

**VILLAGE OF BRIDGEVIEW, ILLINOIS
POLICE PENSION PLAN**

**ANNUAL FINANCIAL REPORT
December 31, 2013**

**VILLAGE OF BRIDGEVIEW, ILLINOIS
POLICE PENSION PLAN**

December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President
and Members of the Board of Trustees of the
Police Pension Plan
Village of Bridgeview, Illinois

We have audited the accompanying financial statements of the Police Pension Plan of the Village of Bridgeview, Illinois ("the Pension Plan) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Pension Plan'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pension Plan as of December 31, 2013, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules of funding progress and employer contributions for pension benefits as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

JW & Associates, P.C.

South Chicago Heights, Illinois
June 27, 2014

VILLAGE OF BRIDGEVIEW, ILLINOIS
POLICE PENSION PLAN
STATEMENT OF PLAN NET POSITION
December 31, 2013

Assets	
Cash and cash equivalents	\$ 1,316,037
Investments	17,915,950
Accrued interest	76,384
Contributions due from members	<u>1,077</u>
Total assets	<u>\$ 19,309,448</u>
Net Position	
Net position - held in trust for pension benefits	<u>\$ 19,309,448</u>
Total net position	<u><u>\$ 19,309,448</u></u>

See accompanying notes to financial statements

VILLAGE OF BRIDGEVIEW, ILLINOIS
POLICE PENSION PLAN
STATEMENT OF CHANGES IN PLAN NET POSITION
Year Ended December 31, 2013

Additions	
Contributions	
Employee contributions	\$ 283,761
Employer contributions	955,530
Total contributions	<u>1,239,291</u>
Investment income	<u>1,011,506</u>
Total additions	<u>2,250,797</u>
Deductions	
Pension payments	1,378,734
Administrative expenses	24,442
Total deductions	<u>1,403,176</u>
Change in net position	847,621
Plan net position held in trust for pension benefits at beginning of year	<u>18,461,827</u>
Plan net position held in trust for pension benefits at end of year	<u><u>\$ 19,309,448</u></u>

**VILLAGE OF BRIDGEVIEW, ILLINOIS
POLICE PENSION PLAN**

Notes to Financial Statements
December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Police Pension Plan of the Village of Bridgeview, Illinois (Pension Plan) have been prepared in conformity with accounting principles generally accepted in the United States of America 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 Pension Plan's significant accounting policies are described below.

A. Reporting Entity

The Pension Plan is included in the Village of Bridgeview's ("Village") annual financial report as a blended component unit and is reported as a pension trust fund. The decision to include the Pension Plan 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 Pension Plan. The Village and the Pension Plan are obligated to fund all costs based on actuarial valuations. The nature of the Pension Plan dictates the Village's financial accountability. The Village appoints a voting majority of the Pension Plan's board and the Pension Plan has the possibility of imposing a financial burden on the Village. 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.

B. Basis of Presentation – Fund Accounting

The accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, additions and deductions. The various funds are summarized by type in the financial statements.

Fiduciary Fund Types – 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 Village. The Pension Plan is accounted for as a pension trust fund.

Trust and Agency Funds- Trust and Agency Funds include Pension Trust Funds and are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on the statement of plan net position. Pension trust fund operating statements present additions to, and deductions from, net plan assets.

**VILLAGE OF BRIDGEVIEW, ILLINOIS
POLICE PENSION PLAN**

Notes to Financial Statements
December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The accrual basis of accounting is utilized by pension trust funds. Under this method, additions to net plan position are recorded when earned and deductions from net plan position are recorded at the time related liabilities are incurred. Pension 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.

D. Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand, cash deposited in interest-bearing and non-interest-bearing checking accounts, The Illinois Funds, treasury obligations and investments in certificates of deposit with original maturities of three months or less. The deposit with the State Treasurer's Illinois Funds is at fair value, which is the same value as the pool shares. State statute requires the State Treasurer's Illinois Funds to comply with the Illinois Public Funds Investment Act (30 ILCS 235).

E. Investments

Investments consist of treasury obligations, municipal bonds, government and agency notes, mutual funds and variable annuities held by broker-dealers for pension trust funds with original maturities greater than three months. Investments are stated at fair value in accordance with GASB 31.

F. 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 that relate to the Pension Plan are classified as "Due from Village" or "Due to Village" on the statement of plan net position.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

At December 31, 2013, the Pension Plan's carrying amounts of cash was \$1,316,037 while the bank balances were \$1,316,786. Collateral for the deposits are either insured by the FDIC for \$250,000, or collateralized with securities of the U.S. Government.

**VILLAGE OF BRIDGEVIEW, ILLINOIS
POLICE PENSION PLAN**

Notes to Financial Statements
December 31, 2013

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Illinois statutes authorize the Pension Plan to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper issued by corporations organized in the United States with assets exceeding \$500,000,000 savings accounts and certificates of deposit issued by financial institutions insured by the Federal Deposit Insurance Corporation, repurchase agreements, short-term discount obligations of the Federal National Mortgage Association, dividend or share accounts of a credit union which accounts are insured, money market mutual funds with portfolios limited to securities guaranteed by the United States and the Illinois Fund.

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the Pension Plan's investments at December 31, 2013.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less Than One Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>	<u>More Than 10 Years</u>
Municipal Bonds	\$ 1,671,261	-	455,670	951,753	263,838
U.S. Government Notes	444	-	-	444	-
U.S. Agency Notes	7,995,152	152,141	3,342,771	4,500,240	-
U.S. Treasury Notes	2,159,509	426,681	1,049,475	683,353	-
	<u>\$ 11,826,366</u>	<u>578,822</u>	<u>4,847,916</u>	<u>6,135,790</u>	<u>263,838</u>

The remainder of the Police Pension's investments were invested in mutual funds (\$5,689,192) and variable annuities (\$400,392) which do not have maturity dates.

Interest Rate Risk- The Pension Plan has the following guidelines in its formal investment policy that limits investment allocation as a means of managing its exposure to fair value losses arising from increasing interest rates. Equity investments shall be limited to 10% to 30% of fund investments, fixed income investments shall be limited to 60% to 80% of fund investments and cash and equivalents should not exceed 20% fund investments.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Pension Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pension Plan's investments were fully collateralized as of December 31, 2013.

**VILLAGE OF BRIDGEVIEW, ILLINOIS
POLICE PENSION PLAN**

Notes to Financial Statements
December 31, 2013

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Credit Risk- The Pension Plan's investment policy requires all fixed income investments to be of investment grade quality or higher at purchase. Also according to the provisions of the Illinois Compiled Statutes, fixed income purchases shall be limited to obligations issued or guaranteed as to principal and interest by the U.S. Government or any agency or instrumentality thereof, or to corporate and municipal issues. All securities shall be of "investment grade" quality; that is, at the time of purchases, rated no lower than "Baa" Moody's and no lower than "BBB" by Standard and Poor's. The Board, at their discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate.

Credit ratings for the Pension Plan investments in debt securities at December 31, 2013 (excluding investments in the U.S. government and mutual funds which are not considered to have credit risk) are as follows:

Disclosure Ratings for Debt Securities (Moody's)
(As a percentage of total fair value for debt securities)

Investment Type	Aaa	Aa3	Aa2	Aa1	A2	N/R
U.S. Agency Notes	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Municipal Bonds	20.1%	3.2%	8.7%	15.3%	8.8%	43.9%

Concentration of Credit Risk – The Pension Plan does not have a policy to limit the concentration of credit risk.

The various investments in securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Pension Plan.

3. EMPLOYEE RETIREMENT SYSTEMS

Plan Description: 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, as well as the employee and employer contributions levels, are governed by Illinois Compiled Statutes (40 ILCS 5/3) and may be amended by the Illinois legislature. The Village of Bridgeview accounts for the plan as a pension trust fund.

**VILLAGE OF BRIDGEVIEW, ILLINOIS
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Notes to Financial Statements
December 31, 2013

3. EMPLOYEE RETIREMENT SYSTEMS (Continued)

As provided for in the Illinois State Statutes, the Police Pension provides retirement 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 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5% of final salary for each year of service.

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 3.0% of the original pension and 3.0% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes shall not exceed \$106,800 however, that amount shall increase annually by the lesser of 1/2 of the annual change in the Consumer Price Index or 3.0% compounded. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.0% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e. 1/2% for each month under 55).

The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.0% or 1/2 of the change in the Consumer Price Index for the preceding calendar year.

At December 31, 2012 (the most recent information available), the Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to but not yet receiving benefits	27
Current employees	
Vested and nonvested	<u>36</u>
Total	63

**VILLAGE OF BRIDGEVIEW, ILLINOIS
POLICE PENSION PLAN**

Notes to Financial Statements
December 31, 2013

3. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed. Benefits and refunds are recognized in the period that they are paid.

Method Used to Value Investments: Fixed-income securities are reported at fair value. Short-term investments are reported at fair value. Investment income is recognized when earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the trade date. Insurance contracts are valued at contract value. Fair values are derived from published sources.

Concentration of Investments: The Pension Plan had the following investments (other than U.S. Government guaranteed obligations and mutual funds) in one organization that represents five percent or more of net position available for benefits: Federal Farm Credit Bank (\$2,742,206), Federal Home Loan Bank (\$2,203,989), Federal Home Loan Mortgage Corporation (\$1,754,455), T. Rowe Price Growth Stock Fund #40 (\$1,113,069) and Vanguard 500 Index (\$1,066,433).

Related-Party Transactions: There were no securities of the Village or related parties included in the Pension Plan's assets.

Funding Policy and Annual Pension Cost: If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without interest. The Village is required to contribute the remaining amounts necessary to finance the plan 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 costs for the Police Pension Plan.

Contribution Rates	
Employer	32.82%
Employee	9.91%
Annual Pension cost	\$1,116,222
Contributions made	\$ 969,037

**VILLAGE OF BRIDGEVIEW, ILLINOIS
POLICE PENSION PLAN**

Notes to Financial Statements
December 31, 2013

3. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Methods and Assumptions: The following is information as of the most recent actuarial valuation:

Actuarial valuation date	December 31, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level % of Projected Payroll, Closed Basis
Remaining amortization period	28 years
Asset valuation method	5-year Average Market Value
Actuarial assumptions	
Investment rate of return	7.00%, Compounded Annually
Projected salary increases	5.50%
Inflation rate included	3.00%
Cost of living adjustments	3.00%

Annual Pension Cost and Net Pension Obligation: The net pension obligation for the Police Pension Plan is as follows for December 31, 2012:

Annual Required Contribution	\$1,033,644
Interest on NPO	208,832
Adjustment to the ARC	<u>(126,254)</u>
Annual Pension Cost	1,116,222
Actual Contribution	<u>969,037</u>
Increase in the NPO	147,185
NPO at December 31, 2011	<u>2,983,313</u>
NPO at December 31, 2012	<u>\$3,130,498</u>

Employer annual required contributions (ARC), actual contributions, and the net pension obligation (NPO) are as follows: The NPO is the cumulative difference between the ARC and the contributions actually made.

Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2012	1,116,222	86.8%	3,130,498
12/31/2011	1,226,536	95.4%	2,983,313
12/31/2010	1,159,686	82.7%	2,926,330

**VILLAGE OF BRIDGEVIEW, ILLINOIS
POLICE PENSION PLAN**

Notes to Financial Statements
December 31, 2013

3. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress:

The following is funded status information for each plan as of December 31, 201x the most recent actuarial valuation date:

	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1/2)	(4) Unfunded AAL Excess of Assets over AAL (2-1)	(5) Covered Payroll	(6) UAAL (Excess of Assets over AAL) as a Percentage of covered payroll (4/5)
12/31/10	\$16,359,859	\$30,618,101	53.4%	\$14,258,242	\$3,140,129	454.1%
12/31/11	\$17,625,978	\$32,016,968	55.1%	\$14,390,990	\$2,937,045	490.0%
12/31/12	\$18,727,664	\$34,613,511	54.1%	\$15,885,847	\$2,952,913	538.0%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**VILLAGE OF BRIDGEVIEW, ILLINOIS
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Required Supplementary Information
December 31, 2013

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio	(4) Unfunded AAL Excess of Assets over AAL) (2-1)	(5) Covered Payroll	(6) UAAL (Excess of Assets)
December 31, 2012	\$ 18,727,664	\$ 34,613,511	54.1%	\$ 15,885,847	\$ 2,952,913	538.0%
December 31, 2011	17,625,978	32,016,968	55.1%	\$ 14,390,990	2,937,045	490.0%
December 31, 2010	16,359,859	30,618,101	53.4%	\$ 14,258,242	3,140,129	454.1%
December 31, 2009	14,983,639	29,071,411	51.5%	\$ 14,087,772	3,097,101	454.9%
December 31, 2008	13,550,444	27,282,291	49.7%	\$ 13,731,847	3,188,612	430.7%
December 31, 2007	13,757,395	25,740,447	53.4%	\$ 11,983,052	3,024,721	396.2%

**VILLAGE OF BRIDGEVIEW, ILLINOIS
POLICE PENSION PLAN**

Required Supplementary Information
December 31, 2013

Schedule of Employer Contributions

<u>Actuarial Valuation Date</u>	<u>Employer Contributions</u>	<u>Annual Required Contributions</u>	<u>Percent Contributed</u>
December 31, 2012	\$ 969,037	\$ 1,116,222	86.8%
December 31, 2011	1,169,553	1,226,536	95.4%
December 31, 2010	958,956	1,159,686	82.7%
December 31, 2009	1,008,627	1,049,464	96.1%
December 31, 2008	1,139,296	996,597	114.3%
December 31, 2007	764,541	983,881	77.7%