

**CITY OF GENEVA, ILLINOIS
POLICE PENSION FUND**

FINANCIAL STATEMENTS

As of and For the Year Ended April 30, 2019
and
Independent Auditors' Report

CITY OF GENEVA
POLICE PENSION FUND
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INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying statement of fiduciary net position and related statement of changes in fiduciary net position of the City of Geneva Police Pension Fund, a pension trust fund of the City of Geneva, as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Geneva Police Pension Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 of Geneva Police Pension Fund'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 of Geneva Police Pension Fund'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.

To the Police Pension Board of Trustees
City of Geneva, Illinois

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Geneva Police Pension Fund as of April 30, 2019, and the changes in financial 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 1, the financial statements present only the City of Geneva Police Pension Fund and do not purport to, and do not, present fairly the financial position of the City of Geneva, Illinois, as of April 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Geneva Police Pension Fund's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is 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 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the Police Pension Board of Trustees
City of Geneva, Illinois

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2019 on our consideration of the City of Geneva's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Geneva's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Geneva's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
October 11, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF GENEVA POLICE PENSION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended April 30, 2019

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, 2019 and includes comparative information for the fiscal year ended April 30, 2018.

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, 2019, the Fund's membership included 35 active employees, 22 benefit recipients, and 2 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, 2019. 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.

Plan Net Position

The statement of plan net position is presented for the Fund as of April 30, 2018 and 2019. 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 on the following page:

CITY OF GENEVA POLICE PENSION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended April 30, 2019

Condensed Statement of Fiduciary Net Position

	<u>2018</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Cash and Equivalents	\$ 880,933	\$ 1,292,026	\$ 411,093	46.7%
Investments, at fair value	21,445,509	22,651,125	1,205,616	5.6%
Receivables	59,170	61,101	1,931	3.3%
Prepaid Expenses	<u>13,541</u>	<u>14,131</u>	<u>590</u>	(48.4) %
Total Assets	22,399,153	24,018,383	1,619,230	7.2%
Liabilities	<u>1,146</u>	<u>1,266</u>	<u>120</u>	(100.0)%
Total Net Plan Position	<u>\$ 22,398,007</u>	<u>\$ 24,017,117</u>	<u>\$ 1,619,110</u>	7.2%

Financial Highlights

The Fund's net position increased \$1,619,111 or 7.2% during the fiscal year ended April 30, 2019. The change in net position was due primarily to an increase in investment from \$21,445,509 to \$22,651,125.

Under the actuarial methodology required for accounting purposes in accordance with GASB Statement No. 67, the Fund was actuarially funded at 56.6% at April 30, 2019.

The annual money-weighted rate of return for the fund was 6.48% during 2019 (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, 2019 was 56.6% based upon the actuarial parameters established in GASB Statement No. 67. The employer's net pension liability (NPL) was \$17,462,578 on April 30, 2018 as compared to \$18,407,123 on April 30, 2019. The employer's NPL increased \$944,545 or 5.4%. The decrease was due primarily to higher investment income in 2018 compared to the actuarially assumed rate of return of 7.5%. 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 56.2% to 56.6% between April 30, 2018 and 2019. 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, 2018 and 2019 were as follows:

CITY OF GENEVA POLICE PENSION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended April 30, 2019

	<u>2018</u>		<u>2019</u>	
	Amount	Percentage	Amount	Percentage
Cash and Cash Equivalents	\$493,701	3.0%	\$694,207	2.9%
Money Market Mutual Funds	387,231	2.6%	597,819	2.5%
US Government and Agency Securities	3,299,914	14.2%	3,578,416	14.9%
Municipal Bonds	231,812	1.5%	231,374	1.0%
Corporate Bonds	3,682,438	15.4%	3,677,173	15.4%
Equity Mutual Funds	7,411,033	30.5%	7,654,451	32.0%
Domestic Corporate Equities	<u>6,820,313</u>	<u>32.8%</u>	<u>7,509,711</u>	<u>31.3%</u>
Total	<u>\$22,326,442</u>	<u>100.0%</u>	<u>\$23,943,151</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 2019, the Fund expanded its position in equity mutual funds while reducing its position cash and cash equivalents and domestic corporate equities. The changes in the other asset classes were insignificant.

Changes in Plan Net Position

A condensed statement of changes in plan net position for the years ended April 30, 2018 and 2019 is presented below. The financial statement reflects the changes in the resources available to pay benefits to plan participants, including retirees and beneficiaries.

Additions

	<u>2018</u>	<u>2019</u>	<u>Change</u>	<u>Change</u>
Additions:				
Employee Contributions	\$ 1,365,906	\$ 1,389,261	\$ 23,355	1.7%
Employee Contributions	335,276	331,359	(3,917)	(1.2)%
Net Investment Income	<u>1,750,685</u>	<u>1,424,739</u>	<u>(325,946)</u>	<u>(18.6)%</u>
Total Additions	<u>3,451,867</u>	<u>3,145,359</u>	<u>(306,508)</u>	<u>(8.9)%</u>
Deductions:				
Pension Benefits	1,342,440	1,495,679	153,239	11.4%
Administrative Expenses	29,729	30,570	841	2.8%
Total Deductions	<u>1,372,169</u>	<u>1,526,249</u>	<u>154,080</u>	<u>11.2%</u>
Net Change in Plan Net Pension	<u>\$ 2,079,698</u>	<u>\$ 1,619,110</u>	<u>\$ (460,588)</u>	<u>(22.1)%</u>

CITY OF GENEVA POLICE PENSION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended April 30, 2019

Additions to plan net position include employer and employee contributions and net income from investment activities. Employer contributions increased slightly between fiscal year 2018 and 2019.

Employee contributions in 2019 decreased by \$3,917 or 1.2% from the prior year. The contributions required of employees are set by state statute as a percentage of gross salary. Employee contributions decreased in 2019 primarily due retirements where new employee have lower wages than the retired employee.

The fund's net investment income for 2019 was \$1,424,739 as compared to \$1,750,685 during 2018.

Deductions

Deductions from plan net position are primarily benefit payments. During 2018 and 2019, the Fund paid out \$1,342,440 and \$1,495,679, respectively, in benefits. This was an increase of approximately \$153,239 or 11.4% between the two fiscal years. This increase was due to new retiree benefits. The administrative costs of the Fund represented a nominal percentage of total deductions in 2018 and 2019, respectively.

Future Outlook

Employer contributions are expected to increase in 2019 due to two retirements which occurred after the fiscal year end 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.

BASIC FINANCIAL STATEMENTS

CITY OF GENEVA
POLICE PENSION FUND
STATEMENT OF FIDUCIARY NET POSITION
As of April 30, 2019

Assets

Cash and cash equivalents	\$ 694,207
Investments:	
Money Market Mutual Funds	597,819
U.S. government and agency securities	3,578,416
Mutual funds	7,654,451
Stocks	7,509,711
Corporate bonds	3,677,173
Municipal bonds	231,374
Accrued interest	61,101
Prepaid Expenses	<u>14,131</u>
 Total Assets	 <u>24,018,383</u>

Liabilities

Accounts payable	<u>1,266</u>
 Total Liabilities	 <u>1,266</u>

Net Position

Net position restricted for pensions	<u>\$ 24,017,117</u>
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CITY OF GENEVA
POLICE PENSION FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
As of April 30, 2019

Additions	
Employer contributions	\$ 1,389,261
Employee contributions	<u>331,359</u>
Total contributions	<u>1,720,620</u>
Investment income	567,553
Net appreciation in fair value of investments	940,894
Less: investment expenses	<u>(83,708)</u>
Net investment income	<u>1,424,739</u>
Total Additions	<u>3,145,359</u>
Deductions	
Benefits	1,495,679
Administration	<u>30,570</u>
Total Deductions	<u>1,526,249</u>
Net Increase in Fiduciary Net Position	1,619,110
Net Position Restricted for Pensions	
Beginning of year	<u>22,398,007</u>
End of year	<u>\$ 24,017,117</u>

CITY OF GENEVA
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended April 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Police Pension Fund (the Pension Fund) is a pension trust fund of the City of Geneva, Illinois. The Fund is used to account for the Police Pension Plan (“the Plan”), a single-employer, defined benefit plan for sworn police personnel of the City of Geneva (“the City”).

The accounting policies of the Pension Fund conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The accompanying financial statements are limited to presenting only the individual Pension Fund and do not include any other funds of the City.

B. Fund Accounting

The Pension 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 Pension 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 is used.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Pension Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred outflows of resources associated with the operation of these funds are included on the balance sheet.

The Pension Fund is accounted for using the accrual basis of accounting. Consequently, its additions are recognized when they are earned and its deductions are recognized when they are incurred.

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. Investment purchases are recorded as of the trade date. Investments with a maturity greater than one year when purchased and all investments of the pension trust funds are stated at fair value for both reporting and actuarial purposes. 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.

E. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid expenses/items is recorded as expenses when consumed rather than when purchased.

CITY OF GENEVA
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended April 30, 2019

2. PLAN DESCRIPTION

A. Plan Administration

Police sworn personnel are covered by the Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and minimum employer contributions 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 Pension Plan as a pension trust fund.

The Plan is governed by a five-member pension board. Two members appointed by the City's Mayor, one pension beneficiary elected by the membership, and two police employees elected by the membership constitute the pension board.

B. Plan Membership

At April 30, 2019 membership of the plan was as follows:

Retirees and beneficiaries	22
Inactive plan members currently receiving benefits.....	2
Active plan members	<u>35</u>
 Total.....	 <u>59</u>

C. Benefits Provided

As provided for in the Illinois Compiled Statutes, the Police Pension Fund provides retirement benefits as well as death and disability benefits to employees grouped into two tiers. Tier 1 is for employees hired prior to January 1, 2011 and Tier 2 is for employees hired after that date. The following is a summary of the Police Pension Fund as provided for in Illinois Compiled Statutes.

Tier 1 - Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one half of the monthly salary attached to the rank held at the date of retirement. The monthly pension shall be increased by one twelfth of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service to a maximum of 75% of such monthly salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension 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 paid upon reaching at least the age 55, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 - Covered employees attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive a monthly pension of 2.5% of the final average salary for each year of creditable service. The salary is initially capped at \$106,800 but increases annually thereafter and is limited to 75% of final average salary. Employees with 10 or more years of creditable service may retire at or after age 50 and receive a reduced retirement benefit. The monthly pension of a police officer shall be increased annually on the January 1 occurring either on or after the attainment of age 60 or the first anniversary of the pension start date, whichever is later. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase in the CPI, whichever is less.

CITY OF GENEVA
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended April 30, 2019

D. Contributions

Participants are required by Illinois Compiled Statutes (ILCS) to contribute 9.91% of their base salary to the Plan. If a participant leaves covered employment with less than 20 years of service, accumulated participant contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the Plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the City's contributions must accumulate to the point where the past service cost for the Plan is 90% funded by the year 2040. For the year ended April 30, 2019, the City's contribution was 41.67% of covered payroll.

3. DEPOSITS AND INVESTMENTS

A. Investment Policy

Illinois Statutes authorize the Pension Fund to make deposits/investments 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 or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, the Illinois Funds Investment Pool, and IMET. Pension funds 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, and the Illinois insurance company general and separate accounts, mutual funds meeting certain requirements, equity securities, and corporate bonds meeting certain requirements. Pension funds with net assets in excess of \$10,000,000 and an appointed investment adviser may invest an additional portion of its assets in common and preferred stocks and mutual funds, that meet certain requirements. The Pension Fund allows funds to be invested in any type of security authorized by the Illinois Pension Code.

The Pension Fund allows funds to be invested in any type of security authorized by the Illinois Pension Code. The Police' pension fund's informal investment policy, in accordance with Illinois Statutes, establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic Equity	49%	5.80%
International Equity	11%	5.20%
Fixed Income	35%	1.80%
Emerging Markets	5%	6.90%

State statutes limit the Pension 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 rates of return on the Pension Fund's investments were determined using an asset allocation study conducted by the Pension Fund's investment management consultant as of April 30, 2019, in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce 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 or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of April 30, 2019 are listed in the table above.

CITY OF GENEVA
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended April 30, 2019

B. Custodial Credit Risk - Deposits

With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of April 30, 2019, the Fund's bank deposits were covered by FDIC insurance.

C. Custodial Credit Risk - Investments

With respect to investments, custodial credit risk refers to the risk that, in the event of the failure of the counterparty to the investment, the Pension 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 requires all bank balances to be covered by federal depository insurance. As of April 30, 2019, the Fund does not have any deposits exposed to custodial credit risk.

D. Interest Rate Risk

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

As of April 30, 2019, the Pension Fund's investments were as follows:

Investment Type	Fair Value	Maturity (in Years)			
		Less than 1	1-5	6 – 10	More than 10
U.S. Treasury obligations	\$ 2,826,865	\$ 168,499	\$ 1,057,172	\$ 835,089	\$ 766,105
U.S. Agency obligations	751,551	-	247,452	437,861	66,238
Municipal bonds	231,374	100,128	-	-	131,246
Corporate bonds	3,677,173	139,410	1,629,204	817,365	1,091,194
Totals	\$ <u>7,486,963</u>	\$ <u>408,037</u>	\$ <u>2,933,828</u>	\$ <u>2,090,315</u>	\$ <u>2,054,783</u>

E. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Pension Fund's investment policy requires diversification of the investment portfolio to minimize risk of loss resulting from over-concentration in a particular type of security, risk factor, issuer, or maturity.

At April 30, 2019, there was no concentration of credit risk in the investment portfolio.

F. Credit Risk

State Statutes limit the investments in commercial paper to the top three ratings of two nationally recognized statistical rating organizations (NRSRO's). The Pension Fund's investment policy authorizes investments in any type of security allowed for in Illinois statutes regarding the investment of public funds. As of April 30, 2019, the Pension Fund's investments were rated as follows:

Investment Type	Moody's Investors Services
U.S. agency obligations (implicitly guaranteed)	Aaa
Municipal bonds	Aa2 - Aaa
Corporate bonds	Ba3 - Aaa

CITY OF GENEVA
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
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G. Rate of Return

For the year ended April 30, 2019, the annual money-weighted rate of return on pension plan investments, net of Pension Fund investment expense, was 6.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Fair Value Hierarchy

The 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. As of April 30, 2019, the Fund's investments are measured using the market valuation method and valuation inputs as follows:

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Treasury obligations	\$ 2,828,865	\$ -	\$ -	\$ 2,826,865
U.S. Agency obligations	-	751,551	-	751,551
Corporate stock	7,509,711	-	-	7,509,711
Corporate bonds	-	3,677,173	-	3,677,173
Municipal bonds	-	231,374	-	231,374
Mutual funds – other than bonds	7,654,451	-	-	7,654,451
Totals	<u>\$ 17,993,027</u>	<u>\$ 4,660,098</u>	<u>\$ -</u>	<u>\$ 22,651,125</u>

5. PENSION LIABILITY OF THE CITY

A. Net Pension Liability

The components of the net pension liability of the City of Urbana as of April 30, 2019, were as follows:

Total pension liability	\$ 42,424,240
Plan fiduciary net position	24,017,117
City's net pension liability	18,407,123
Plan fiduciary net position as a percentage of the total pension liability	57%

The schedule of changes in the City's net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information related to the funded status of the Pension Fund.

CITY OF GENEVA
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended April 30, 2019

B. Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2019 using the following actuarial methods and assumptions:

Actuarial valuation date	April 30, 2019
Actuarial cost method	Entry-age normal
Actuarial assumptions:	
Projected salary increases	5%
Inflation	2.50%
Interest rate	7.25%
Cost-of-living adjustments	Tier 1 - 3%, Tier 2 – 1.25%
Asset valuation method	Market value

Mortality rates were based on PubS-2010 mortality table, projected 5 years past the valuation date with Scale MP-2018.

C. Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.25%, the same as the prior valuation. 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 Pension 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 was applied to all periods of projected benefit payments to determine the total pension liability.

D. Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 7.25% as well as what the net pension liability would be if it were to be 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	1% Increase (8.25%)
Net pension liability	\$24,697,409	\$18,407,123	\$13,271,884

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GENEVA
POLICE PENSION FUND
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS
Last Five Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability			
Service cost	\$ 633,473	\$ 669,111	\$ 675,264
Interest	2,152,823	2,422,628	2,703,440
Differences between expected and actual experience	(135,905)	(250,837)	(111,650)
Changes of 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	<u>3,660,021</u>	<u>3,823,037</u>	<u>2,022,180</u>
Total pension liability - beginning	<u>29,247,945</u>	<u>32,907,966</u>	<u>36,731,003</u>
Total pension liability - ending (a)	<u>\$ 32,907,966</u>	<u>\$ 36,731,003</u>	<u>\$ 38,753,183</u>
Plan fiduciary net position			
Employer contributions	\$ 1,247,900	\$ 1,144,355	\$ 1,365,906
Employee contributions	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)
Administration	(28,154)	(30,437)	(32,335)
Net change in plan fiduciary net position	<u>1,527,260</u>	<u>(113,701)</u>	<u>2,098,728</u>
Plan fiduciary net position - beginning	<u>16,806,022</u>	<u>18,333,282</u>	<u>18,219,581</u>
Plan fiduciary net position - ending (b)	<u>\$ 18,333,282</u>	<u>\$ 18,219,581</u>	<u>\$ 20,318,309</u>
City's net pension liability - ending (a) - (b)	<u>\$ 14,574,684</u>	<u>\$ 18,511,422</u>	<u>\$ 18,434,874</u>
Plan fiduciary net position as a percentage of the total pension liability	55.71%	49.60%	52.43%
Covered payroll	\$ 3,148,322	\$ 3,130,603	\$ 3,256,583
City's net pension liability as a percentage of covered payroll	462.93%	591.31%	566.08%

Notes to Schedule:

The Plan implemented GASB Statement No. 67 in fiscal year 2015. Information prior to fiscal year 2015 is not available.

2018	2019
\$ 755,129	\$ 833,050
2,815,689	2,896,070
(1,120,976)	(492,805)
-	823,021
(1,342,440)	(1,495,679)
1,107,402	2,563,657
38,753,183	39,860,585
\$ 39,860,585	\$ 42,424,242

\$ 1,365,906	\$ 1,389,261
335,276	331,359
1,750,685	1,424,739
(1,342,440)	(1,495,679)
(29,729)	(30,570)
2,079,698	1,619,110
20,318,309	22,398,007
\$ 22,398,007	\$ 24,017,117
\$ 17,462,578	\$ 18,407,125

56.19% 56.61%

\$ 3,498,076 \$ 3,333,936

499.21% 552.11%

(See Auditors' Report)

CITY OF GENEVA
POLICE PENSION FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last Five Fiscal Years

	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)	<u>\$ (145,570)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,148,322	\$ 3,130,603	\$ 3,256,583
Contributions as a percentage of covered payroll	39.64%	36.55%	41.94%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, closed

Remaining amortization period	22 years
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Asset valuation method	Market
Inflation	2.50%
Salary increases	5%
Investment rate of return	expenses
Mortality	Experience-based table of rates that are specific to the type of eligibility condition RP-2014 BCHA

	2018		2019
\$	1,295,483	\$	1,360,637
	1,365,906		1,389,261
\$	(70,423)	\$	(28,624)
\$	3,498,076	\$	3,333,936
	39.05%		41.67%

(See Auditors' Report)

CITY OF GENEVA
POLICE PENSION FUND
SCHEDULE OF INVESTMENT RETURNS
Last Five Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.50%	(2.10%)	10.18%

Notes to Schedule:

The Plan implemented GASB Statement No. 67 in fiscal year 2015. Information prior to fiscal years 2015 is not available.

2018	2019
8.70%	6.48%

SUPPLEMENTARY INFORMATION

CITY OF GENEVA
POLICE PENSION FUND
SCHEDULE OF CHANGES IN PLAN NET POSITION
BUDGET AND ACTUAL
As of April 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Additions				
Employer contributions	\$ 1,389,260	\$ 1,389,260	\$ 1,389,261	\$ 1
Employee contributions	<u>351,520</u>	<u>351,520</u>	<u>331,359</u>	<u>(20,161)</u>
Total contributions	<u>1,740,780</u>	<u>1,740,780</u>	<u>1,720,620</u>	<u>(20,160)</u>
Investment income	550,000	550,000	567,553	17,553
Net appreciation in fair value of investments	725,000	725,000	940,894	215,894
Less: investment expenses	<u>(104,000)</u>	<u>(104,000)</u>	<u>(83,708)</u>	<u>(20,292)</u>
Net investment income	<u>1,171,000</u>	<u>1,171,000</u>	<u>1,424,739</u>	<u>213,155</u>
Total Additions	<u>2,911,780</u>	<u>2,911,780</u>	<u>3,145,359</u>	<u>192,995</u>
Deductions				
Benefits	1,517,900	1,517,900	1,495,679	22,221
Administration	<u>55,550</u>	<u>55,550</u>	<u>30,570</u>	<u>24,980</u>
Total Deductions	<u>1,573,450</u>	<u>1,573,450</u>	<u>1,526,249</u>	<u>47,201</u>
Net Increase in Fiduciary Net Position	<u>\$ 1,338,330</u>	<u>\$ 1,338,330</u>	1,619,110	<u>\$ 145,794</u>
Net Position Restricted for Pensions				
Beginning of year			<u>22,398,007</u>	
End of year			<u>\$ 24,017,117</u>	