

VILLAGE OF OLYMPIA FIELDS, ILLINOIS

POLICE PENSION FUND

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2012



Certified Public Accountants & Advisors

VILLAGE OF OLYMPIA FIELDS, ILLINOIS
POLICE PENSION FUND
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1415 W. Diehl Road, Suite 400 • Naperville, IL 60563

INDEPENDENT AUDITOR'S REPORT

The Honorable President
Members of the Board of Trustees
Police Pension Fund
Village of Olympia Fields, Illinois

We have audited the basic financial statements of the Police Pension Fund, a pension trust fund of the Village of Olympia Fields, Illinois as of April 30, 2012, and for the year then ended as listed in the accompanying table of contents. These basic financial statements are the responsibility of Police Pension Fund's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these basic financial statements present only the Police Pension Fund and are not intended to present fairly the financial position and changes in financial position of the Village of Olympia Fields, Illinois, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net assets of the Police Pension Fund of the Village of Olympia Fields, Illinois, as of April 30, 2012, and the changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Police Pension Fund of the Village of Olympia Fields, Illinois, has not presented a Management's Discussion and Analysis as required supplementary information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

In addition, accounting principles generally accepted in the United States of America require that the required supplementary information 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Police Pension Fund of the Village of Olympia Fields, Illinois. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

The prior year comparative actual information has been derived from the Police Pension Fund of the Village of Olympia Fields, Illinois' 2011 financial statements and, in our prior year report dated August 9, 2011, we expressed unqualified opinions on the basic financial statements.



Naperville, Illinois
October 1, 2012

BASIC FINANCIAL STATEMENTS

VILLAGE OF OLYMPIA FIELDS, ILLINOIS

STATEMENT OF PLAN NET ASSETS
POLICE PENSION FUND

April 30, 2012
(With Prior Year Actual)

| | 2012 | 2011 |
|--|--------------------------------|--------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 496,248 | \$ 221,200 |
| Investments | | |
| U.S. Treasury securities | 575,729 | 848,969 |
| U.S. Government agency securities | 1,802,382 | 2,112,860 |
| Municipal bonds | 117,743 | 105,681 |
| Corporate bonds | 1,274,677 | 84,119 |
| Mutual funds | 1,882,726 | 2,237,738 |
| Accrued interest | 28,726 | 19,343 |
| Property taxes receivable | - | 336,028 |
| Due from the Village | 27,361 | - |
| Prepaid expenses | 5,704 | 1,017 |
| Total assets | <u>6,211,296</u> | <u>5,966,955</u> |
| LIABILITIES | | |
| Accounts payable | 4,401 | 5,466 |
| Total liabilities | <u>4,401</u> | <u>5,466</u> |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | <u><u>\$ 6,206,895</u></u> | <u><u>\$ 5,961,489</u></u> |

See accompanying notes to financial statements.

VILLAGE OF OLYMPIA FIELDS, ILLINOIS

STATEMENT OF CHANGES IN PLAN NET ASSETS
POLICE PENSION FUND

For the Year Ended April 30, 2012
(With Prior Year Actual)

| | 2012 | 2011 |
|---|--------------|--------------|
| ADDITIONS | | |
| Contributions | | |
| Employer | \$ 579,889 | \$ 464,876 |
| Employee | 146,530 | 148,978 |
| Total contributions | 726,419 | 613,854 |
| Investment income | | |
| Net appreciation (depreciation) in fair value of investments | (47,395) | 403,231 |
| Interest earned | 164,315 | 146,421 |
| Less investment expense | (22,283) | (18,024) |
| Net investment income | 94,637 | 531,628 |
| Total additions | 821,056 | 1,145,482 |
| DEDUCTIONS | | |
| Benefits and refunds | 548,065 | 490,247 |
| Administration | 27,585 | 24,549 |
| Total deductions | 575,650 | 514,796 |
| NET INCREASE | 245,406 | 630,686 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | | |
| May 1 | 5,961,489 | 5,330,803 |
| April 30 | \$ 6,206,895 | \$ 5,961,489 |

See accompanying notes to financial statements.

VILLAGE OF OLYMPIA FIELDS, ILLINOIS

POLICE PENSION FUND

NOTES TO FINANCIAL STATEMENTS

April 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Police Pension Fund (the Fund) of the Village of Olympia Fields, 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 Village of Olympia Fields, Illinois (the Village).

b. Fund Accounting

The Fund uses funds to report on its net assets and the changes in its net assets. 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. Funds are classified in this report into 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 pension trust fund is accounted for with a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of plan net assets. Pension trust fund operating statements present increases (e.g., additions) and decreases (e.g., deductions) in net total assets.

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.

VILLAGE OF OLYMPIA FIELDS, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Investments

Investments are stated at fair value at April 30, 2012. Securities traded on national exchanges are at the last reported sale price.

2. DEPOSITS AND INVESTMENTS

The deposits and investments of the Fund are held separately from those of the Village.

The Fund's investment policy authorizes the Fund to invest in all investments allowed by Illinois Compiled Statutes (ILCS). These include deposits/investments in insured commercial banks, savings and loan institutions, interest-bearing obligations of the U.S. Treasury and U.S. agencies, interest-bearing bonds of the State of Illinois or any county, township or municipal corporation of the State of Illinois, direct obligations of the State of Israel, money market mutual funds whose investments consist of obligations of the U.S. Treasury or U.S. agencies, separate accounts managed by life insurance companies, mutual funds, common and preferred stock and Illinois Funds. Illinois Funds was created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the participants fair value.

It is the policy of the Fund to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the cash flow demands of the Fund and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are, in order of priority, legality, safety of principal, liquidity and rate of return.

Police Pension Fund Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Fund's deposits may not be returned to it. The Fund's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, at an amount not less than 105% of the fair market value of the funds secured, with the collateral held by an independent third party or the Federal Reserve Bank of Chicago.

VILLAGE OF OLYMPIA FIELDS, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

Police Pension Fund Investments

The following table presents the investments and maturities of the Fund's debt securities as of April 30, 2012:

| Investment Type | Fair Value | Investment Maturities in Years | | | |
|---------------------------|---------------------|--------------------------------|---------------------|-------------------|---------------------|
| | | Less than 1 | 1-5 | 6-10 | Greater than 10 |
| U.S. Treasury obligations | \$ 575,729 | \$ - | \$ 182,328 | \$ 221,659 | \$ 171,742 |
| FHLMC | 783,995 | - | 384,446 | - | 399,549 |
| FNMA | 740,529 | 138,188 | 243,269 | 39,545 | 319,527 |
| FHLB | 155,438 | - | 155,438 | - | - |
| GNMA | 122,420 | - | - | - | 122,420 |
| Municipal bonds | 117,743 | - | - | 16,832 | 100,911 |
| Corporate bonds | 1,274,677 | 82,220 | 533,371 | 484,199 | 174,887 |
| TOTAL | \$ 3,770,531 | \$ 220,408 | \$ 1,498,852 | \$ 762,235 | \$ 1,289,036 |

In accordance with its investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to remain sufficiently liquid to meet all cash flow demands while providing a reasonable rate of return based on the current market cycle.

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 U.S. Treasury obligations and other obligations which are rated AA or better by a national rating agency. The U.S. agency obligations and money market mutual funds are rated AAA. The municipal bonds with a value of \$61,169 are rated AAA and the remainder, with a value of \$56,574 are rated AA. The corporate bonds with a value of \$957,650 are rated AA and the remainder, with a value of \$317,027 are rated BBB.

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. To limit its exposure, the Fund's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party and evidenced by safekeeping receipts.

VILLAGE OF OLYMPIA FIELDS, ILLINOIS
 POLICE PENSION FUND
 NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

Police Pension Fund Investments (Continued)

Concentration of credit risk is the risk that the Fund has a high percentage of their investments invested in one type of investment. The Fund's investment policy requires diversification of investment to avoid unreasonable risk. At April 30, 2012, the Fund had greater than 5% of its overall portfolio invested in U.S. agency obligations and U.S. Treasury obligations which is in accordance with the Fund's investment policy.

3. POLICE PENSION FUND

a. Plan Description

Police sworn personnel are covered by the Police Pension Plan, which is a defined benefit single-employer pension plan. Although this plan is considered a single-employer pension plan, the defined benefits as well as the employee and employer contribution levels are mandated by Illinois Compiled Statutes (40 ILCS 5/3) and may be amended only by the Illinois legislature.

At April 30, 2012, membership consisted of:

| | |
|--|-----------|
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | 11 |
| Employees | |
| Vested | 13 |
| Nonvested | 7 |
| | <hr/> |
| TOTAL | <u>31</u> |

The following is a summary of the Plan as provided for in ILCS:

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held 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 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% 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 3.00% of the original pension and 3.00% compounded annually thereafter.

VILLAGE OF OLYMPIA FIELDS, ILLINOIS
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

3. POLICE PENSION FUND (Continued)

a. Plan Description (Continued)

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 ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. 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 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 3.00% or ½ of the change in the Consumer Price Index for the preceding calendar year.

Employees are required by ILCS to contribute 9.91% of their base 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. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF OLYMPIA FIELDS, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND

April 30, 2012

| Actuarial Valuation Date April 30 | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) | (3) Funded Ratio (1) / (2) | (4) Unfunded AAL (UAAL) (2) - (1) | (5) Covered Payroll | UAAL as a Percentage of Covered Payroll (4) / (5) |
|--|--|---|-------------------------------------|---|---------------------------|--|
| 2007 | \$ 4,360,552 | \$ 9,339,863 | 46.69% | \$ 4,979,311 | \$ 1,154,044 | 431.47% |
| 2008 | 4,849,115 | 10,047,294 | 48.26% | 5,198,179 | 1,227,309 | 423.54% |
| 2009 | 4,586,776 | 11,382,640 | 40.30% | 6,795,864 | 1,351,908 | 502.69% |
| 2010 | 5,330,803 | 13,618,217 | 39.14% | 8,287,414 | 1,633,653 | 507.29% |
| 2011 | 5,961,489 | 14,255,612 | 41.82% | 8,294,123 | 1,522,047 | 544.93% |
| 2012 | 6,488,809 | 14,845,245 | 43.71% | 8,356,436 | 1,548,566 | 539.62% |

*Beginning in 2011, the projected unit credit actuarial cost method was used. Prior to 2011, the entry-age normal actuarial cost method was used.

(See independent auditor's report.)

VILLAGE OF OLYMPIA FIELDS, ILLINOIS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 POLICE PENSION FUND

April 30, 2012

| Fiscal Year | Employer Contributions | Annual Required Contribution (ARC) | Percentage Contributed |
|----------------|---------------------------|---|---------------------------|
| 2007 | \$ 329,832 | \$ 502,661 | 65.62% |
| 2008 | 482,828 | 525,901 | 91.81% |
| 2009 | 392,890 | 563,275 | 69.75% |
| 2010 | 427,600 | 688,189 | 62.13% |
| 2011 | 464,876 | 871,291 | 53.35% |
| 2012 | 579,889 | 768,184 | 75.49% |

Notes to the Required Supplementary Information

This information is presented in accordance with GASB Statement No. 25. The information presented was determined as part of the actuarial valuations as of May 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was project unit credit; the amortization method was level percent of pay, closed and the amortization period was 28 years; the asset valuation method was at smoothed market value; and the significant actuarial assumptions were an investment rate of return at 7% annually, a projected salary increases assumption of 5.5% compounded annually and postretirement benefit increases of 3% compounded annually.

(See independent auditor's report.)

SUPPLEMENTARY INFORMATION

VILLAGE OF OLYMPIA FIELDS, ILLINOIS

SCHEDULE OF CASH AND INVESTMENTS
POLICE PENSION FUND

April 30, 2012
(With Prior Year Actual)

| | 2012 | 2011 |
|-----------------------------------|---------------------|---------------------|
| CASH AND CASH EQUIVALENTS | | |
| Petty cash | \$ 100 | \$ 100 |
| Harris Bank | 63,179 | 96,197 |
| Certificates of deposit | - | 60,351 |
| Money market | | |
| Schawb | 432,969 | 64,552 |
| | <u>496,248</u> | <u>221,200</u> |
| INVESTMENTS | | |
| U.S. Treasury securities | 575,729 | 848,969 |
| U.S. agency securities | | |
| FHLMC | 783,995 | 924,885 |
| FNMA | 740,529 | 883,113 |
| FHLB | 155,438 | 160,843 |
| GNMA | 122,420 | 144,019 |
| Municipal bonds | 117,743 | 105,681 |
| Corporate bonds | 1,274,677 | 84,119 |
| Mutual funds | | |
| Ishares | 1,282,124 | 1,324,461 |
| SPDR | 530,139 | 878,421 |
| Market Vectors | 32,210 | - |
| Power Shares | 38,253 | 34,856 |
| | <u>5,653,257</u> | <u>5,389,367</u> |
| TOTAL CASH AND INVESTMENTS | <u>\$ 6,149,505</u> | <u>\$ 5,610,567</u> |

(See independent auditor's report.)