

**VILLAGE OF SUGAR GROVE, ILLINOIS  
POLICE PENSION FUND**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
APRIL 30, 2015**

**VILLAGE OF SUGAR GROVE, ILLINOIS  
POLICE PENSION FUND**

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## **INDEPENDENT AUDITORS' REPORT**



Zabinski Consulting Services, Inc.

## INDEPENDENT AUDITOR'S REPORT

To the Police Pension Board  
Village of Sugar Grove, Illinois

We have audited the accompanying financial statements of the Police Pension Fund Information of the Village of Sugar Grove, Illinois as of and for the year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Police Pension Fund of the Village of Sugar Grove, Illinois, as of April 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Accounting

Auditing

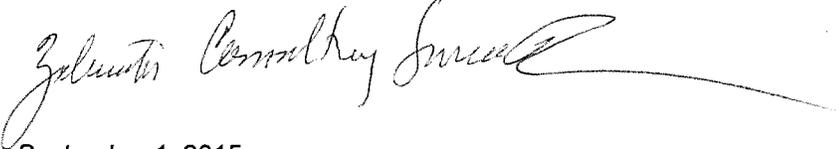
Financial Consulting

P.O. Box 472 ♦ Itasca, IL 60143-0472 ♦ (630)939-7668 Office ♦ (630)422-1743 Fax

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of funding progress and Employer contributions on pages 16 – 18 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.

ZABINSKI CONSULTING SERVICES, INC.

A handwritten signature in cursive script, appearing to read "Zelenka Consulting Services", with a long horizontal flourish extending to the right.

September 1, 2015

## **BASIC FINANCIAL STATEMENTS**

**VILLAGE OF SUGAR GROVE  
POLICE PENSION FUND**

**Statement of Fiduciary Net Position  
April 30, 2015**

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**ASSETS**

Cash and Cash Equivalents	\$	7,890
Investments		
State and Local Government Obligations		272,933
U.S. Government and Agency Securities		1,382,068
Equity Mutual Funds		1,132,780
Money Market Mutual Funds		33,381
Receivables		
Accrued Interest		13,928
Prepaid Expenses		<u>1,017</u>
Total Assets		2,843,997

**LIABILITIES**

Expenses Due/Unpaid		<u>2,724</u>
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**NET POSITION**

Fiduciary Net Position Restricted for Pensions		<u><u>2,841,273</u></u>
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF SUGAR GROVE  
POLICE PENSION FUND**

**Statement of Changes in Fiduciary Net Position  
For the Year Ended April 30, 2015**

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Additions	
Contributions - Employer	\$ 272,891
Contributions - Plan Members	94,268
Total Contributions	<u>367,159</u>
Investment Income	
Investment Earnings	103,201
Net Change in Fair Value	80,758
	<u>183,959</u>
Less Investment Expenses	<u>(10,922)</u>
Net Investment Income	<u>173,037</u>
Total Additions	<u>540,196</u>
Deductions	
Administration	40,659
Benefits	
Benefits	193,168
Refunds	-
Total Deductions	<u>233,827</u>
Change in Fiduciary Net Position	306,369
Fiduciary Net Position Restricted for Pensions	
Beginning	<u>2,534,904</u>
Ending	<u>2,841,273</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF SUGAR GROVE, ILLINOIS  
POLICE PENSION FUND**

**Notes to the Financial Statements  
April 30, 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Police Pension Fund (the “Pension Fund”) of the Village of Sugar Grove, Illinois have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. 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 Pension Fund's accounting policies are described below.

**REPORTING ENTITY**

The Pension Fund is a fiduciary fund, and specifically, a pension trust fund, of the Village of Sugar Grove, Illinois (the “Village”) pursuant to GASB Statement No. 61. The decision to include the Pension Fund in the Village's reporting entity was made based upon the significance of their operational or financial relationships with the Village.

The Village's police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's President, one elected pension beneficiary, and two elected police officers constitute the pension board. The Village and PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels.

**BASIS OF PRESENTATION**

**Pension Trust Funds**

Pension trust funds are used to account for assets held in a trustee capacity for pension benefit payments. The Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the Village's Police Department.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded. Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

**Measurement Focus**

Pension trust funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of changes in fiduciary net position. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported. Pension trust fund equity is classified as fiduciary net position restricted for pensions.

**VILLAGE OF SUGAR GROVE, ILLINOIS  
POLICE PENSION FUND**

**Notes to the Financial Statements  
April 30, 2015**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued**

**Basis of Accounting**

The accrual basis of accounting is utilized by pension trust funds. Under this method, additions to fiduciary net position are recorded when earned and deductions from fiduciary net position are recorded when the time related liabilities\deferred inflows are incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS AND FIDUCIARY NET POSITION**

**Cash and Investments**

For the purpose of the Statement of Fiduciary Net Position, cash and cash equivalents are considered to be cash on hand and demand deposits.

Pension Fund investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

**Receivables**

Pension Fund receivables consist of all revenues earned at year-end and not yet received. The major receivable balance for the Pension Fund is accrued interest from cash and investments.

**Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds of the Village for goods provided or services rendered. These receivables and payables, if any, which relate to the Pension Fund are classified as "Due from the Village" or "Due to the Village" on the Statement of Fiduciary Net Position.

**VILLAGE OF SUGAR GROVE, ILLINOIS  
POLICE PENSION FUND**

**Notes to the Financial Statements  
April 30, 2015**

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**NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS**

**DEPOSITS, INVESTMENTS AND CONCENTRATIONS**

The deposits and investments of the Pension Fund are held separately from those of other Village funds. Statutes authorize the Pension Fund to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit unions, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois bonds; pooled accounts managed by the Illinois Funds Market Fund (Formerly known as IPTIP, Illinois Public Treasurer's Investment Pool), or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois; direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the Federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies; and separate accounts of life insurance companies and mutual funds, the mutual funds must meet specific restrictions, provided the investment in separate accounts and mutual funds does not exceed ten percent of the Pension Fund's fiduciary net position; and corporate bonds managed through an investment advisor, rated as investment grade by one of the two largest rating services at the time of purchase. Pension Funds with fiduciary net position of \$2.5 million or more may invest up to forty-five percent of fiduciary net position in separate accounts of life insurance companies and mutual funds. Pension Funds with fiduciary net position of at least \$5 million that have appointed an investment advisor, may through that investment advisor invest up to forty-five percent of the fiduciary net position in common and preferred stocks that meet specific restrictions. In addition, pension funds with fiduciary net position of at least \$10 million that have appointed an investment advisor, may invest up to fifty-five percent of its fiduciary net position in common and preferred stocks and mutual funds that meet specific restrictions effective July 1, 2012.

**Credit Risk, Custodial Credit Risk and Concentration Risk**

*Deposits.* At year-end the carrying amount of the Pension Fund's deposits totaled \$7,890 and the bank balances totaled \$9,200.

**VILLAGE OF SUGAR GROVE, ILLINOIS  
POLICE PENSION FUND**

**Notes to the Financial Statements  
April 30, 2015**

**NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS (continued)**

**DEPOSITS, INVESTMENTS AND CONCENTRATIONS - Continued**

**Credit Risk, Custodial Credit Risk and Concentration Risk (continued)**

*Investments.* At year-end the Pension Fund has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities - in Years			
		Less Than 1	1-5	6-10	More Than 10
State and Local Obligations	\$ 272,933	-	45,230	188,565	39,138
U.S. Treasury Notes	303,459	-	200,077	103,382	-
Federal Farm Credit Bank	543,666	55,908	84,466	303,429	99,863
Federal Home Loan Bank	327,984	20,247	99,092	208,645	-
Federal Home Loan Mortgage Corp.	126,319	14,978	70,228	41,113	-
Federal National Mortgage Assoc.	80,640	-	45,079	35,561	-
Corporate Bonds	-	-	-	-	-
Money Market Mutual Funds	33,381	33,381	-	-	-
<b>Total</b>	<b>1,688,382</b>	<b>124,514</b>	<b>544,172</b>	<b>880,695</b>	<b>139,001</b>

The Pension Fund assumes any callable securities will not be called.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected liabilities. The investment policy does not limit the maximum maturity length of investments.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Pension Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The Pension Fund's investment policy establishes criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The Investments in the securities of U.S. government agencies were all rated triple A by Standard & Poor's or by Moody's Investors Services or were small issues that were unrated.

The Fund's investment policy also prescribes to the "prudent person" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which person of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as possible income to be derived."

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the Pension Fund's deposits may not be returned to it. At April 30, 2014, the entire amount of the bank

**VILLAGE OF SUGAR GROVE, ILLINOIS  
POLICE PENSION FUND**

**Notes to the Financial Statements  
April 30, 2015**

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balance of the deposits was covered by federal depository or equivalent insurance. The Fund's investment policy does not limit custodial credit risk for deposits.

*Custodial Credit Risk – Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Money market mutual funds and equity mutual funds are not subject to custodial credit risk. The Pension Fund limits its exposure to custodial credit risk by utilizing an independent third party institution, selected by the Pension Fund, to act as custodian for its securities and collateral.

*Concentration of Credit Risk.* This is the risk of loss attributed to the magnitude of the Pension Fund's investment in a single issuer.

The Fund's investment policy in accordance with Illinois Compiled Statutes (ILCS) establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	1.00%	0.00%
Fixed Income	59.00%	5.30%
Equities	40.00%	10.1 - 12.2%

Illinois Compiled Statutes (ILCS) limit 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 fiduciary net position.

**VILLAGE OF SUGAR GROVE, ILLINOIS  
POLICE PENSION FUND**

**Notes to the Financial Statements  
April 30, 2015**

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**NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS - Continued**

**DEPOSITS, INVESTMENTS AND CONCENTRATIONS - Continued**

**Credit Risk, Custodial Credit Risk and Concentration Risk - Continued**

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by Morningstar as of April 2015, 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 the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the 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, 2015 are listed in the table above.

The Pension Fund has diversified its insurance contract and equity mutual fund holdings as follows:

<u>Equity Mutual Funds</u>	<u>Fair Value</u>
Baron Small Cap Institutional Fund	\$ 255,222
Hennessy Focus Fund	253,953
Oppenheimer International Growth Fund	126,436
Fidelity Adv Materials Fund	125,905
Homestead Small Company Stock Fund	79,036
American Beacon International	77,551
Vanguard 500 Index Fund	38,142
RS Global Natural Resources Funds	35,872
Oppenheimer Developing Mkts Fund	34,469
Cohen & Steers Institutional Fund	28,761
LSV Value Equity Fund Institutional	18,536
T. Rowe Price Growth Stock Fund	18,444
Pioneer Equiy Income Fund	16,230
Bridgeway Ultra Small Fund	14,079
First Eagle Overseas Fund	10,144
Total Equity Mutual Funds	<u>1,132,780</u>

\* Represents over 5% of Fiduciary Net Position

**VILLAGE OF SUGAR GROVE, ILLINOIS  
POLICE PENSION FUND**

**Notes to the Financial Statements  
April 30, 2015**

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**NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS - Continued**

**DEPOSITS, INVESTMENTS AND CONCENTRATIONS - Continued**

**Rate of Return**

For the year ended April 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.70%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**NOTE 3 – OTHER INFORMATION**

**CONTINGENT LIABILITIES**

**Litigation**

The Pension Fund is not currently involved with any lawsuits.

**Compliance Audit**

The Pension Fund is subject to a program compliance audit by the Illinois Department of Insurance. The compliance audit by the Illinois Department of Insurance for the year ended April 30, 2015 has not yet been conducted. Accordingly, the Pension Fund's compliance with applicable requirements will be established at some future date. The amount of any adjustments to be made by the Illinois Department of Insurance cannot be determined at this time however, the Pension Fund expects such adjustments, if any, to be immaterial.

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN**

**Plan Administration**

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. 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 Village accounts for the Fund 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 Village's President, one member is elected by pension beneficiaries and two members are elected by active police employees.

**VILLAGE OF SUGAR GROVE, ILLINOIS  
POLICE PENSION FUND**

**Notes to the Financial Statements  
April 30, 2015**

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**NOTE 3 – OTHER INFORMATION - Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN - Continued**

**Plan Membership**

At April 30, 2015, the measurement date, the Police Pension Plan membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	5
Inactive Plan Members Entitled to but not Receiving Benefits	-
Active Plan Members	<u>12</u>
	<u>17</u>

**Benefits Provided**

The following is a summary of the Police Pension Plan as provided for in Illinois State Statutes.

The Police Pension Plan provides retirement benefits through two tiers as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of ½ 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 services 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.

Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit based on the average annual 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. This average annual salary is multiplied by 2.5% for each year of creditable service up to a maximum of 75% of such salary, to determine the initial annual retirement benefit. Police officer salary for the pension purposes is capped at \$106,800 for the calendar year of 2011, plus the lesser of ½ of the annual change in the Consumer Price Index or 3%, compounded. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1<sup>st</sup> after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Non-compounding increases occur annually, effective each January 1<sup>st</sup> thereafter. The increase is the lesser of 3% of ½ of the change in the Consumer Price Index for the preceding calendar year.

**VILLAGE OF SUGAR GROVE, ILLINOIS  
POLICE PENSION FUND**

**Notes to the Financial Statements  
April 30, 2015**

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**NOTE 3 – OTHER INFORMATION - Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN - Continued**

**Contributions**

Covered employees are required to contribute 9.91% of their pensionable salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. For the year-ended April 30, 2015, the Village's contribution was 30.08% of covered payroll. The Village is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the Village to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040.

**Net Pension Liability**

The components of the net pension liability of the Village as of April 30, 2015 were as follows:

Total Pension Liability	\$ 7,714,653
Plan Fiduciary Net Position	<u>2,841,273</u>
Employers' Net Pension Liability	<u>4,873,380</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	36.83%

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios in the required supplementary information for additional information related to the funded status of the Fund.

**VILLAGE OF SUGAR GROVE, ILLINOIS  
POLICE PENSION FUND**

**Notes to the Financial Statements  
April 30, 2015**

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**NOTE 3 – OTHER INFORMATION - Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN - Continued**

**Actuarial Assumptions**

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2015 using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal; Level % of Pay
Asset Valuation Method	Market Value
Actuarial Assumptions	
Interest Rate	7.00%
Discount Rate	6.01%
Salary Increases	4.00% - 8.00%
Cost of Living Adjustments	3.00%
Inflation	3.00%

Mortality rates are based on rates developed in the Lauterbach & Amen, LLP 2012 Mortality Table for Illinois Police.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.01%. 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 Village contributions will be made at rates equal to the difference between the 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 project 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.

**VILLAGE OF SUGAR GROVE, ILLINOIS  
POLICE PENSION FUND**

**Notes to the Financial Statements  
April 30, 2015**

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**NOTE 3 – OTHER INFORMATION - Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN - Continued**

**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 Village calculated using the discount rate of 5.01% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.01%) or one percentage point higher (7.01%) than the current rate:

	1% Decrease (5.01%)	Current Discount Rate (6.01%)	1% Increase (7.01%)
Net Pension Liability	\$ 6,210,583	\$ 4,873,380	\$ 3,805,420

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 1, 2015 the date the financial statements were available to be issued. Due to investment market volatility, total plan net assets, as reported, may not be representative of values subsequent to year end. No other subsequent events were noted that would require recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**VILLAGE OF SUGAR GROVE  
POLICE PENSION FUND**

**Required Supplementary Information  
Schedule of Changes in the Employer's Net Pension Liability**

**April 30, 2015**

	<u>2015</u>
Total Pension Liability	
Service Cost	\$ 301,895
Interest	425,725
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	-
Change of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	<u>(193,168)</u>
Net Change in Total Pension Liability	534,452
Total Pension Liability - Beginning	<u>7,180,201</u>
Total Pension Liability - Ending	<u><u>7,714,653</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 272,891
Contributions - Members	94,268
Contributions - Other	-
Net Investment Income	173,037
Benefit Payments, Including Refunds of Member Contributions	(193,168)
Administrative Expense	<u>(40,659)</u>
Net Change in Plan Fiduciary Net Position	306,369
Plan Net Position - Beginning	<u>2,534,904</u>
Plan Net Position - Ending	<u><u>2,841,273</u></u>
Employer's Net Pension Liability	<u><u>\$ 4,873,380</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	36.83%
Covered - Employee Payroll	\$ 951,234
Employer's Net Pension Liability as a Percentage of Covered - Employee Payroll	512.32%

**VILLAGE OF SUGAR GROVE  
POLICE PENSION FUND**

**Required Supplementary Information - Last Ten Fiscal Years  
Schedule of Employer Contributions**

**April 30, 2015**

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Fiscal Year	Actuarially Determined Contribution	in Relation to the Actuarial Determined Contribution	Contribution Excess/ (Deficiency)	Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2015	\$ 350,251	\$ 272,891	\$ (77,360)	\$ 918,874	29.70%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Target	90% Funded as of 2040
Asset Valuation Method	5-Year Smoothed Market Value
Inflation	3.00%
Salary Increases	4.00-8.00%
Investment Rate of Return	7.00%
Retirement Age	See the Notes to the Financial Statements
Mortality	L&A 2012 Illinois Police

GASB Pronouncements 67 and 68 require the presentation of the last 10 prior fiscal years completed under these pronouncements. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented in this schedule.

**VILLAGE OF SUGAR GROVE  
POLICE PENSION FUND**

**Required Supplementary Information  
Schedule of Investment Returns**

**April 30, 2015**

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Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2015	6.70%