

## **BASIC FINANCIAL STATEMENTS**

The basic financial Statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements

Governmental Funds

Proprietary Funds

Fiduciary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**VILLAGE OF LOMBARD, ILLINOIS**

**Statement of Net Position**

**December 31, 2017**

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**See Following Page**

**VILLAGE OF LOMBARD, ILLINOIS**

**Statement of Net Position  
December 31, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Lombard Public Facilities Corporation
<b>ASSETS</b>				
Current Assets				
Cash and Investments	\$ 35,076,230	7,862,534	42,938,764	10,578,113
Receivables - Net of Allowances	13,982,308	3,936,601	17,918,909	1,459,630
Prepaid/Deposits	1,745,588	340,649	2,086,237	541,653
Total Current Assets	50,804,126	12,139,784	62,943,910	12,579,396
Noncurrent Assets				
Capital Assets				
Nondepreciable Capital Assets	34,433,423	23,032,934	57,466,357	7,903,588
Depreciable Capital Assets	150,088,049	94,709,613	244,797,662	136,777,677
Accumulated Depreciation	(87,915,795)	(42,941,865)	(130,857,660)	(42,863,603)
	96,605,677	74,800,682	171,406,359	101,817,662
Equity Interest in Joint Venture	-	23,770,460	23,770,460	-
Total Noncurrent Assets	96,605,677	98,571,142	195,176,819	101,817,662
Total Assets	147,409,803	110,710,926	258,120,729	114,397,058
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Items - IMRF	1,595,137	654,016	2,249,153	-
Deferred Items - Police Pension	2,373,548	-	2,373,548	-
Deferred Items - Firefighters' Pension	3,152,946	-	3,152,946	-
Deferred Items - OPEB	260,782	-	260,782	-
Total Deferred Outflows of Resources	7,382,413	654,016	8,036,429	-
Total Assets and Deferred Outflows of Resources	154,792,216	111,364,942	266,157,158	114,397,058

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Lombard Public Facilities Corporation
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	\$ 2,386,999	2,253,086	4,640,085	11,747,677
Accrued Payroll	737,653	123,931	861,584	-
Deposits Payable	580,893	304,271	885,164	-
Claims Payable	158,910	-	158,910	-
Interest Payable	16,357	41,801	58,158	9,060,471
Current Portion of Long-Term Debt	1,040,125	1,756,753	2,796,878	181,447,401
Total Current Liabilities	4,920,937	4,479,842	9,400,779	202,255,549
Noncurrent Liabilities				
Compensated Absences Payable	1,823,498	197,862	2,021,360	-
Net Pension Liability - IMRF	2,791,928	1,144,707	3,936,635	-
Net Pension Liability - Police	32,615,756	-	32,615,756	-
Net Pension Liability - Fire	18,723,515	-	18,723,515	-
Total OPEB Liability	7,241,099	-	7,241,099	-
Debt Certificates	652,800	1,498,200	2,151,000	-
IEPA Loan Payable	-	10,106,538	10,106,538	-
Bonds Payable	-	-	-	35,827,237
Total Noncurrent Liabilities	63,848,596	12,947,307	76,795,903	35,827,237
Total Liabilities	68,769,533	17,427,149	86,196,682	238,082,786
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Items - IMRF	5,176,489	2,122,392	7,298,881	-
Deferred Items - Police Pension	5,824,945	-	5,824,945	-
Deferred Items - Firefighters' Pension	6,167,640	-	6,167,640	-
Property Taxes	9,104,000	-	9,104,000	-
Total Deferred Inflows of Resources	26,273,074	2,122,392	28,395,466	-
Total Liabilities and Deferred Inflows of Resources	95,042,607	19,549,541	114,592,148	238,082,786
<b>NET POSITION</b>				
Net Investment in Capital Assets	95,368,627	61,488,657	156,857,284	(87,616,079)
Restricted - Liability Insurance	1,474,087	-	1,474,087	-
Restricted - IMRF/Social Security	774,553	-	774,553	-
Restricted - Special Service Area	7,758	-	7,758	-
Restricted - Hotel/Motel Taxes	1,111,822	-	1,111,822	-
Restricted - Grants/Donations	17,283	-	17,283	-
Restricted - Cable Equipment	71,113	-	71,113	-
Restricted - Recycling	113,036	-	113,036	-
Restricted - Public Safety	237,982	-	237,982	-
Restricted - Debt Service	332,642	-	332,642	-
Restricted - Capital Projects	5,771,804	-	5,771,804	-
Unrestricted (Deficit)	(45,531,098)	30,326,744	(15,204,354)	-
Unrestricted - Component Unit	-	-	-	(36,069,649)
Total Net Position	59,749,609	91,815,401	151,565,010	(123,685,728)

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

**VILLAGE OF LOMBARD, ILLINOIS**

**Statement of Activities  
For the Fiscal Year Ended December 31, 2017**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions
<b>Governmental Activities</b>				
General Government	\$ 8,364,526	4,403,260	-	-
Public Safety	22,251,838	2,884,513	64,919	-
Physical Environment	1,651,411	-	-	-
Public Works	12,176,367	-	175,729	3,205,407
Interest on Long-Term Debt	50,903	-	-	-
<b>Total Governmental Activities</b>	<b>44,495,045</b>	<b>7,287,773</b>	<b>240,648</b>	<b>3,205,407</b>
<b>Business-Type Activities</b>				
Waterworks and Sewerage	18,914,412	16,492,569	341,381	252,866
Parking	152,930	224,759	-	-
<b>Total Business-Type Activities</b>	<b>19,067,342</b>	<b>16,717,328</b>	<b>341,381</b>	<b>252,866</b>
<b>Total Primary Government</b>	<b>63,562,387</b>	<b>24,005,101</b>	<b>582,029</b>	<b>3,458,273</b>
<b>Component Unit - Lombard Public Facilities Corporation</b>	<b>48,448,270</b>	<b>30,720,081</b>	<b>-</b>	<b>-</b>

- General Revenues
- Taxes
- Property Taxes
- Utility Taxes
- Places for Eating Taxes
- Hotel/Motel Taxes
- Other Taxes
- Intergovernmental - Unrestricted
- Sales Taxes
- State Income and Use Taxes
- Interest Income
- Miscellaneous
- Transfers - Internal Activity

Change in Net Position

Net Position - Beginning as Restated

Net Position - Ending

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

Net (Expenses)/Revenues			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Totals	Lombard Public Facilities Corporation
(3,961,266)	-	(3,961,266)	-
(19,302,406)	-	(19,302,406)	-
(1,651,411)	-	(1,651,411)	-
(8,795,231)	-	(8,795,231)	-
(50,903)	-	(50,903)	-
(33,761,217)	-	(33,761,217)	-
-	(1,827,596)	(1,827,596)	-
-	71,829	71,829	-
-	(1,755,767)	(1,755,767)	-
(33,761,217)	(1,755,767)	(35,516,984)	-
-	-	-	(17,728,189)
9,146,994	-	9,146,994	-
3,969,776	-	3,969,776	-
3,230,111	-	3,230,111	-
2,042,521	-	2,042,521	-
732,995	-	732,995	-
14,079,367	7,849,684	21,929,051	-
5,063,514	-	5,063,514	-
293,212	83,639	376,851	395
608,017	1,531,789	2,139,806	1,051,623
525,850	(525,850)	-	-
39,692,357	8,939,262	48,631,619	1,052,018
5,931,140	7,183,495	13,114,635	(16,676,171)
53,818,469	84,631,906	138,450,375	(107,009,557)
59,749,609	91,815,401	151,565,010	(123,685,728)

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

**VILLAGE OF LOMBARD, ILLINOIS**

**Balance Sheet - Governmental Funds  
December 31, 2017**

	General	Debt Service	Capital Projects	Totals
<b>ASSETS</b>				
Cash and Investments	\$ 19,133,429	347,653	8,580,897	28,061,979
Receivables - Net of Allowances				
Property Taxes	8,486,600	617,400	-	9,104,000
Other Taxes	3,547,834	-	398,201	3,946,035
Accounts	738,640	-	91,015	829,655
Accrued Interest	41,501	1,346	30,874	73,721
Due From Other Funds	60,860	-	-	60,860
Prepays/Deposits	1,745,588	-	-	1,745,588
<b>Total Assets</b>	<b>33,754,452</b>	<b>966,399</b>	<b>9,100,987</b>	<b>43,821,838</b>
<b>LIABILITIES</b>				
Accounts Payable	1,287,580	-	1,073,324	2,360,904
Accrued Payroll	703,566	-	17,549	721,115
Deposits Payable	580,893	-	-	580,893
Claims Payable	158,910	-	-	158,910
Due to Other Funds	-	-	60,860	60,860
<b>Total Liabilities</b>	<b>2,730,949</b>	<b>-</b>	<b>1,151,733</b>	<b>3,882,682</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes	8,486,600	617,400	-	9,104,000
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>11,217,549</b>	<b>617,400</b>	<b>1,151,733</b>	<b>12,986,682</b>
<b>FUND BALANCE</b>				
Nonspendable	1,745,588	-	-	1,745,588
Restricted	3,807,634	348,999	5,771,804	9,928,437
Committed	8,432,807	-	1,119,423	9,552,230
Assigned	-	-	1,058,027	1,058,027
Unassigned	8,550,874	-	-	8,550,874
<b>Total Fund Balances</b>	<b>22,536,903</b>	<b>348,999</b>	<b>7,949,254</b>	<b>30,835,156</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>33,754,452</b>	<b>966,399</b>	<b>9,100,987</b>	<b>43,821,838</b>

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

**VILLAGE OF LOMBARD, ILLINOIS**

**Reconciliation of Total Governmental Fund Balance to the  
Statement of Net Position - Governmental Activities**

**December 31, 2017**

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**Total Governmental Fund Balances** \$ 30,835,156

Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Capital assets used in governmental activities are not financial  
resources and therefore, are not reported in the funds. 92,519,472

Net deferred outflows (inflows) of resources related to the pensions not  
reported in the funds.

Deferred Items - IMRF	(3,581,352)
Deferred Items - Police Pension	(3,451,397)
Deferred Items - Firefighters' Pension	(3,014,694)
Deferred Items - OPEB	260,782

Internal service funds are used by the Village to charge the costs of  
vehicle and equipment management to individual funds.

The assets and liabilities of the internal service funds are included  
in the governmental activities in the Statement of Net Position 11,019,225

Long-term liabilities are not due and payable in the current  
period and therefore are not reported in the funds.

Compensated Absences Payable	(2,211,878)
Net Pension Liability - IMRF	(2,791,928)
Net Pension Liability - Police	(32,615,756)
Net Pension Liability - Firefighters' Pension	(18,723,515)
Total OPEB Liability	(7,241,099)
Debt Certificates Payable	(1,237,050)
Accrued Interest Payable	(16,357)

**Net Position of Governmental Activities** 59,749,609

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



**VILLAGE OF LOMBARD, ILLINOIS**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Fiscal Year Ended December 31, 2017**

	General	Debt Service	Capital Projects	Totals
<b>Revenues</b>				
Taxes	\$ 18,270,269	653,575	198,553	19,122,397
Licenses and Permits	1,455,518	-	-	1,455,518
Intergovernmental	17,683,107	-	4,905,829	22,588,936
Charges for Services	4,806,728	-	-	4,806,728
Fines and Forfeits	1,025,527	-	-	1,025,527
Interest	117,983	1,176	98,189	217,348
Miscellaneous	356,619	-	251,398	608,017
<b>Total Revenues</b>	<b>43,715,751</b>	<b>654,751</b>	<b>5,453,969</b>	<b>49,824,471</b>
<b>Expenditures</b>				
<b>Current</b>				
General Government	8,067,440	-	-	8,067,440
Public Safety	27,030,606	-	-	27,030,606
Physical Environment	1,651,411	-	-	1,651,411
Public Works	4,174,088	-	-	4,174,088
Capital Outlay	-	-	7,380,053	7,380,053
<b>Debt Service</b>				
Principal Retirement	-	480,000	870,575	1,350,575
Interest and Fiscal Charges	-	38,853	29,130	67,983
<b>Total Expenditures</b>	<b>40,923,545</b>	<b>518,853</b>	<b>8,279,758</b>	<b>49,722,156</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,792,206	135,898	(2,825,789)	102,315
<b>Other Financing Sources</b>				
Transfers In	525,850	-	-	525,850
Net Change in Fund Balances	3,318,056	135,898	(2,825,789)	628,165
Fund Balances - Beginning	19,218,847	213,101	10,775,043	30,206,991
Fund Balances - Ending	22,536,903	348,999	7,949,254	30,835,156

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

## VILLAGE OF LOMBARD, ILLINOIS

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Activities

For the Fiscal Year Ended December 31, 2017

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 628,165</b>
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Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
Statement of Activities the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Capital Outlays	2,373,353
Depreciation Expense	(3,362,149)
Disposals - Cost	(69,730)
Disposals - Accumulated Depreciation	69,315

The net effect of deferred outflows (inflows) of resources related to the pensions  
not reported in the funds.

Change in Deferred Items - IMRF	(5,771,094)
Change in Deferred Items - Police Pension	(1,681,765)
Change in Deferred Items - Firefighters' Pension	(2,485,148)
Change in Deferred Items - OPEB	(541,993)

The issuance of long-term debt provides current financial resources to  
governmental funds, While the repayment of the principal on long-term  
debt consumes the current financial resources of the governmental funds.

Increase to Compensated Absences Payable	(56,402)
Decrease to Net Pension Liability - IMRF	5,526,895
Decrease to Net Pension Liability - Police Pension	5,283,031
Decrease to Net Pension Liability - Firefighters' Pension	4,504,516
Increase to Total OPEB Liability	(373,566)
Retirement of Debt	1,350,575

Changes to accrued interest on long-term debt in the Statement of Activities  
does not require the use of current financial resources and, therefore, are not  
reported as expenditures in the governmental funds.

17,080

Internal service funds are used by the Village to charge the costs of liability  
insurance and vehicle and equipment management to individual funds.

The net revenue of certain activities of internal service funds is  
reported with governmental activities.

520,057

**Changes in Net Position of Governmental Activities**

5,931,140

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

**VILLAGE OF LOMBARD, ILLINOIS**

**Statement of Net Position - Proprietary Funds**

**December 31, 2017**

	Business-Type Activities - Enterprise			Governmental
	Waterworks and Sewerage	Nonmajor	Totals	Internal
		Parking System		Service Fleet Services
<b>ASSETS</b>				
Current Assets				
Cash and Investments	\$ 7,245,330	617,204	7,862,534	7,014,251
Receivables - Net of Allowances				
Accounts	2,624,130	-	2,624,130	1,257
Other Taxes	1,284,176	-	1,284,176	-
Accrued Interest	25,883	2,412	28,295	27,640
Prepays	340,649	-	340,649	-
Total Current Assets	<u>11,520,168</u>	<u>619,616</u>	<u>12,139,784</u>	<u>7,043,148</u>
Noncurrent Assets				
Capital Assets				
Nondepreciable Capital Assets	22,468,891	564,043	23,032,934	602,691
Depreciable Capital Assets	93,189,495	1,520,118	94,709,613	9,356,108
Accumulated Depreciation	(42,421,822)	(520,043)	(42,941,865)	(5,872,594)
	<u>73,236,564</u>	<u>1,564,118</u>	<u>74,800,682</u>	<u>4,086,205</u>
Equity Interest in Joint Venture	23,770,460	-	23,770,460	-
Total Noncurrent Assets	<u>97,007,024</u>	<u>1,564,118</u>	<u>98,571,142</u>	<u>4,086,205</u>
Total Assets	<u>108,527,192</u>	<u>2,183,734</u>	<u>110,710,926</u>	<u>11,129,353</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Items - IMRF	<u>654,016</u>	<u>-</u>	<u>654,016</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>109,181,208</u>	<u>2,183,734</u>	<u>111,364,942</u>	<u>11,129,353</u>

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

	Business-Type Activities - Enterprise			Governmental
	Waterworks and Sewerage	Nonmajor	Totals	Internal
		Parking System		Service Fleet Services
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	\$ 2,245,705	7,381	2,253,086	26,095
Accrued Payroll	122,312	1,619	123,931	16,538
Deposits Payable	303,671	600	304,271	-
Interest Payable	41,801	-	41,801	-
Compensated Absences	49,466	-	49,466	13,499
Debt Certificates	1,420,750	-	1,420,750	-
IEPA Loan Payable	286,537	-	286,537	-
Total Current Liabilities	4,470,242	9,600	4,479,842	56,132
Noncurrent Liabilities				
Compensated Absences	197,862	-	197,862	53,996
Net Pension Liability - IMRF	1,144,707	-	1,144,707	-
Installment Contracts Payable	1,498,200	-	1,498,200	-
IEPA Loan Payable	10,106,538	-	10,106,538	-
Total Noncurrent Liabilities	12,947,307	-	12,947,307	53,996
Total Liabilities	17,417,549	9,600	17,427,149	110,128
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Items - IMRF	2,122,392		2,122,392	-
Total Liabilities and Deferred Inflows of Resources	19,539,941	9,600	19,549,541	110,128
<b>NET POSITION</b>				
Net Investment in Capital Assets	59,924,539	1,564,118	61,488,657	4,086,205
Unrestricted	29,716,728	610,016	30,326,744	6,933,020
Total Net Position	89,641,267	2,174,134	91,815,401	11,019,225

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

VILLAGE OF LOMBARD, ILLINOIS

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds  
For the Fiscal Year Ended December 31, 2017

	Business-Type Activities - Enterprise			Governmental Activities
	Waterworks and Sewerage	Nonmajor	Totals	Internal Service Fleet Services
		Parking System		
Operating Revenues				
Charges for Services	\$ 16,492,569	224,759	16,717,328	2,040,769
Operating Expenses				
Administration	1,436,692	-	1,436,692	-
Operations	11,289,226	81,496	11,370,722	1,297,769
Sewerage Treatment	4,216,849	-	4,216,849	-
Depreciation	2,290,448	71,434	2,361,882	635,056
Total Operating Expenses	19,233,215	152,930	19,386,145	1,932,825
Operating Income (Loss)	(2,740,646)	71,829	(2,668,817)	107,944
Nonoperating Revenues (Expenses)				
Sales Tax	7,849,684	-	7,849,684	-
Interest Income	77,027	6,612	83,639	75,864
Connection Fees	1,529,339	-	1,529,339	-
Joint Venture Expense	795,748	-	795,748	-
Grant	341,381	-	341,381	-
Other Income	2,450	-	2,450	62,894
Disposal of Capital Assets	(305,178)	-	(305,178)	273,355
Interest Expense	(171,767)	-	(171,767)	-
	10,118,684	6,612	10,125,296	412,113
Income Before Contributions and Transfers	7,378,038	78,441	7,456,479	520,057
Capital Contributions	252,866	-	252,866	-
Transfers Out	(522,130)	(3,720)	(525,850)	-
	(269,264)	(3,720)	(272,984)	-
Change in Net Position	7,108,774	74,721	7,183,495	520,057
Net Position - Beginning	82,532,493	2,099,413	84,631,906	10,499,168
Net Position - Ending	89,641,267	2,174,134	91,815,401	11,019,225

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

**VILLAGE OF LOMBARD, ILLINOIS**

**Statement of Cash Flows - Proprietary Funds  
For the Fiscal Year Ended December 31, 2017**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Waterworks and Sewerage	Nonmajor Parking System	Totals	Internal Service
				Fleet Services
Cash Flows from Operating Activities				
Interfund Services Provided	\$ -	-	-	2,097,689
Receipts from Customers and Users	19,174,672	223,860	19,398,532	-
Payments to Employees	(2,347,014)	(23,749)	(2,370,763)	(285,898)
Payments to Suppliers	(15,500,040)	(60,894)	(15,560,934)	(1,014,209)
	<u>1,327,618</u>	<u>139,217</u>	<u>1,466,835</u>	<u>797,582</u>
Cash Flows from Noncapital Financing Activities				
Transfers Out	(522,130)	(3,720)	(525,850)	-
Sales Tax	7,849,684	-	7,849,684	-
Connection Fees	1,529,339	-	1,529,339	-
	<u>8,856,893</u>	<u>(3,720)</u>	<u>8,853,173</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(12,970,516)	-	(12,970,516)	(515,924)
Interest on Installment Contracts	(171,767)	-	(171,767)	-
Principal Paid on Installment Contracts	(1,938,425)	-	(1,938,425)	-
Debt Issuance	6,323,753	-	6,323,753	-
Disposal of Capital Assets	(147,250)	-	(147,250)	273,355
	<u>(8,904,205)</u>	<u>-</u>	<u>(8,904,205)</u>	<u>(242,569)</u>
Cash Flows from Investing Activities				
Interest Received	77,027	6,612	83,639	75,864
Net Change in Cash and Cash Equivalents	1,357,333	142,109	1,499,442	630,877
Cash and Cash Equivalents - Beginning of Year	5,887,997	475,095	6,363,092	6,383,374
Cash and Cash Equivalents - End of Year	<u>7,245,330</u>	<u>617,204</u>	<u>7,862,534</u>	<u>7,014,251</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	(2,740,646)	71,829	(2,668,817)	107,944
Adjustments to Reconcile Operating Income to Net Income to Net Cash				
Provided by (Used in) Operating Activities:				
Depreciation Expense	2,290,448	71,434	2,361,882	635,056
Other Income (Loss)	343,831	-	343,831	62,894
Other Expense - IMRF	104,181	-	104,181	-
(Increase) Decrease in Current Assets	2,338,272	(899)	2,337,373	(5,974)
Increase (Decrease) in Current Liabilities	(1,008,468)	(3,147)	(1,011,615)	(2,338)
Net Cash Provided by Operating Activities	<u>1,327,618</u>	<u>139,217</u>	<u>1,466,835</u>	<u>797,582</u>
Noncash Investing and Financing Activities				
Capital Contributions	252,866	-	252,866	-

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

**VILLAGE OF LOMBARD, ILLINOIS**

**Statement of Fiduciary Net Position**

**December 31, 2017**

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	Pension Trust	Agency
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,245,606	903,085
Investments		
U.S. Government and Agency Obligations	42,140,650	-
Local Government Obligations	7,094,178	-
Corporate Bonds	10,603,360	-
Mutual Funds	60,878,112	-
Stock Equities	3,483,876	-
Illinois Funds	143,928	-
Illinois Metropolitan Investment Funds	1,682,283	-
Receivables		
Accrued Interest	479,649	2,958
Prepays	795	-
Total Assets	<u>128,752,437</u>	<u>906,043</u>
<b>LIABILITIES</b>		
Accounts Payable	49,292	-
Due to Bondholders	-	906,043
Total Liabilities	<u>49,292</u>	<u>906,043</u>
<b>NET POSITION</b>		
Net Position Restricted for Pensions	<u>128,703,145</u>	

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

**VILLAGE OF LOMBARD, ILLINOIS**

**Statement of Changes in Fiduciary Net Position  
For the Fiscal Year Ended December 31, 2017**

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	<u>Pension Trust</u>
Additions	
Contributions - Employer	\$ 5,222,512
Contributions - Plan Members	<u>1,358,068</u>
Total Contributions	<u>6,580,580</u>
Other Income	<u>95,588</u>
Investment Income	
Interest Earned	4,915,104
Net Change in Fair Value	<u>9,090,810</u>
	14,005,914
Less Investment Expenses	<u>(228,954)</u>
Net Investment Income	<u>13,776,960</u>
Total Additions	<u>20,453,128</u>
Deductions	
Administration	108,579
Benefits and Refunds	<u>7,500,238</u>
Total Deductions	<u>7,608,817</u>
Change in Fiduciary Net Position	12,844,311
Net Position Restricted for Pensions	
Beginning	<u>115,858,834</u>
Ending	<u><u>128,703,145</u></u>

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



# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Lombard (Village), Illinois, incorporated in 1869, is a municipal corporation governed by an elected president and six-member Board of Trustees. The Village's major operations include police and fire safety, highway and street maintenance and reconstruction, forestry, building, code enforcement, public improvements, economic development, planning and zoning, waterworks and sewerage services, parking system services, and general administrative services.

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Village's accounting policies established in GAAP and used by the Village are described below.

#### REPORTING ENTITY

The Village's financial reporting entity comprises the following:

Primary Government:	Village of Lombard
Discretely Presented Component Unit:	Lombard Public Facilities Corporation

In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 61, "The Financial Reporting Omnibus – an Amendment of GASB Statements No. 14 and No. 34," and includes all component units that have a significant operational or financial relationship with the Village.

#### Police Pension Employees Retirement System

The Village's sworn 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 employees constitute the pension board. The participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining 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. Although it is legally separate from the Village, the PPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's police employees. The PPERS is reported as a fiduciary fund, and specifically a pension trust fund, due to the fiduciary responsibility exercised over the PPERS.

## VILLAGE OF LOMBARD, ILLINOIS

### Notes to the Financial Statements December 31, 2017

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### REPORTING ENTITY – Continued

##### Firefighters' Pension Employees Retirement System

The Village's sworn firefighters participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of these employees and is governed by a five-member pension board, with two members appointed by the Village President, two elected from active participants of the Fund, and one elected from the retired members of the Fund. The participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining FPERS 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. Although it is legally separate from the Village, the FPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's sworn firefighters. The FPERS is reported as a fiduciary fund, and specifically a pension trust fund, due to the fiduciary responsibility exercised over the FPERS.

##### Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria described in GASB Statement No. 61 but do not meet the criteria for blending.

##### Lombard Public Facilities Corporation

The Lombard Public Facilities Corporation (the "LPFC") is an Illinois not-for-profit corporation, created to, among other things, issue revenue bonds to finance the cost of acquiring, designing, constructing, equipping, operating and financing a Conference Center, Hotel, Restaurants and related improvements (the "Conference Center") adjacent to the Yorktown Center regional shopping mall. The Village appoints a majority of LPFC's governing body but has no responsibility for the operations of the LPFC. The Village Board does approve debt issuances by the LPFC, but the repayment of debt is not made with Village resources nor does the Village guarantee repayment of any such debt. The Village is a party to a Restructuring Support Agreement for the LPFC's debt, dated July 25, 2017. The LPFC filed for restructuring of debt in the U.S. Bankruptcy Court on July 28, 2017. The Judge ruled in December 2017 that the LPFC is eligible to file Chapter 11 Restructuring and ruled that the LPFC is not an instrumentality of the Village. The Judge confirmed the LPFC's restructuring plan on March 6, 2018 and the restructuring plan was made effective on March 15, 2018. Separate audited financial statements for the LPFC as of December 31, 2015, are available from the Village of Lombard's finance department at 255 E. Wilson Ave., Lombard, Illinois 60148. As of the date of this report, the December 31, 2015 audit for the LPFC is the most recent audited financial statements on file with the Village.

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### BASIS OF PRESENTATION – Continued

##### Government-Wide Statements

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's police and fire safety, highway and street maintenance and reconstruction, forestry, building, code enforcement, public improvements, economic development, planning and zoning, and general administrative services are classified as governmental activities. The Village's waterworks and sewerage services and parking system services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets/deferred outflows and receivables as well as long-term debt/deferred inflows and obligations. The Village's net position is reported in three parts: net investment in capital assets; restricted; and unrestricted. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities (general government, public safety, public works, etc.). The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

The net costs (by function or business-type activity) are normally covered by general revenue (property tax, sales tax, intergovernmental revenues, interest income, etc.).

The Village does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net position resulting from the current year's activities.

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### BASIS OF PRESENTATION – Continued

##### Fund Financial Statements

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets/deferred outflows, liabilities/deferred inflows, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets/deferred outflows, liabilities/deferred inflows, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Village electively added funds, as major funds, which either have debt outstanding or a specific or community focus. The nonmajor funds are combined in a column in the fund financial statements. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The various funds are reported by generic classification within the financial statements. The following fund types are used by the Village:

##### Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Village:

*General Fund* is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund.

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Village does not currently utilize special revenue funds.

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements

December 31, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### BASIS OF PRESENTATION – Continued

#### Fund Financial Statements – Continued

#### Governmental Funds – Continued

*Debt Service Funds* are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. The Debt Service Fund is treated as a major fund and records all of the Village's general obligation debt activity.

*Capital Projects Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Capital Projects Fund is a major fund and accounts for revenues and expenditures relative to the construction of capital improvements.

#### Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Village:

*Enterprise Funds* are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Waterworks and Sewerage Fund, a major fund, accounts for the provision of water and sewer services to the residents and businesses of the Village. The Parking System Fund, a nonmajor fund, accounts for revenues and expenses related to public parking.

*Internal Service Funds* are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Village on a cost-reimbursement basis. The Village maintains one internal service fund. The Fleet Services Fund accounts for the costs of operating a maintenance facility for vehicular equipment used by other Village departments as well as accounts for the accumulation of resources to finance projects associated with the replacement of the vehicular equipment. The Village's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the Village's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public safety, public works, etc.).

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### BASIS OF PRESENTATION – Continued

#### Fund Financial Statements – Continued

#### Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Village programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

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

Agency Funds are used to account for assets held by the Village in a purely custodial capacity. The Special Assessments Fund accounts for the collection of special assessments from property owners and payments of related special assessment debt.

The Village's fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the Village, these funds are not incorporated into the government-wide statements.

#### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

#### Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

##### Measurement Focus – Continued

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets/deferred outflows and liabilities/deferred inflows are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary and pension trust funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary and pension trust fund equity is classified as net position.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

##### Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability/deferred inflow is incurred or economic asset used. Revenues, expenses, gains, losses, assets/deferred outflows, and liabilities/deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. The Village recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70. A sixty-day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recognized when due.

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes, sales and use taxes, franchise taxes, licenses, interest revenue, and charges for services. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

## VILLAGE OF LOMBARD, ILLINOIS

### Notes to the Financial Statements December 31, 2017

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

###### Basis of Accounting – Continued

All proprietary, pension trust and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds, and of the Village's internal service funds are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY

###### Cash and Investments

For the purpose of the Statement of Net Position, cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent. For the purpose of the proprietary funds "Statement of Cash Flows," cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Village 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.



# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

##### **Interfund Receivables, Payables and Activity**

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Internal service fund services provided and used are not eliminated in the process of consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

##### **Receivables**

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances for governmental activities include property taxes, sales and use taxes, franchise taxes, and grants. Business-type activities report utility charges as their major receivables.

##### **Prepays/Deposits**

Prepays/deposits are valued at cost, which approximates market. The costs of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids/deposits in both the government-wide and fund financial statements.

##### **Capital Assets**

Capital assets purchased or acquired with an original cost of \$50,000 to \$200,000 or more, depending on asset class, are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Village as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as streets and traffic signals are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

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

**ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued**

**Capital Assets – Continued**

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Land Improvement	10 - 20 Years
Buildings	30 - 50 Years
Vehicles and Equipment	3 - 15 Years
Water and Sewerage Infrastructure	20 - 50 Years
Other Infrastructure	20 - 50 Years

**Deferred Outflows/Inflows of Resources**

Deferred outflow/inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an outflow of resources (expense)/inflow of resources (revenue) until that future time.

**Compensated Absences**

The Village accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave that is estimated to be taken as “terminal leave” prior to retirement.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

##### Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted – All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets.”

# **VILLAGE OF LOMBARD, ILLINOIS**

## **Notes to the Financial Statements December 31, 2017**

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### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **BUDGETARY INFORMATION**

Budgets are adopted on a basis consistent with generally accepted accounting principles. All departments of the Village submit requests for budgets to the Village Manager so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested budgets for the next fiscal year.

The proposed budget is presented to the Village Board for review. The Village Board holds public hearings and may add to, subtract from, or change budgeted amounts, but may not change the form of the budget.

Prior to January 1, the budget, which by State law also serves as the appropriation ordinance, is adopted by the Board of Trustees and constitutes the legal budget of the Village. The Village Manager is authorized to transfer budgeted amounts within any fund; however, the Board of Trustees must approve any revisions that alter the total expenditures of any fund. State statutes establish that expenditures may not legally exceed budgeted appropriations at the fund level. Appropriations lapse at the end of the fiscal year. During the year, several supplementary appropriations were necessary.

#### **DEFICIT FUND EQUITY**

The Lombard Public Facilities Corporation, a discretely presented component unit, has deficit fund equity of \$123,685,728.

### **NOTE 3 – DETAIL NOTES ON ALL FUNDS**

#### **DEPOSITS AND INVESTMENTS**

The Village maintains a cash and investment pool that is available for use by all funds except the pension trust funds. Each fund type's portion of this pool is displayed on the financial statements as "cash and investments." In addition, investments are separately held by several of the Village's funds. The deposits and investments of the pension trust funds are held separately from those of other funds.

Permitted Deposits and Investments – Statutes authorize the Village to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds and the Illinois Metropolitan Investment Fund.

## VILLAGE OF LOMBARD, ILLINOIS

### Notes to the Financial Statements

December 31, 2017

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#### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

##### DEPOSITS AND INVESTMENTS – Continued

The Illinois Funds is an investment pool managed by the Illinois Public Treasurer's Office which allows governments within the State to pool their funds for investment purposes. Although not registered with the SEC, Illinois Funds operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

The Illinois Metropolitan Investment Fund (IMET) is a non-for-profit investment trust formed pursuant to the Illinois Municipal Code. IMET is managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an Investment Company. Investments in IMET are valued at the share price, the price for which the investment could be sold.

The deposits and investments of the Pension Funds 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 plan 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 plan net position of \$2.5 million or more may invest up to forty-five percent of plan net position in separate accounts of life insurance companies and mutual funds. Pension Funds with plan 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 plan net position in common and preferred stocks that meet specific restrictions. In addition, Pension Funds with plan net position of at least \$10 million that have appointed an investment advisor, may invest up to fifty percent of its net position in common and preferred stocks and mutual funds that meet specific restrictions effective July 1, 2011 and up to fifty-five percent effective July 1, 2012.

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**DEPOSITS AND INVESTMENTS – Continued**

**Village Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk**

*Deposits.* At year-end, the carrying amount of the Village’s deposits for governmental and business-type activities totaled \$19,291,146 and the bank balances totaled \$19,011,561.

*Investments.* The Village has the following investment fair values and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Illinois Funds	\$ 9,009,416	9,009,416	-	-	-
Illinois Metropolitan Investment Fund	11,390,108	11,390,108	-	-	-
Municipal Bonds	3,248,094	-	3,248,094	-	-
	<u>23,647,618</u>	<u>20,399,524</u>	<u>3,248,094</u>	<u>-</u>	<u>-</u>

The Village has the following recurring fair value measurements as of December 31, 2017:

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Municipal Bonds	\$ 3,248,094	-	3,248,094	-
Investments Measured at the Net Asset Value (NAV)				
Illinois Funds	9,009,416			
IMET	11,390,108			
Total Investments at the (NAV)	<u>20,399,524</u>			
Total Investments Measured at Fair Value	<u>23,647,618</u>			

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

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**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**DEPOSITS AND INVESTMENTS – Continued**

**Village Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued**

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Village’s investment policy states that the investment portfolio shall remain sufficiently liquid to enable the Village to meet all operating requirements which may be reasonably anticipated in any Village fund. Investment maturities in all funds shall be limited to a maximum maturity of sixty (60) months from the date of purchase. Investments in other funds may be purchased with maturities to match future project or liability requirements. However, any investment purchased with a maturity longer than sixty (60) months must be supported by written documentation explaining the reason for the purchase and must be specifically pre-authorized by the Finance Committee.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Besides investing in security instruments authorized under State Statute, the Village’s investment policy further states that safety of principal is the foremost objective of the Village. At year-end, the Village’s investments in Municipal Bonds are all rated BBB to A by Standard & Poor’s, and the Village’s investment in the Illinois Funds was rated AAAM by Standard & Poor’s. The Illinois Metropolitan Investment Trust Convenience Fund is not rated and the Illinois Metropolitan Investment Trust 1-3 Year Fund is rated Aaa by Moody’s.

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the Village’s deposits may not be returned to it. The Village’s investment policy requires that funds on deposit in excess of FDIC or FSLIC limits be secured by some form of collateral. The Village will accept any of the following assets as collateral:

U.S. Government Securities	Obligations of the State of Illinois
Obligations of Federal Agencies	Obligations of the Village of Lombard
Obligations of Federal Instrumentalities	General Obligation Municipal Bonds Rated “A” or better

The amount of collateral provided will not be less than one-hundred-ten percent (110%) of the fair market value of the net amount of public funds secured. Pledged collateral will be held by the Village or in safekeeping and evidenced by a safekeeping agreement. If collateral is held in safekeeping, it may be held by a third party or by an escrow agent of the pledging institution. At year-end \$348,100 of the bank balance of the deposits was not covered by federal depository or equivalent insurance and represents cash at paying agent for debt service payments.

For an investment, this is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village’s investment policy does not mitigate custodial credit risk for investments. At year-end, the Village’s investment in the Illinois Fund is noncategorizable. The IMET Convenience Fund is a depository vehicle that is 110 percent collateralized with obligations of the United States Treasury and its agencies. All collateral securities are held in the name of IMET at the Federal Reserve Bank of New York.

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements

December 31, 2017

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### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### DEPOSITS AND INVESTMENTS – Continued

#### Village Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

*Concentration Risk.* This is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. The Village's investment policy states that the Village shall diversify its investments to avoid incurring unreasonable risks regarding specific security types and/or individual institutions. Furthermore, no financial institution shall hold more than twenty percent (20%) of the Village's investment portfolio, exclusive of U.S. Treasury securities and collateralized investments held in safekeeping. Commercial paper shall not exceed ten percent (10%) of the Village's investment portfolio and the Illinois Public Treasurer's Investment Pool shall not exceed twenty-five percent (25%) of the investment portfolio. At year-end, the Village does not have any investments over 5 percent of cash and investments (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

#### Police Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

*Deposits.* At year-end, the carrying amount of the Fund's deposits totaled \$912,737 and the bank balances totaled \$920,789.

*Investments.* The Fund has the following investment fair values and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	\$ 5,368,708	749,141	3,903,883	715,684	-
U.S. Agencies	24,583,672	894,033	7,805,170	15,880,797	3,672
Local Government Obligations	4,663,141	170,327	2,454,062	1,717,913	320,839
Illinois Funds	75,965	75,965	-	-	-
Illinois Metropolitan Investment Fund	1,080,279	1,080,279	-	-	-
	<u>35,771,765</u>	<u>2,969,745</u>	<u>14,163,115</u>	<u>18,314,394</u>	<u>324,511</u>



**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**DEPOSITS AND INVESTMENTS – Continued**

**Police Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued**

The Fund has the following recurring fair value measurements as of December 31, 2017:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
U.S. Treasuries	\$ 5,368,708	5,368,708	-	-
U.S. Agencies	24,583,672	-	24,583,672	-
Local Government Obligations	4,663,141	-	4,663,141	-
Equity Securities				
Mutual Funds	30,628,133	30,628,133	-	-
Total Investments by Fair Value Level	65,243,654	35,996,841	29,246,813	-
Investments Measured at the Net Asset Value (NAV)				
Illinois Funds	75,965			
IMET	1,080,279			
Total Investments at the (NAV)	1,156,244			
Total Investments Measured at Fair Value	66,399,898			

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

*Interest Rate Risk.* The Fund's investment policy states assets shall be sufficiently liquid to meet the Fund's disbursement requirements for the payment of operating expenses and benefits. Under most circumstances, the maturity of the portfolio will be maintained at approximately 5 years and will range from 2 to 7 years.

*Credit Risk.* The Fund's investment policy 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. Furthermore, the Fund's investment policy states that safety of principal is the foremost objective of the Fund. Each investment transaction shall seek to first ensure that large capital losses are avoided whether they be from securities defaults or erosion of market value. At year-end, the Fund's investments in U.S. Government and Agency securities as well as local government obligations were rated Baa1 to AA+ by Moody's or Standard and Poor's or not rated. The Fund's investment in the Illinois Funds was rated AAAM by Standard & Poor's. The Illinois Metropolitan Investment Trust Convenience Fund is not rated and the Illinois Metropolitan Investment Trust 1-3 Year Fund is rated Aaa by Moody's.

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

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**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**DEPOSITS AND INVESTMENTS – Continued**

**Police Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued**

*Custodial Credit Risk.* The Fund’s investment policy states that assets may be invested in savings accounts or certificates of deposit of a national or state bank, even if fund assets on deposit in such institution will exceed federal deposit insurance or guarantee limits for invested principal and accrued interest, but only if the amount by which the fund’s investment exceeds such insurance or guarantee limits is collateralized by the fund which shall be maintained and credited to the fund on the records of the custodial bank. The Pension Fund shall have a perfected security interest in such securities which shall be free of any claims to the rights to these securities other than any claims by the custodian which are subordinate to the Pension Fund’s claims to rights to these securities.

Third party safekeeping is required for all securities owned by the Pension Fund. Custody arrangements shall be documented by an approved written agreement. The agreement may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.

At year-end, the entire carrying amount of the bank balance of deposits is covered by federal depository or equivalent insurance. Furthermore, the Fund’s investment in U.S. Treasury and Agency securities as well as local government obligations are categorized as insured, registered, or held by the Fund or its agent in the Fund’s name. The Fund’s investment in the Illinois Funds and the Illinois Metropolitan Investment Funds are not subject to custodial credit risk.

*Concentration Risk.* 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</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	50% - 60%	1.3%
Equity	40% - 50%	6.3% - 8.4%
Cash and Cash Equivalents	0% - 10%	0.0%

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 fund.

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements

December 31, 2017

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### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### DEPOSITS AND INVESTMENTS – Continued

#### Police Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

The Fund's investment policy states that the allocation guidelines, by asset class, for the fixed income investments are as follows:

<u>Fixed Income Allocation</u>	<u>Target</u>
Bank Certificates of Deposit	0% - 20%
U.S. Treasury Securities	0% - 100%
U.S. Government Agency Securities - non-MBS	0% - 70%
U.S. Government Agency Securities - Callable	0% - 30%
U.S. Government Agency Securities - MBS	0% - 10%
Taxable Municipal Securities	0% - 20%
Investment Grade Corporate Bonds	0% - 30%

Once the Fund reaches the equity allocation approved by the Board and permitted by law, normal asset allocation range for equity portfolio allocation weightings should be as follows:

<u>Equity Diversification</u>	<u>Target</u>
US Large Cap Stocks	40% - 100%
US Small Cap Stocks	0% - 40%
Foreign Securities	0% - 20%

At year-end, the Fund is in compliance with the guideline outlined above. In addition to the securities and fair values previously listed, the Fund also has \$30,628,133 invested in mutual funds. At year-end, the Pension Plan does not have any investments over 5 percent of net position (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### DEPOSITS AND INVESTMENTS – Continued

#### Police Pension Fund Interest Rate Risk, 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 the Fund's investment management consultant in January 2018 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 December 31, 2017 are listed in the table above.

#### Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.99%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Firefighters' Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

*Deposits.* At year-end, the carrying amount of the Fund's deposits totaled \$1,332,869 and the bank balances totaled \$1,334,719.

*Investments.* The Fund has the following investment fair values and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	\$ 749,203	598,038	151,165	-	-
U.S. Agencies	11,439,067	1,573,917	5,535,510	4,329,640	-
Local Government Obligations	2,431,037	448,190	1,666,164	106,783	209,900
Corporate Bonds	10,603,360	696,831	6,707,262	3,199,267	-
Illinois Funds	67,963	67,963	-	-	-
Illinois Metropolitan Investment Fund	602,004	602,004	-	-	-
	<u>25,892,634</u>	<u>3,986,943</u>	<u>14,060,101</u>	<u>7,635,690</u>	<u>209,900</u>

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**DEPOSITS AND INVESTMENTS – Continued**

**Firefighters’ Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued**

The Fund has the following recurring fair value measurements as of December 31, 2017:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
U.S. Treasuries	\$ 749,203	749,203	-	-
U.S. Agencies	11,439,067	-	11,439,067	-
Local Government Obligations	2,431,037	-	2,431,037	-
Corporate Bonds	10,603,360	-	10,603,360	-
Equity Securities				
Mutual Funds	30,249,979	30,249,979	-	-
Stock	3,483,876	3,483,876	-	-
Total Investments by Fair Value Level	58,956,522	34,483,058	24,473,464	-
Investments Measured at the Net Asset Value (NAV)				
Illinois Funds	67,963			
IMET	602,004			
Total Investments at the (NAV)	669,967			
Total Investments Measured at Fair Value	59,626,489			

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

*Interest Rate Risk.* The Fund’s investment policy states assets shall be sufficiently liquid to meet the Fund’s disbursement requirements for the payment of operating expenses and benefits. Under most circumstances, the maturity of the portfolio will be maintained at approximately 5 years and will range from 2 to 7 years.

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements

December 31, 2017

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### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### DEPOSITS AND INVESTMENTS – Continued

#### Firefighters’ Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

*Credit Risk.* The Fund’s investment policy 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. Furthermore, the Fund’s investment policy states that safety of principal is the foremost objective of the Fund. Each investment transaction shall seek to first ensure that large capital losses are avoided whether they be from securities defaults or erosion of market value. At year-end, the Fund’s investments in U.S. Government and Agency securities as well as local government obligations were rated Aa2 to AA+ by Moody’s or Standard and Poor’s or not rated. The Fund’s investment in the Illinois Funds was rated AAAM by Standard & Poor’s. The Illinois Metropolitan Investment Trust Convenience Fund is not rated and the Illinois Metropolitan Investment Trust 1-3 Year Fund is rated Aaa by Moody’s.

*Custodial Credit Risk.* The Fund’s investment policy states that all deposits in excess of FDIC insurable limits (applies to bank Certificates of Deposit) be secured by collateral in order to protect deposits from default. Eligible collateral instruments and collateral ratios (market value divided by deposit) are as follows:

U.S. Government Securities	110%
Obligations of Federal Agencies	115%
Obligations of the State of Illinois	115%
Local and Municipal Bonds rated “A” or better by Moody’s	115%

Third party safekeeping is required for all collateral. To accomplish this, the securities can be held at the following locations:

A Federal Reserve Bank or branch office

At another custodial facility – generally in a trust department through book-entry at the Federal Reserve, unless physical securities are involved. If physical securities are involved, at a third-party depository in a suitable vault and insured against loss by fire, theft and similar causes.

At year-end, the entire carrying amount of the bank balance of deposits is covered by federal depository or equivalent insurance. Furthermore, the Fund’s investment in U.S. Treasury and Agency securities as well as local government obligations are categorized as insured, registered, or held by the Fund or its agent in the Fund’s name. The Fund’s investments in the Illinois Funds and the Illinois Metropolitan Investment Funds are not subject to custodial credit risk.

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements

December 31, 2017

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### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### DEPOSITS AND INVESTMENTS – Continued

#### Firefighters' Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

*Concentration Risk.* 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</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	7.5% - 40%	4.3% - 10.2%
Domestic Equities	10% - 55%	7.5% - 12.3%
International Equities	15%	6.6% - 8.6%
Cash and Cash Equivalents	0%	0%

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 fund.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in January 2018 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 December 31, 2017 are listed in the table above.

The Fund's investment policy states that the allocation guidelines, by asset class, for the fixed income investments are as follows:

<u>Fixed Income Allocation</u>	<u>Target</u>
Cash, Money Market, IL Funds Accounts	0% - 40%
Bank Certificates of Deposit	0% - 40%
U.S. Treasury Securities	15% - 45%
U.S. Government Agency Securities - non-MBS	10% - 40%
U.S. Government Agency Securities - Callable	5% - 15%
U.S. Government Agency Securities - MBS	20% - 40%
Taxable Municipal Securities	0% - 10%

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements

December 31, 2017

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### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### DEPOSITS AND INVESTMENTS – Continued

#### Firefighters' Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Once the Fund reaches the equity allocation approved by the Board and permitted by law, normal asset allocation range for equity portfolio allocation weightings should be as follows:

<u>Equity Diversification</u>	<u>Target</u>
US Large Cap Stocks	40% - 100%
US Small Cap Stocks	10% - 30%
Foreign Securities	0% - 20%

At year-end, the Fund is in compliance with the guideline outlined above. In addition to the securities and fair values previously listed, the Fund also has \$30,249,979 invested in mutual funds and \$3,483,876 invested in stock equities. At year-end, the Pension Plan does not have any investments over 5 percent of net position (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

#### Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.85%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### PROPERTY TAXES

Property taxes for 2016 attach as an enforceable lien on January 1, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by DuPage County and are payable in two installments, on or about June 1 and September 1. The County collects such taxes and remits them periodically.

#### NET POSITION RESTATED

Net position was restated due to the implementation of GASB Statement No. 75. The following is a summary of the net position as originally reported and as restated:

<u>Net Position</u>	<u>As Reported</u>	<u>As Restated</u>	<u>Increase (Decrease)</u>
Governmental Activities	\$ 57,409,924	53,818,469	(3,591,455)



**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**CAPITAL ASSETS**

**Governmental Activities**

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital Assets - Not Being Depreciated</b>				
Land	\$ 31,026,851	-	-	31,026,851
Construction in Progress	2,232,489	2,078,020	903,937	3,406,572
	<u>33,259,340</u>	<u>2,078,020</u>	<u>903,937</u>	<u>34,433,423</u>
<b>Other Capital Assets</b>				
Land Improvements	1,760,158	-	-	1,760,158
Buildings	7,793,192	1,011,894	-	8,805,086
Vehicles and Equipment	11,825,576	652,259	429,635	12,048,200
Other Infrastructure	127,426,604	51,041	3,040	127,474,605
	<u>148,805,530</u>	<u>1,715,194</u>	<u>432,675</u>	<u>150,088,049</u>
<b>Less Accumulated Depreciation</b>				
Land Improvements	410,563	7,399	-	417,962
Buildings	4,254,773	286,191	-	4,540,964
Vehicles and Equipment	7,001,998	823,384	429,635	7,395,747
Other Infrastructure	72,683,516	2,880,231	2,625	75,561,122
	<u>84,350,850</u>	<u>3,997,205</u>	<u>432,260</u>	<u>87,915,795</u>
<b>Total Other Capital Assets</b>	<u>64,454,680</u>	<u>(2,282,011)</u>	<u>415</u>	<u>62,172,254</u>
<b>Total Capital Assets</b>	<u>97,714,020</u>	<u>(203,991)</u>	<u>904,352</u>	<u>96,605,677</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 286,669
Public Safety	80,316
Public Works	2,995,164
	<u>3,362,149</u>
Internal Services	635,056
	<u>3,997,205</u>

Depreciation of capital assets held by the Village's internal service funds are charged to various functions based on their usage of the assets.

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**CAPITAL ASSETS – Continued**

**Business-Type Activities**

Business-type capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital Assets - Not Being Depreciated</b>				
Land	\$ 2,428,259	-	147,250	2,281,009
Construction in Progress	12,597,109	13,185,498	5,030,682	20,751,925
	<u>15,025,368</u>	<u>13,185,498</u>	<u>5,177,932</u>	<u>23,032,934</u>
<b>Other Capital Assets</b>				
Land Improvements	448,609	1,071,509	-	1,520,118
Buildings	3,056,227	-	550,202	2,506,025
Vehicles and Equipment	293,739	-	-	293,739
Water and Sewerage Infrastructure	86,245,424	4,144,307	-	90,389,731
	<u>90,043,999</u>	<u>5,215,816</u>	<u>550,202</u>	<u>94,709,613</u>
<b>Less Accumulated Depreciation</b>				
Land Improvements	448,609	71,434	-	520,043
Buildings	2,013,781	45,437	392,274	1,666,944
Vehicles and Equipment	293,739	-	-	293,739
Water and Sewerage Infrastructure	38,216,128	2,245,011	-	40,461,139
	<u>40,972,257</u>	<u>2,361,882</u>	<u>392,274</u>	<u>42,941,865</u>
<b>Total Other Capital Assets</b>	<u>49,071,742</u>	<u>2,853,934</u>	<u>157,928</u>	<u>51,767,748</u>
<b>Total Capital Assets</b>	<u>64,097,110</u>	<u>16,039,432</u>	<u>5,335,860</u>	<u>74,800,682</u>

Depreciation expense was charged to business-type activities as follows:

Waterworks and Sewerage	\$ 2,290,448
Parking	<u>71,434</u>
	<u><u>2,361,882</u></u>

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**INTERFUND BALANCES**

Interfund balances are advances in anticipation of receipts to cover temporary cash shortages. The composition of interfund balances as of the date of this report, is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	<u>\$ 60,860</u>

**INTERFUND TRANSFERS**

Interfund transfers for the year consisted of the following:

Transfers Out	Transfers In General
Waterworks and Sewerage	\$ 522,130
Nonmajor Business-Type	<u>3,720</u>
	<u>525,850</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

**LONG-TERM DEBT**

**Installment Contracts/Limited Tax Debt Certificates Payable**

The government enters into installment contracts/limited tax debt certificates to provide funds for the acquisition of capital assets. Installment contracts/limited tax debt certificates payable have been issued for both general government and proprietary activities. Any proprietary liabilities therefore are reported in the proprietary funds. Installment contracts/limited tax debt certificates currently outstanding are as follows:

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
General Obligation Limited Tax Debt Certificates of 2008, due in annual installments of \$160,000 to \$360,000 through January 1, 2018, plus interest at 3.75% to 4.00%	Waterworks and Sewerage	\$ 515,000	-	340,000	175,000

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**LONG-TERM DEBT – Continued**

**Installment Contracts/Limited Tax Debt Certificates Payable – Continued**

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
General Obligation Limited Tax Debt Certificates of 2009, due in annual installments of \$115,000 to \$170,000 through July 1, 2019, plus interest at 3.00% to 4.00%	Debt Service	\$ 960,000	-	305,000	655,000
General Obligation Limited Tax Debt Certificates of 2010, due in annual installments of \$390,000 to \$585,000 through July 1, 2017, plus interest at 2.00% to 3.00%	Waterworks and Sewerage	370,000	-	370,000	-
	Cap.Projects/ Debt Service	785,000	-	785,000	-
General Obligation Limited Tax Debt Certificates of 2013, due in annual installments of \$505,000 to \$848,000 through April 2, 2020, plus interest at 1.48% to 2.47%	Waterworks and Sewerage	3,972,375	-	1,228,425	2,743,950
	Cap.Projects/ Debt Service	842,625	-	260,575	582,050
		<u>7,445,000</u>	<u>-</u>	<u>3,289,000</u>	<u>4,156,000</u>

**IEPA Loans Payable**

The Village has entered into a loan agreement with the IEPA to provide low interest financing for waterworks and sewerage improvements. Final repayment schedule for the IEPA Loan Payable of 2016 is not available at the time of the issuance of this report. IEPA loans currently outstanding are as follows:

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
Illinois Environmental Protection Agency (IEPA) Loan Payable of 2016, due in semi-annual installments of \$22,059 to \$123,970 through December 29, 2036, plus interest at 1.86%	Waterworks and Sewerage	\$ 4,069,322	6,323,753	-	10,393,075

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**LONG-TERM DEBT – Continued**

**Long-Term Liability Activity**

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Restated Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Compensated Absences					
General	\$ 2,155,476	112,804	56,402	2,211,878	442,376
Internal Service	63,540	7,910	3,955	67,495	13,499
Net Pension Liability					
IMRF	8,318,823	-	5,526,895	2,791,928	-
Police Pension	37,898,787	-	5,283,031	32,615,756	-
Firefighters' Pension	23,228,031	-	4,504,516	18,723,515	-
Total OPEB Liability	6,867,533	373,566	-	7,241,099	-
Debt Certificates	2,587,625	-	1,350,575	1,237,050	584,250
	<u>81,119,815</u>	<u>494,280</u>	<u>16,725,374</u>	<u>64,888,721</u>	<u>1,040,125</u>
Business-Type Activities					
Compensated Absences	212,401	69,854	34,927	247,328	49,466
Net Pension Liability - IMRF	3,405,259	-	2,260,552	1,144,707	-
Debt Certificates	4,857,375	-	1,938,425	2,918,950	1,420,750
IEPA Loan Payable	4,069,322	6,323,753	-	10,393,075	286,537
	<u>12,544,357</u>	<u>6,393,607</u>	<u>4,233,904</u>	<u>14,704,060</u>	<u>1,756,753</u>

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### LONG-TERM DEBT – Continued

##### Long-Term Liability Activity – Continued

For the governmental activities payments on the net pension liabilities, the compensated absences, and the total OPEB Liability are made by the General Fund. The Debt Service, Capital Projects and Waterworks and Sewerage Funds make payments on the debt certificates. The Waterworks and Sewerage Fund makes payments on the IEPA loan payable. Additionally, for the business-type activities, the compensated absences are liquidated by the Waterworks and Sewerage Fund. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities.

##### Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Debt		Debt	
	Certificates		Certificates	
	Principal	Interest	Principal	Interest
2018	\$ 584,250	34,638	1,420,750	58,365
2019	564,425	16,032	1,081,575	27,966
2020	88,375	1,091	416,625	5,145
Totals	<u>1,237,050</u>	<u>51,761</u>	<u>2,918,950</u>	<u>91,476</u>

##### Non-Commitment Debt

###### Special Assessment Debt

Special assessment bonds were paid in full as of the date of this report. These bonds are not an obligation of the government and are secured by the levy of special assessments on the real property within the special assessment area. The government is in no way liable for repayment but is only acting as agent for the property owners in levying and collecting the assessments, and forwarding the collections to bondholders.

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

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**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**LONG-TERM DEBT – Continued**

**Non-Commitment Debt – Continued**

**Industrial Development Revenue Bonds**

The Village has issued Industrial Development Revenue Bonds (IDRB) to provide financial assistance to private organizations for the construction and acquisition of industrial and commercial facilities deemed to be in the public interest and to provide financing for low interest mortgages to qualified applicants. The bonds are secured solely by the property or mortgages financed and are payable solely from the payments received on the underlying mortgage loans on the property. The Village is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds outstanding are not recorded as a liability in these financial statements. As of December 31, 2017, there was one IDRB outstanding. The aggregate principal amount payable for the bond series is \$5,226,672.

**Legal Debt Margin**

Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes provides, "...no municipality having a population of less than 500,000 shall become indebted in any manner or for any purpose, to an amount, including existing indebtedness in the aggregate exceeding 8.625% on the value of the taxable property therein, to be ascertained by the last assessment for state and county purposes, previous to the incurring of the indebtedness or, until January 1, 1983, if greater, the sum that is produced by multiplying the municipality's 1978 equalized assessed valuation by the debt limitation percentage in effect on January 1, 1979."

Assessed Valuation - 2017	<u>\$ 1,473,640,931</u>
Legal Debt Limit - 8.625% of Assessed Value	<u>127,101,530</u>
Amount of Debt Applicable to Limit	
Limited Tax Debt Certificates of 2008	175,000
Limited Tax Debt Certificates of 2009	655,000
Limited Tax Debt Certificates of 2013	<u>3,326,000</u>
	<u>4,156,000</u>
Legal Debt Margin	<u>122,945,530</u>

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

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**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**NET POSITION CLASSIFICATIONS**

Net investment in capital assets was comprised of the following as of December 31, 2017:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 96,605,677
Less Capital Related Debt - Debt Certificates Outstanding	<u>(1,237,050)</u>
Net Investment in Capital Assets	<u><u>95,368,627</u></u>
Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	74,800,682
Less Capital Related Debt	
IEPA Loans Outstanding	(10,393,075)
Debt Certificates Outstanding	<u>(2,918,950)</u>
Net Investment in Capital Assets	<u><u>61,488,657</u></u>

**FUND BALANCE CLASSIFICATIONS**

In the governmental funds financial statements, the Village first utilizes committed, then assigned and then unassigned fund balance when an expenditure is incurred for purposes for which all three unrestricted fund balances are available.

*Nonspendable Fund Balance.* Consists of resources that cannot be spent because they are either: a) not in a spendable form; or b) legally or contractually required to be maintained intact.

*Restricted Fund Balance.* Consists of resources that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance.* Consists of resources constrained (issuance of an ordinance) to specific purposes by the government itself, using its highest level of decision-making authority, the Board of Trustees; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

*Assigned Fund Balance.* Consists of amounts that are constrained by the Board of Trustees' intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by a) the Board of Trustees itself or b) a body or official to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes. The Village's highest level of decision-making authority is the Board of Trustees, who is authorized to assign amounts to a specific purpose.

*Unassigned Fund Balance.* Consists of residual net resources of a fund that has not been restricted, committed, or assigned within the General Fund and deficit fund balances of other governmental funds.



**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**FUND BALANCE CLASSIFICATIONS – Continued**

*Minimum Fund Balance Policy.* The Village’s policy manual states that the Corporate Fund should maintain a minimum unrestricted fund balance equal to three months of budgeted operating expenditures. Fund balances in excess of said levels may be transferred to other funds or to capital projects at the discretion of the Board.

The following is a schedule of fund balance classifications for the governmental funds as of the date of this report:

	General	Debt Service	Capital Projects	Totals
Fund Balances				
Nonspendable				
Prepays	\$ 657,733	-	-	657,733
Deposits - IPBC	1,087,855	-	-	1,087,855
	<u>1,745,588</u>	-	-	<u>1,745,588</u>
Restricted				
Liability Insurance	1,474,087	-	-	1,474,087
IMRF/Social Security	774,553	-	-	774,553
Special Service Areas	7,758	-	-	7,758
Hotel/Motel Taxes	1,111,822	-	-	1,111,822
Grants/Donations	17,283	-	-	17,283
Cable Equipment	71,113	-	-	71,113
Recycling	113,036	-	-	113,036
Public Safety	237,982	-	-	237,982
Debt Service	-	348,999	-	348,999
Capital Projects	-	-	5,771,804	5,771,804
	<u>3,807,634</u>	<u>348,999</u>	<u>5,771,804</u>	<u>9,928,437</u>
Committed				
Technology	3,587,842	-	-	3,587,842
Long Range Plan Reserve	807,528	-	-	807,528
Emergency Reserve	1,786,728	-	-	1,786,728
Revenue Stabilization	1,250,709	-	-	1,250,709
Pension Stabilization	1,000,000	-	-	1,000,000
Building Reserve	-	-	1,119,423	1,119,423
	<u>8,432,807</u>	-	<u>1,119,423</u>	<u>9,552,230</u>
Assigned				
Capital Projects	-	-	1,058,027	1,058,027
Unassigned				
	<u>8,550,874</u>	-	-	<u>8,550,874</u>
Total Fund Balances	<u>22,536,903</u>	<u>348,999</u>	<u>7,949,254</u>	<u>30,835,156</u>

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 4 – OTHER INFORMATION

#### RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to the Village's employees. The Village is self-insured for the first \$500,000 of workers' compensation benefits (\$600,000 for police and fire) and has purchased specific excess coverage for the next \$2,000,000. The Village is also self-insured for the first \$100,000 per occurrence for liability coverage. There were no significant changes in insurance coverages from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

Risks for medical and death benefits for employees and retirees are provided for through the Village's participation in the Intergovernmental Personnel Benefit Cooperative (IPBC). IPBC acts as an administrative agency to receive, process and pay such claims as may come within the benefit program of each member. IPBC maintains specific reinsurance coverage for claims in excess of \$50,000 per individual employee participant. The Village pays premiums to IPBC based upon current employee participation and its prior experience factor with the pool. Current year overages or underages for participation in the pool are adjusted into subsequent years' experience factor for premiums. There were no significant changes in insurance coverages from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount of claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors and are recorded in the General Fund.

Changes in the balances of claims liabilities are as follows:

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Claims Payable - Beginning	\$ 265,596	185,985
Incurred Claims	(1,044,687)	(1,280,098)
Claims Paid	<u>938,001</u>	<u>1,359,709</u>
Claims Payable - Ending	<u><u>158,910</u></u>	<u><u>265,596</u></u>

## **VILLAGE OF LOMBARD, ILLINOIS**

### **Notes to the Financial Statements December 31, 2017**

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#### **NOTE 4 – OTHER INFORMATION – Continued**

##### **CONTINGENT LIABILITIES**

###### **Deferred Compensation Plan**

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Village employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan are held in trust on behalf of the employees. Accordingly, the assets are not reported in these financial statements.

###### **DuPage Water Commission**

The government is a customer of the DuPage Water Commission, and has executed a Water Supply Contract with the Commission for a term ending in 2024. The Village stopped paying “fixed costs” (debt service and capital costs) portion starting May 1, 2015. All future costs are based on actual gallons.

The Village’s agreement with the DuPage Water Commission provides that each member is liable for its proportionate share of any costs arising from defaults in payment obligations by other members.

###### **Litigation**

The Village is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

###### **Grants**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

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**NOTE 4 – OTHER INFORMATION – Continued**

**COMMITMENTS**

**Tax Abatements**

The Village of Lombard has entered into various tax rebate agreements with local corporations under Village code. Under these agreements, the Village rebates a portion of sales, hotel, and places for eating taxes. For the fiscal year ended December 31, 2017, the Village rebated a total of \$1,101,068 in taxes under these agreements.

**JOINT VENTURES**

**Glenbard Wastewater Authority**

The Glenbard Wastewater Authority (Authority) was created and established by an agreement dated November 28, 1977 between the Villages of Lombard and Glen Ellyn for the purpose of jointly treating and processing wastewater. The wastewater is treated in two plants, known as the Glenbard Wastewater Plant and the Lombard Treatment Facility. Construction of the facilities was financed by monies appropriated by the Villages and by grants from the U.S. Environmental Protection Agency. The Village accounts for its investment in the Authority on the equity method.

In accordance with the 1977 agreement, the Village of Glen Ellyn is responsible for the operation of the wastewater treatment facilities. The Village purchases the supplies and materials and furnishes personnel necessary for the operations of the wastewater treatment facilities. The Village is reimbursed for such expenses and receives a service charge (overhead fee) pursuant to the agreement.

The two members of the Authority and their percentage shares as of December 31, 2017 are as follows:

Village of Lombard	57.35%
Village of Glen Ellyn	<u>42.65%</u>
	<u><u>100.00%</u></u>

The Authority is governed by the Village President and six trustees from each municipality. The Board of the Authority makes all decisions relevant to the operations of the system.

The Village's share of the capital assets is \$26,527,408. The Village has allocated its share of operating expenses based upon metered wastewater flows, which approximated 57.35% for the year ended December 31, 2017. Separate financial statements for the Authority may be obtained at 21W551 Bemis Road, Glen Ellyn, Illinois 60137.

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 4 – OTHER INFORMATION – Continued

#### JOINT VENTURES – Continued

#### Glenbard Wastewater Authority – Continued

#### Summary Financial Information of Joint Venture

Summary of Financial Position as of December 31, 2017:

<u>Assets/Deferred Outflows</u>		<u>Liabilities/Deferred Inflows and Net Position</u>	
Current Assets	\$ 611,756	Current Liabilities	\$ 3,063,643
Restricted Assets	5,350,095	Long-Term Liabilities	11,452,569
Capital Assets - Net	46,255,289	Deferred Inflows	<u>925,256</u>
Net Pension Asset - IMRF	297,109	Total Liabilities and Deferred Inflows	<u>15,441,468</u>
Deferred Outflows	<u>239,180</u>	Net Position	<u>37,311,961</u>
Total Assets and Deferred Outflows	<u>52,753,429</u>	Total Liabilities, Deferred Inflows and Net Position	<u>52,753,429</u>

Summary of Results of Operations as of December 31, 2017:

Operating Revenues	
Charges to the Villages	<u>\$ 7,421,656</u>
Operating Expenses	
Personnel Services	1,648,081
IMRF Pension Expense	69,337
Contractual Services	2,034,853
Commodities and Maintenance	905,911
Depreciation	<u>2,549,513</u>
Total Operating Expenses	<u>7,207,695</u>
Operating Income	213,961
Nonoperating Revenues (Expenses)	<u>1,173,690</u>
Change in Net Position	1,387,651
Net Position	
Beginning	<u>35,924,310</u>
Ending	<u>37,311,961</u>

## VILLAGE OF LOMBARD, ILLINOIS

### Notes to the Financial Statements December 31, 2017

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#### NOTE 4 – OTHER INFORMATION – Continued

##### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS

The Village contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system; the Police Pension Plan which is a single-employer pension plan; and, the Firefighters' Pension Plan, which is also a single-employer pension plan. Separate reports are issued for the Police and Firefighters' Pension Plans and may be obtained by writing to the Village at 255 E. Wilson Avenue, Lombard, Illinois 60148. IMRF does issue a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained online at [www.imrf.org](http://www.imrf.org). The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly.

##### Illinois Municipal Retirement Fund (IMRF)

###### Plan Descriptions

*Plan Administration.* All employees (other than those covered by the Police and Firefighters' Pension Plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

*Benefits Provided.* IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

IMRF provides two tiers of pension benefits. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements

December 31, 2017

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### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

##### Illinois Municipal Retirement Fund (IMRF) – Continued

##### Plan Descriptions – Continued

*Benefits Provided – Continued.* Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

*Plan Membership.* As of December 31, 2017, the measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	270
Inactive Plan Members Entitled to but not yet Receiving Benefits	131
Active Plan Members	<u>110</u>
Total	<u><u>511</u></u>

*Contributions.* As set by statute, the Village's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. For the year-ended December 31, 2017, the Village's contribution was 16.24% of covered payroll.

*Net Pension Liability.* The Village's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

##### Illinois Municipal Retirement Fund (IMRF) – Continued

##### Plan Descriptions – Continued

*Actuarial Assumptions.* The total pension liability was determined by an actuarial valuation performed, as of December 31, 2017, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.50%
Salary Increases	3.39% to 14.25%
Cost of Living Adjustments	2.50%
Inflation	2.50%

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:



# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

##### Illinois Municipal Retirement Fund (IMRF) – Continued

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	27%	3.0%
Domestic Equities	38%	6.9%
International Equities	17%	6.8%
Real Estate	8%	5.8%
Blended	9%	2.65% - 7.35%
Cash and Cash Equivalents	1%	2.3%

#### Discount Rate

The discount rate used to measure the total pension liability was 7.50%, 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 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 period of projected benefit payments to determine the total pension liability.

#### Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability/(asset) to changes in the discount rate. The table below presents the pension liability/(asset) of the Village calculated using the discount rate 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 or one percentage point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability/(Asset)	\$ 13,210,385	3,936,635	(3,739,654)

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

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**NOTE 4 – OTHER INFORMATION – Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

**Illinois Municipal Retirement Fund (IMRF) – Continued**

**Changes in the Net Pension Liability**

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2016	\$ 77,823,173	66,099,091	11,724,082
Changes for the Year:			
Service Cost	819,812	-	819,812
Interest on the Total Pension Liability	5,698,024	-	5,698,024
Difference Between Expected and Actual Experience of the Total Pension Liability	233,077	-	233,077
Changes of Assumptions	(2,226,914)	-	(2,226,914)
Contributions - Employer	-	1,253,498	(1,253,498)
Contributions - Employees	-	369,970	(369,970)
Net Investment Income	-	12,084,849	(12,084,849)
Benefit Payments, including Refunds of Employee Contributions	(4,518,863)	(4,518,863)	-
Other (Net Transfer)	-	(1,396,871)	1,396,871
Net Changes	5,136	7,792,583	(7,787,447)
Balances at December 31, 2017	77,828,309	73,891,674	3,936,635

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 4 – OTHER INFORMATION – Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

**Illinois Municipal Retirement Fund (IMRF) – Continued**

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2017, the Village recognized pension expense of \$1,605,441. At December 31, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 141,083	(47,627)	93,456
Change in Assumptions	-	(1,420,552)	(1,420,552)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>2,108,070</u>	<u>(5,830,702)</u>	<u>(3,722,632)</u>
Total Deferred Amounts Related to IMRF	<u><u>2,249,153</u></u>	<u><u>(7,298,881)</u></u>	<u><u>(5,049,728)</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Fiscal Year	Net Deferred (Inflows) of Resources
2018	\$ (1,257,830)
2019	(932,744)
2020	(1,401,477)
2021	(1,457,677)
2022	-
Thereafter	<u>-</u>
Total	<u><u>(5,049,728)</u></u>

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

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**NOTE 4 – OTHER INFORMATION – Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

**Police Pension Plan**

**Plan Descriptions**

*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 pension board. Two members of the Board are appointed by the Village President, one member is elected by pension beneficiaries and two members are elected by active police employees.

*Plan Membership.* At December 31, 2017, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	65
Inactive Plan Members Entitled to but not yet Receiving Benefits	2
Active Plan Members	<u>66</u>
Total	<u><u>133</u></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 of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older 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 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent 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 percent of the original pension and 3 percent compounded annually thereafter.

## VILLAGE OF LOMBARD, ILLINOIS

### Notes to the Financial Statements December 31, 2017

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#### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

#### Police Pension Plan – Continued

#### Plan Descriptions – Continued

*Benefits Provided – Continued.* Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 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 officer salary for the pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent 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. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent or ½ of the change in the Consumer Price Index for the proceeding calendar year.

*Contributions.* Covered employees are required 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. 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. For the year-ended December 31, 2017, the Village's contribution was 47.96% of covered payroll.

*Concentrations.* At year end, the Pension Plan does not have any investments over 5 percent of net position (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

##### Police Pension Plan – Continued

##### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed, as of December 31, 2017, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.00%
Salary Increases	3.50% - 11.00%
Cost of Living Adjustments	2.50%
Inflation	2.50%

Mortality rates were based on the RP-2014 Mortality Table (BCHA) projected to 2018 using improvement scale MP-2017. The other non-economic actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance (GRS) in 2017.

##### Discount Rate

The discount rate used to measure the total pension liability was 7.00%, 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 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 period of projected benefit payments to determine the total pension liability.

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 4 – OTHER INFORMATION – Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

**Police Pension Plan – Continued**

**Discount Rate Sensitivity**

The following is a sensitive 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 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 or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$ 45,876,500	32,615,756	21,671,435

**Changes in the Net Pension Liability**

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2016	\$ 99,202,675	61,303,888	37,898,787
Changes for the Year:			
Service Cost	1,531,174	-	1,531,174
Interest on the Total Pension Liability	6,796,831	-	6,796,831
Difference Between Expected and Actual Experience of the Total Pension Liability	(659,841)	-	(659,841)
Changes of Assumptions	(2,555,004)	-	(2,555,004)
Contributions - Employer	-	3,080,872	(3,080,872)
Contributions - Employees	-	699,450	(699,450)
Net Investment Income	-	6,681,876	(6,681,876)
Benefit Payments, including Refunds of Employee Contributions	(4,210,233)	(4,210,233)	-
Administrative Expense	-	(66,007)	66,007
Net Changes	902,927	6,185,958	(5,283,031)
Balances at December 31, 2017	100,105,602	67,489,846	32,615,756

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 4 – OTHER INFORMATION – Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

**Police Pension Plan – Continued**

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2017, the Village recognized pension revenue of \$568,213. At December 31, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 241,358	(586,403)	(345,045)
Change in Assumptions	750,514	(3,312,175)	(2,561,661)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>1,381,676</u>	<u>(1,926,367)</u>	<u>(544,691)</u>
Total Deferred Amounts Related to Police Pension	<u><u>2,373,548</u></u>	<u><u>(5,824,945)</u></u>	<u><u>(3,451,397)</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Fiscal Year	Net Deferred Outflows/ (Inflows) of Resources
2018	\$ (261,699)
2019	(902,759)
2020	(1,111,955)
2021	(1,111,954)
2022	(63,030)
Thereafter	<u>-</u>
Total	<u><u>(3,451,397)</u></u>



**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

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**NOTE 4 – OTHER INFORMATION – Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

**Firefighters’ Pension Plan**

**Plan Descriptions**

*Plan Administration.* The Firefighters’ Pension Plan is a single-employer defined benefit pension plan that covers all sworn firefighter personnel. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) 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 pension board. Two members of the Board are appointed by the Village President, one member is elected by pension beneficiaries and two members are elected by active fire employees.

*Plan Membership.* At December 31, 2017, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	48
Inactive Plan Members Entitled to but not yet Receiving Benefits	2
Active Plan Members	<u>64</u>
Total	<u><u>114</u></u>

*Benefits Provided.* The following is a summary of the Firefighters’ Pension Plan as provided for in Illinois State Statutes.

The Firefighters’ Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older 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 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent 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 firefighter 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 percent of the original pension and 3 percent compounded annually thereafter.

## VILLAGE OF LOMBARD, ILLINOIS

### Notes to the Financial Statements

December 31, 2017

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#### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

#### Firefighters' Pension Plan – Continued

#### Plan Descriptions – Continued

*Benefits Provided – Continued.* Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 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 firefighter 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. Firefighters' salary for the pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent for each month under 55). The monthly benefit of a Tier 2 firefighter 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. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent or ½ of the change in the Consumer Price Index for the proceeding calendar year.

*Contributions.* Covered employees are required to contribute 9.455% of their base salary to the Firefighters' 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. 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. For the year-ended December 31, 2017, the Village's contribution was 34.69% of covered payroll.

*Significant Investments.* At year end, the Pension Plan does not have any investments over 5 percent of net position (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

##### Firefighters' Pension Plan – Continued

##### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed, as of December 31, 2017, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.00%
Salary Increases	3.50% - 12.50%
Cost of Living Adjustments	2.50%
Inflation	2.50%

Mortality rates were based on the RP-2014 Mortality Table (BCHA) projected to 2018 using improvement scale MP-2017. The other non-economic actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance (GRS) in 2017.

##### Discount Rate

The discount rate used to measure the total pension liability was 7.00%, 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 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 period of projected benefit payments to determine the total pension liability.

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements**

**December 31, 2017**

**NOTE 4 – OTHER INFORMATION – Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

**Firefighters’ Pension Plan – Continued**

**Discount Rate Sensitivity**

The following is a sensitive 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 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 or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$ 29,232,653	18,723,515	10,010,905

**Changes in the Net Pension Liability**

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2016	\$ 77,782,977	54,554,946	23,228,031
Changes for the Year:			
Service Cost	1,643,565	-	1,643,565
Interest on the Total Pension Liability	5,329,656	-	5,329,656
Difference Between Expected and Actual Experience of the Total Pension Liability	1,170	-	1,170
Changes of Assumptions	(1,530,549)	-	(1,530,549)
Contributions - Employer	-	2,237,228	(2,237,228)
Contributions - Employees	-	658,618	(658,618)
Net Investment Income	-	7,095,084	(7,095,084)
Benefit Payments, including Refunds of Employee Contributions	(3,290,005)	(3,290,005)	-
Administrative Expense	-	(42,572)	42,572
Net Changes	2,153,837	6,658,353	(4,504,516)
Balances at December 31, 2017	79,936,814	61,213,299	18,723,515

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

**NOTE 4 – OTHER INFORMATION – Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

**Firefighters’ Pension Plan – Continued**

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2017, the Village recognized pension revenue of \$170,091. At December 31, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 1,002	(835,114)	(834,112)
Change in Assumptions	1,666,068	(2,699,306)	(1,033,238)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,485,876	(2,633,220)	(1,147,344)
Total Deferred Amounts Related to Firefighters' Pension	<u>3,152,946</u>	<u>(6,167,640)</u>	<u>(3,014,694)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Fiscal Year	Net Deferred Outflows/ (Inflows) of Resources
2018	\$ 166,281
2019	(54,848)
2020	(1,427,133)
2021	(1,262,025)
2022	(218,482)
Thereafter	<u>(218,487)</u>
Total	<u><u>(3,014,694)</u></u>

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

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**NOTE 4 – OTHER INFORMATION – Continued**

**OTHER POST-EMPLOYMENT BENEFITS**

**General Information about the OPEB Plan**

*Plan Description.* The Village’s defined benefit OPEB plan, Village of Lombard Postretirement Health Plan (VLPHP), provides OPEB for all permanent full-time general and public safety employees of the Village. VLPHP is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Village Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

*Benefits Provided.* VLPHP provides medical benefits for full-time IMRF retirees and their dependent/spouse. Retirees pay the full cost of health insurance continuation at the employer rate until they reach age 65. Dependent/spousal coverage may continue should retiree coverage end due to coverage termination, death, or Medicare eligibility with dependent/spouse using COBRA for up to 18 months after the event., There is no coverage offered to retirees once Medicare eligible, except through COBRA. Retirees are not eligible for vision or life insurance in retirement. There is no dental coverage offered to Retirees once Medicare eligible, except through COBRA.

*Plan Membership.* As of December 31, 2017, the measurement date, the following employees were covered by the benefit terms:

Active Employees Full Eligible	208
Active Employees not yet Eligible	8
Retired Plan Members	<u>54</u>
Total	<u><u>270</u></u>

**Total OPEB Liability**

The Village’s total OPEB liability of \$7,241,099 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 4 – OTHER INFORMATION – Continued

#### OTHER POST-EMPLOYMENT BENEFITS – Continued

##### Total OPEB Liability – Continued

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Discount Rate	3.44%
Healthcare Cost Trend Rates	8.50% in fiscal year 2017, trending to 5.50% in fiscal year 2027, and an ultimate trend rate of 5.00% in 2073.
Asset Valuation Method	Market

Mortality rates were based on the RP-2014 blue collar base rates projected to 2017 using scale MP2017 for Police and Fire. For all others the RP2014 base rates projected to 2017 using scale MP2017 was used.

##### Change in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at December 31, 2016	<u>\$ 6,867,533</u>
Changes for the Year:	
Service Cost	250,008
Interest on the Total Pension Liability	263,184
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	289,583
Benefit Payments	<u>(429,209)</u>
Net Changes	<u>373,566</u>
Balance at December 31, 2017	<u><u>7,241,099</u></u>

**VILLAGE OF LOMBARD, ILLINOIS**

**Notes to the Financial Statements  
December 31, 2017**

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**NOTE 4 – OTHER INFORMATION – Continued**

**OTHER POST-EMPLOYMENT BENEFITS – Continued**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability, calculated using a Single Discount Rate of 3.44%, as well as what the total OPEB liability would be if it were calculated using a Single Discount Rate that is one percentage point lower or one percentage point higher:

	1% Decrease (2.44%)	Current Discount Rate (3.44%)	1% Increase (4.44%)
Total OPEB Liability	\$ 8,933,090	7,241,099	7,241,371

**Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability, calculated using a Healthcare Trend Rate of 8.50%, as well as what the total OPEB liability would be if it were calculated using a Healthcare Trend Rate that is one percentage point lower or one percentage point higher:

	(7.50% decreasing to 4.00%)	Healthcare Cost Trend Rates (8.50% decreasing to 5.00%)	(9.50% decreasing to 6.00%)
Total OPEB Liability	\$ 7,284,195	7,241,099	8,861,718



# VILLAGE OF LOMBARD, ILLINOIS

## Notes to the Financial Statements December 31, 2017

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### NOTE 4 – OTHER INFORMATION – Continued

#### OTHER POST-EMPLOYMENT BENEFITS – Continued

#### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2017, the Village recognized OPEB expense of \$541,993. At December 31, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ -	-	-
Change in Assumptions	260,782	-	260,782
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	-
Total Deferred Amounts Related to OPEB	<u>260,782</u>	<u>-</u>	<u>260,782</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Net Deferred Outflows of Resources
2018	\$ 28,801
2019	28,801
2020	28,801
2021	28,801
2022	28,801
Thereafter	<u>116,777</u>
Total	<u>260,782</u>