is set forth in the following table:

NET PENSION LIABILITY (BEGINNING)	\$ 3,137,095
Total pension expense	2,133,289
Deferred outflows of resources	2,405,089
Deferred inflows of resources	(130,890)
Employer contributions	<u>(1,025,464)</u>
NET PENSION LIABILITY (ENDING)	<u>\$ 6,519,119</u>