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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Lombard Public Facilities Corporation
ASSETS				
Current Assets				
Cash and Investments	$ 32,480,102	6,363,092	38,843,194	10,578,113
Receivables - Net of Allowances	14,910,956	3,232,473	18,143,429	1,459,630
Due from Other Governments	-	3,011,223	3,011,223	-
Prepaid/Deposits	1,565,759	370,927	1,936,686	541,653
Total Current Assets	48,956,817	12,977,715	61,934,532	12,579,396
Noncurrent Assets				
Capital Assets				
Nondepreciable Capital Assets	33,259,340	15,025,368	48,284,708	7,903,588
Depreciable Capital Assets	148,805,530	90,043,999	238,849,529	136,777,677
Accumulated Depreciation	(84,350,850)	(40,972,257)	(125,323,107)	(42,863,603)
	97,714,020	64,097,110	161,811,130	101,817,662
Equity Interest in Joint Venture	-	22,974,713	22,974,713	-
Total Noncurrent Assets	97,714,020	87,071,823	184,785,843	101,817,662
Total Assets	146,670,837	100,049,538	246,720,375	114,397,058
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Items - IMRF	2,444,825	1,000,774	3,445,599	-
Deferred Items - Police Pension	1,475,082	-	1,475,082	-
Deferred Items - Firefighters' Pension	1,982,786	-	1,982,786	-
Total Deferred Outflows of Resources	5,902,693	1,000,774	6,903,467	-
Total Assets and Deferred Outflows of Resources	152,573,530	101,050,312	253,623,842	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
LIABILITIES				
Current Liabilities				
Accounts Payable	$ 1,903,777	3,343,945	5,247,722	11,747,677
Accrued Payroll	695,432	123,607	819,039	-
Deposits Payable	550,850	265,573	816,423	-
Claims Payable	265,596	-	265,596	-
Interest Payable	33,437	36,507	69,944	9,060,471
Current Portion of Long-Term Debt	1,794,378	2,090,170	3,884,548	181,447,401
Total Current Liabilities	5,243,470	5,859,802	11,103,272	202,255,549
Noncurrent Liabilities				
Net Pension Liability - IMRF	8,318,823	3,405,259	11,724,082	-
Net Pension Liability - Police	37,898,787	-	37,898,787	-
Net Pension Liability - Fire	23,228,031	-	23,228,031	-
Compensated Absences Payable	1,775,213	169,921	1,945,134	-
Installment Contracts Payable	1,237,050	2,918,950	4,156,000	-
IEPA Loan Payable	-	3,960,057	3,960,057	-
Net Other Postemployment Benefit Payable	2,473,303	-	2,473,303	-
Bonds Payable	-	-	-	35,827,237
Total Noncurrent Liabilities	74,931,207	10,454,187	85,385,394	35,827,237
Total Liabilities	80,174,677	16,313,989	96,488,666	238,082,786
DEFERRED INFLOWS OF RESOURCES				
Deferred Items - IMRF	255,083	104,417	359,500	-
Deferred Items - Police Pension	3,244,714	-	3,244,714	-
Deferred Items - Firefighters' Pension	2,512,332	-	2,512,332	-
Property Taxes	8,976,800	-	8,976,800	-
Total Deferred Inflows of Resources	14,988,929	104,417	15,093,346	-
Total Liabilities and Deferred Inflows of Resources	95,163,606	16,418,406	111,582,012	238,082,786
NET POSITION				
Net Investment in Capital Assets	95,126,395	55,170,413	150,296,808	(87,616,079)
Restricted - Liability Insurance	1,561,341	-	1,561,341	-
Restricted - IMRF/Social Security	622,880	-	622,880	-
Restricted - Special Service Area	26,489	-	26,489	-
Restricted - Hotel/Motel Taxes	1,160,419	-	1,160,419	-
Restricted - Grants/Donations	24,611	-	24,611	-
Restricted - Cable Equipment	58,314	-	58,314	-
Restricted - Recycling	122,955	-	122,955	-
Restricted - Public Safety	229,456	-	229,456	-
Restricted - Debt Service	179,664	-	179,664	-
Restricted - Capital Projects	4,796,242	-	4,796,242	-
Unrestricted	(46,498,842)	29,461,493	(17,037,349)	-
Unrestricted - Component Unit	-	-	-	(36,069,649)
Total Net Position	57,409,924	84,631,906	142,041,830	(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, 2016

		Program Revenues		
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
Governmental Activities				
General Government	$ 7,714,255	3,368,010	-	-
Public Safety	43,002,575	2,647,107	65,336	-
Physical Environment	1,629,603	-	-	-
Public Works	12,103,052	-	167,400	7,629,033
Interest on Long-Term Debt	86,322	-	-	-
Total Governmental Activities	64,535,807	6,015,117	232,736	7,629,033
Business-Type Activities				
Waterworks and Sewerage	17,150,317	16,254,939	-	58,292
Parking	87,494	221,529	-	-
Total Business-Type Activities	17,237,811	16,476,468	-	58,292
Total Primary Government	81,773,618	22,491,585	232,736	7,687,325
Component Unit - Lombard Public Facilities Corporation	48,448,270	30,720,081	-	-

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

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
(4,346,245)	-	(4,346,245)	-
(40,290,132)	-	(40,290,132)	-
(1,629,603)	-	(1,629,603)	-
(4,306,619)	-	(4,306,619)	-
(86,322)	-	(86,322)	-
(50,658,921)	-	(50,658,921)	-
-	(837,086)	(837,086)	-
-	134,035	134,035	-
-	(703,051)	(703,051)	-
(50,658,921)	(703,051)	(51,361,972)	-
-	-	-	(17,728,189)
9,033,526	-	9,033,526	-
4,148,253	-	4,148,253	-
1,678,787	-	1,678,787	-
1,962,433	-	1,962,433	-
800,369	-	800,369	-
17,216,410	4,446,536	21,662,946	-
5,204,594	-	5,204,594	-
214,042	101,869	315,911	395
1,342,640	1,476,257	2,818,897	1,051,623
541,824	(541,824)	-	-
42,142,878	5,482,838	47,625,716	1,052,018
(8,516,043)	4,779,787	(3,736,256)	(16,676,171)
65,925,967	79,852,119	145,778,086	(107,009,557)
57,409,924	84,631,906	142,041,830	(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, 2016

	General	Debt Service	Capital Projects	Totals
ASSETS				
Cash and Investments	$ 15,662,459	212,395	10,221,874	26,096,728
Receivables - Net of Allowances				
Property Taxes	8,322,300	654,500	-	8,976,800
Other Taxes	3,942,883	-	1,005,161	4,948,044
Accounts	797,975	-	109,761	907,736
Accrued Interest	24,018	706	30,729	55,453
Prepaids/Deposits	1,565,759	-	-	1,565,759
Total Assets	30,315,394	867,601	11,367,525	42,550,520
LIABILITIES				
Accounts Payable	1,284,410	-	584,933	1,869,343
Accrued Payroll	673,391	-	7,549	680,940
Deposits Payable	550,850	-	-	550,850
Claims Payable	265,596	-	-	265,596
Total Liabilities	2,774,247	-	592,482	3,366,729
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	8,322,300	654,500	-	8,976,800
Total Liabilities and Deferred Inflows of Resources	11,096,547	654,500	592,482	12,343,529
FUND BALANCE				
Nonspendable	1,565,759	-	-	1,565,759
Restricted	3,806,465	213,101	4,796,242	8,815,808
Committed	7,337,681	-	1,119,423	8,457,104
Assigned	-	-	4,859,378	4,859,378
Unassigned	6,508,942	-	-	6,508,942
Total Fund Balances	19,218,847	213,101	10,775,043	30,206,991
Total Liabilities, Deferred Inflows of Resources and Fund Balances	30,315,394	867,601	11,367,525	42,550,520

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, 2016

Total Governmental Fund Balances	$ 30,206,991
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.	93,508,683
Net deferred outflows (inflows) of resources related to the pensions not reported in the funds.	
Deferred Items - IMRF	2,189,742
Deferred Items - Police Pension	(1,769,632)
Deferred Items - Firefighters' Pension	(529,546)
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	10,499,168
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Debt Certificates Payable	(2,587,625)
Net Pension Liability - IMRF	(8,318,823)
Net Pension Liability - Police	(37,898,787)
Net Pension Liability - Firefighters' Pension	(23,228,031)
Compensated Absences Payable	(2,155,476)
Net Post-Employment Benefit Obligation	(2,473,303)
Accrued Interest Payable	(33,437)
Net Position of Governmental Activities	57,409,924

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, 2016

	General	Debt Service	Capital Projects	Totals
Revenues				
Taxes	$ 16,799,314	616,570	207,484	17,623,368
Licenses and Permits	1,121,197	-	-	1,121,197
Intergovernmental	17,560,002	-	8,188,879	25,748,881
Charges for Services	4,017,724	-	-	4,017,724
Fines and Forfeits	876,196	-	-	876,196
Interest	40,813	(75)	102,547	143,285
Miscellaneous	860,446	12,628	469,566	1,342,640
Total Revenues	41,275,692	629,123	8,968,476	50,873,291
Expenditures				
Current				
General Government	7,924,067	-	-	7,924,067
Public Safety	26,853,707	-	-	26,853,707
Physical Environment	1,629,603	-	-	1,629,603
Public Works	4,146,747	-	-	4,146,747
Capital Outlay	-	-	5,291,519	5,291,519
Debt Service				
Principal Retirement	-	460,000	890,400	1,350,400
Interest and Fiscal Charges	-	53,066	47,811	100,877
Total Expenditures	40,554,124	513,066	6,229,730	47,296,920
Excess (Deficiency) of Revenues Over (Under) Expenditures	721,568	116,057	2,738,746	3,576,371
Other Financing Sources				
Transfers In	587,926	-	1,119,423	1,707,349
Transfers Out	(1,119,423)	-	(46,102)	(1,165,525)
	(531,497)	-	1,073,321	541,824
Net Change in Fund Balances	190,071	116,057	3,812,067	4,118,195
Fund Balances - Beginning	19,028,776	97,044	6,962,976	26,088,796
Fund Balances - Ending	19,218,847	213,101	10,775,043	30,206,991

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, 2016

Net Change in Fund Balances - Total Governmental Funds	$	4,118,195
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		321,417
Capital Contributions		4,533,892
Depreciation Expense		(3,308,824)
Disposals - Cost		(585,605)
Disposals - Accumulated Depreciation		481,217
The net effect of deferred outflows (inflows) of resources related to the pensions not reported in the funds.		
Change in Deferred Items - IMRF		(3,829,271)
Change in Deferred Items - Police Pension		(9,696,258)
Change in Deferred Items - Firefighters' Pension		(7,467,680)
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.		
Decrease to Compensated Absences Payable		35,648
Decrease to Net Pension Liability - IMRF		4,246,965
Decrease to Net Pension Liability - Police Pension		1,214,705
Increase to Net Pension Liability - Firefighters' Pension		(960)
Increase to Net Post-Employment Benefit Obligation		(130,948)
Retirement of Debt		1,350,400
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.		14,555
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.		186,509
Changes in Net Position of Governmental Activities		(8,516,043)

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, 2016

	Business-Type Activities - Enterprise			Governmental Activities
	Waterworks and Sewerage	Nonmajor Parking System	Totals	Internal Service Fleet Services
ASSETS				
Current Assets				
Cash and Investments	$ 5,887,997	475,095	6,363,092	6,383,374
Receivables - Net of Allowances				
Accounts	2,441,068	-	2,441,068	1,328
Other Taxes	766,672	-	766,672	-
Accrued Interest	23,220	1,513	24,733	21,595
Due from Other Governments	3,011,223	-	3,011,223	-
Prepaids	370,927	-	370,927	-
Total Current Assets	12,501,107	476,608	12,977,715	6,406,297
Noncurrent Assets				
Capital Assets				
Nondepreciable Capital Assets	13,389,816	1,635,552	15,025,368	602,691
Depreciable Capital Assets	89,595,390	448,609	90,043,999	9,203,129
Accumulated Depreciation	(40,523,648)	(448,609)	(40,972,257)	(5,600,483)
	62,461,558	1,635,552	64,097,110	4,205,337
Equity Interest in Joint Venture	22,974,713	-	22,974,713	-
Total Noncurrent Assets	85,436,271	1,635,552	87,071,823	4,205,337
Total Assets	97,937,378	2,112,160	100,049,538	10,611,634
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Items - IMRF	1,000,774	-	1,000,774	-
Total Assets and Deferred Outlfows of Resources	98,938,152	2,112,160	101,050,312	10,611,634

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

	Business-Type Activities - Enterprise			Governmental Activities
	Waterworks and Sewerage	Nonmajor Parking System	Totals	Internal Service Fleet Services
LIABILITIES				
Current Liabilities				
Accounts Payable	$ 3,333,184	10,761	3,343,945	34,434
Accrued Payroll	122,221	1,386	123,607	14,492
Deposits Payable	264,973	600	265,573	-
Interest Payable	36,507	-	36,507	-
Compensated Absences	42,480	-	42,480	12,708
Installment Contracts Payable	1,938,425	-	1,938,425	-
IEPA Loan Payable	109,265	-	109,265	-
Total Current Liabilities	5,847,055	12,747	5,859,802	61,634
Noncurrent Liabilities				
Compensated Absences	169,921	-	169,921	50,832
Net Pension Liability - IMRF	3,405,259	-	3,405,259	-
Installment Contracts Payable	2,918,950	-	2,918,950	-
IEPA Loan Payable	3,960,057	-	3,960,057	-
Total Noncurrent Liabilities	10,454,187	-	10,454,187	50,832
Total Liabilities	16,301,242	12,747	16,313,989	112,466
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Items - IMRF	104,417		104,417	-
Total Liabilities and Deferred Inflows of Resources	16,405,659	12,747	16,418,406	112,466
NET POSITION				
Net Investment in Capital Assets	53,534,861	1,635,552	55,170,413	4,205,337
Unrestricted	28,997,632	463,861	29,461,493	6,293,831
Total Net Position	82,532,493	2,099,413	84,631,906	10,499,168

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, 2016

	Business-Type Activities - Enterprise			Governmental Activities
	Waterworks and Sewerage	Nonmajor Parking System	Totals	Internal Service Fleet Services
Operating Revenues				
Charges for Services	$ 16,254,939	221,529	16,476,468	1,994,021
Operating Expenses				
Administration	3,836,699	-	3,836,699	-
Operations	10,820,014	82,630	10,902,644	1,561,277
Sewerage Treatment	4,079,484	-	4,079,484	-
Depreciation	2,091,530	4,864	2,096,394	642,610
Total Operating Expenses	20,827,727	87,494	20,915,221	2,203,887
Operating Income Income (Loss)	(4,572,788)	134,035	(4,438,753)	(209,866)
Nonoperating Revenues (Expenses)				
Sales Tax	4,446,536	-	4,446,536	-
Interest Income	96,824	5,045	101,869	70,757
Connection Fees	1,459,130	-	1,459,130	-
Disposal of Capital Assets	-	-	-	272,048
Joint Venture Income	3,812,301	-	3,812,301	-
Other Income	17,127	-	17,127	53,570
Interest Expense	(134,891)	-	(134,891)	-
	9,697,027	5,045	9,702,072	396,375
Income Before Contributions and Transfers	5,124,239	139,080	5,263,319	186,509
Capital Contributions	58,292	-	58,292	-
Transfers Out	(538,104)	(3,720)	(541,824)	-
Change in Net Position	4,644,427	135,360	4,779,787	186,509
Net Position - Beginning	77,888,066	1,964,053	79,852,119	10,312,659
Net Position - Ending	82,532,493	2,099,413	84,631,906	10,499,168

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, 2016

	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	$ -	-	-	2,052,426
Receipts from Customers and Users	13,082,262	223,375	13,305,637	-
Payments to Employees	(2,192,697)	(22,564)	(2,215,261)	(274,449)
Payments to Suppliers	(11,712,072)	(553,866)	(12,265,938)	(1,254,738)
	(822,507)	(353,055)	(1,175,562)	523,239
Cash Flows from Noncapital Financing Activities				
Transfers Out	(538,104)	(3,720)	(541,824)	-
Sales Tax	4,446,536	-	4,446,536	-
Connection Fees	1,459,130	-	1,459,130	-
	5,367,562	(3,720)	5,363,842	-
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(10,229,124)	(86,737)	(10,315,861)	(1,345,207)
Interest on Installment Contracts	(134,891)	-	(134,891)	-
Principal Paid on Installment Contracts	(2,072,600)	-	(2,072,600)	-
Debt Issuance	4,069,322	-	4,069,322	-
Disposal of Capital Assets	-	-	-	272,048
	(8,367,293)	(86,737)	(8,454,030)	(1,073,159)
Cash Flows from Investing Activities				
Interest Received	96,824	5,045	101,869	70,757
Net Change in Cash and Cash Equivalents	(3,725,414)	(438,467)	(4,163,881)	(479,163)
Cash and Cash Equivalents - Beginning of Year	9,613,411	913,562	10,526,973	6,862,537
Cash and Cash Equivalents - End of Year	5,887,997	475,095	6,363,092	6,383,374
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	(4,572,788)	134,035	(4,438,753)	(209,866)
Adjustments to Reconcile Operating Income to Net Income to Net Cash Provided by (Used in) Operating Activities:				
Depreciation and Amortization Expense	2,091,530	4,864	2,096,394	642,610
Other Income (Loss)	17,127	-	17,127	53,570
Other Expense - IMRF	2,508,902	-	2,508,902	-
(Increase) Decrease in Current Assets	(3,189,804)	1,846	(3,187,958)	4,835
Increase (Decrease) in Current Liabilities	2,322,526	(493,800)	1,828,726	32,090
Net Cash Provided by Operating Activities	(822,507)	(353,055)	(1,175,562)	523,239
Noncash Investing and Financing Activities				
Capital Contributions	58,292	-	58,292	-

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

VILLAGE OF LOMBARD, ILLINOIS

Statement of Fiduciary Net Position
December 31, 2016

		Pension Trust	Agency
ASSETS			
Cash and Cash Equivalents	$	3,958,743	763,003
Investments			
Local Government Obligations		7,258,536	-
U.S. Government and Agency Obligations		36,687,815	-
Corporate Bonds		8,290,864	-
Stock Equities		3,224,617	-
Mutual Funds		54,237,970	-
Illinois Funds		85,060	-
Illinois Metropolitan Investment Funds		1,620,385	-
Receivables			
Accounts		-	2,106
Accrued Interest		536,724	-
Prepaids		795	-
Total Assets		115,901,509	765,109
LIABILITIES			
Accounts Payable		42,675	-
Due to Bondholders		-	765,109
Total Liabilities		42,675	765,109
NET POSITION			
Net Position Restricted for Pensions		115,858,834	

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, 2016

	Pension Trust
Additions	
Contributions - Employer	$ 4,971,072
Contributions - Plan Members	1,278,645
Total Contributions	6,249,717
Investment Income	
Interest Earned	3,730,637
Net Change in Fair Value	2,533,047
	6,263,684
Less Investment Expenses	(212,550)
Net Investment Income	6,051,134
Total Additions	12,300,851
Deductions	
Administration	92,778
Benefits and Refunds	6,871,952
Total Deductions	6,964,730
Change in Fiduciary Net Position	5,336,121
Net Position Restricted for Pensions	
Beginning	110,522,713
Ending	115,858,834

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

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.

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 PPERS.

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 (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 adjacent to the Yorktown Center regional shopping mall. The Village is financially accountable for the LPFC because the Village's board approves debt issuances and there is potential for financial benefit/burden to the Village. Separate audited financial statements 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 is the most recent audited financial statements available.

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) changes 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.

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.

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.).

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.

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.

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.

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.

Prepaids/Deposits

Prepaids/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 are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market 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.

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.

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."

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.

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.

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 $17,220,608 and the bank balances totaled $17,439,761.

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	$ 2,620,189	2,620,189	-	-	-
Illinois Metropolitan Investment Fund	14,227,897	14,227,897	-	-	-
Municipal Bonds	4,774,500	1,438,340	3,336,160	-	-
	21,622,586	18,286,426	3,336,160	-	-

The Village has the following recurring fair value measurements as of December 31, 2016:

Investments by Fair Value Level	December 31, 2016	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	$ 4,774,500	-	4,774,500	-
Investments Measured at the Net Asset Value (NAV)				
Illinois Funds	2,620,189			
IMET	14,227,897			
Total Investments at the (NAV)	16,848,086			
Total Investments Measured at Fair Value	21,622,586			

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 AA 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, the entire amount of the bank balance of deposits was covered by collateral, federal depository or equivalent insurance.

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.

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 $459,100 and the bank balances totaled $468,237.

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

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	$ 4,741,570	1,267,031	2,489,832	984,707	-
U.S. Agencies	22,401,412	200,548	6,044,360	15,426,541	729,963
Local Government Obligations	4,827,436	350,835	1,731,230	2,052,448	692,923
Illinois Funds	30,288	30,288	-	-	-
Illinois Metropolitan Investment Fund	1,004,851	1,004,851	-	-	-
	33,005,557	2,853,553	10,265,422	18,463,696	1,422,886

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, 2016:

		Fair Value Measurements Using		
Investments by Fair Value Level	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
U.S. Treasuries	$ 4,741,570	4,741,570	-	-
U.S. Agencies	22,401,412	-	22,401,412	-
Local Grovernment Obligations	4,827,436	-	4,827,436	-
Equity Securities				
Mutual Funds	27,682,242	27,682,242	-	-
Total Investments by Fair Value Level	59,652,660	32,423,812	27,228,848	-
Investments Measured at the Net Asset Value (NAV)				
Illinois Funds	30,288			
IMET	1,004,851			
Total Investments at the (NAV)	1,035,139			
Total Investments Measured at Fair Value	60,687,799			

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 r 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.

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:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	50% - 60%	2.2%
Equity	40% - 50%	7.0% - 9.1%
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.

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:

Fixed Income Allocation	Target
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:

Equity Diversification	Target
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 $27,682,242 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).

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 April 2016 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, 2016 are listed in the table above.

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.66%. 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 $3,499,643 and the bank balances totaled $3,506,519.

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

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	$ 153,353	-	153,353	-	-
U.S. Agencies	9,391,480	202,945	5,458,373	3,730,162	-
Local Government Obligations	2,431,100	-	1,266,437	1,164,663	-
Corporate Bonds	8,290,864	660,583	3,955,299	3,674,982	-
Illinois Funds	54,772	54,772	-	-	-
Illinois Metropolitan Investment Fund	615,534	615,534	-	-	-
	20,937,103	1,533,834	10,833,462	8,569,807	-

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, 2016:

		Fair Value Measurements Using		
Investments by Fair Value Level	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
U.S. Treasuries	$ 153,353	153,353	-	-
U.S. Agencies	9,391,480	-	9,391,480	-
Corporate Bonds	8,290,864	-	8,290,864	-
Local Grovernment Obligations	2,431,100	-	2,431,100	-
Equity Securities				
Mutual Funds	26,555,728	26,555,728	-	-
Stock	-	3,224,617	-	-
Total Investments by Fair Value Level	46,822,525	29,933,698	20,113,444	-
Investments Measured at the Net Asset Value (NAV)				
Illinois Funds	54,772			
IMET	615,534			
Total Investments at the (NAV)	670,306			
Total Investments Measured at Fair Value	47,492,831			

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.

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 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.

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:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	7.5% - 40%	1.8% - 7.7%
Domestic Equities	10% - 55%	5.0% - 9.8%
International Equities	15%	4.1% - 5.3%
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 2016 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, 2016 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:

Fixed Income Allocation	Target
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%

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:

Equity Diversification	Target
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 $26,555,728 invested in mutual funds and $3,224,617 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, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.72%. 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 2015 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.

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
Capital Assets - Not Being Depreciated				
Land	$ 31,026,851	-	-	31,026,851
Construction in Progress	8,069,272	596,844	6,433,627	2,232,489
	39,096,123	596,844	6,433,627	33,259,340
Other Capital Assets				
Land Improvements	1,760,158	-	-	1,760,158
Buildings	7,793,192	-	-	7,793,192
Vehicles and Equipment	10,800,551	1,784,857	759,832	11,825,576
Other Infrastructure	117,517,031	10,252,442	342,869	127,426,604
	137,870,932	12,037,299	1,102,701	148,805,530
Less Accumulated Depreciation				
Land Improvements	388,366	22,197	-	410,563
Buildings	4,016,429	238,344	-	4,254,773
Vehicles and Equipment	6,952,752	809,078	759,832	7,001,998
Other Infrastructure	70,040,182	2,881,815	238,481	72,683,516
	81,397,729	3,951,434	998,313	84,350,850
Total Other Capital Assets	56,473,203	8,085,865	104,388	64,454,680
Total Capital Assets	95,569,326	8,682,709	6,538,015	97,714,020
			Governmental Funds	93,508,683
			Internal Service Funds	4,205,337
				97,714,020

Depreciation expense was charged to governmental activities as follows:

General Government	$ 228,335
Public Safety	198,674
Public Works	2,881,815
	3,308,824
Internal Services	642,610
	3,951,434

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

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
Capital Assets - Not Being Depreciated				
Land	$ 2,428,259	-	-	2,428,259
Construction in Progress	7,448,589	10,203,215	5,054,695	12,597,109
	9,876,848	10,203,215	5,054,695	15,025,368
Other Capital Assets				
Land Improvements	448,609	-	-	448,609
Buildings	3,056,227	-	-	3,056,227
Vehicles and Equipment	293,739	-	-	293,739
Water and Sewerage Infrastructure	81,019,791	5,225,633	-	86,245,424
	84,818,366	5,225,633	-	90,043,999
Less Accumulated Depreciation				
Land Improvements	443,744	4,865	-	448,609
Buildings	1,956,117	57,664	-	2,013,781
Vehicles and Equipment	293,739	-	-	293,739
Water and Sewerage Infrastructure	36,182,263	2,033,865	-	38,216,128
	38,875,863	2,096,394	-	40,972,257
Total Other Capital Assets	45,942,503	3,129,239	-	49,071,742
Total Capital Assets	55,819,351	13,332,454	5,054,695	64,097,110

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

Waterworks and Sewerage	$ 2,091,530
Parking	4,864
	2,096,394

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND TRANSFERS

Interfund transfers for the year consisted of the following:

	Transfers In		
	General	Capital Projects	Totals
Transfers Out			
General	$ -	1,119,423	1,119,423
Capital Projects	46,102	-	46,102
Waterworks and Sewerage	538,104	-	538,104
Nonmajor Business-Type	3,720	-	3,720
	587,926	1,119,423	1,707,349

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, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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	$ 840,000	-	325,000	515,000

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	$ 1,255,000	-	295,000	960,000
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	725,000	-	355,000	370,000
	Cap.Projects/ Debt Service	1,545,000	-	760,000	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	5,364,975	-	1,392,600	3,972,375
	Cap.Projects/ Debt Service	1,138,025	-	295,400	842,625
		10,868,000	-	3,423,000	7,445,000

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:

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

IEPA Loans Payable – Continued

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	-	4,069,322

Long-Term Liability Activity

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

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Net Pension Liability					
IMRF	$ 12,565,788	-	4,246,965	8,318,823	-
Police Pension	39,113,492	-	1,214,705	37,898,787	-
Firefighters' Pension	23,227,071	960	-	23,228,031	-
Compensated Absences	2,254,016	35,000	70,000	2,219,016	443,803
Debt Certificates	3,938,025	-	1,350,400	2,587,625	1,350,575
Net Other Post-Employment Benefit Obligation	2,342,355	130,948	-	2,473,303	-
	83,440,747	166,908	6,882,070	76,725,585	1,794,378
Business-Type Activities					
Net Pension Liability - IMRF	-	3,405,259	-	3,405,259	-
Compensated Absences	202,492	19,818	9,909	212,401	42,480
Debt Certificates	6,929,975	-	2,072,600	4,857,375	1,938,425
IEPA Loan Payable	-	4,069,322	-	4,069,322	109,265
	6,929,975	3,405,259	2,072,600	8,262,634	2,090,170

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 liability, the compensated absences, and the net other postemployment benefit obligation 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 generally 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. At year end, $63,540 of internal service fund's compensated absences are included in the above amounts.

Debt Service Requirements to Maturity

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

	Governmental Activities		Business-Type Activities	
	Debt Certificates		Debt Certificates	
Fiscal Year	Principal	Interest	Principal	Interest
2017	$ 1,350,575	67,704	1,938,425	104,415
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	2,587,625	119,465	4,857,375	195,891

Non-Commitment Debt

Special Assessment Debt

Special assessment bonds outstanding as of the date of this report totaled $170,000. 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.

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, 2016, there was one IDRB outstanding. The aggregate principal amount payable for the bond series is $5,506,668.

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 - 2016	$ 1,389,616,358
Legal Debt Limit - 8.625% of Assessed Value	119,854,411
Amount of Debt Applicable to Limit	
Limited Tax Debt Certificates of 2008	515,000
Limited Tax Debt Certificates of 2009	960,000
Limited Tax Debt Certificates of 2010	1,155,000
Limited Tax Debt Certificates of 2013	4,815,000
	7,445,000
Legal Debt Margin	112,409,411

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, 2016:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	$ 97,714,020
Less Capital Related Debt - Debt Certificates Outstanding	(2,587,625)
Net Investment in Capital Assets	95,126,395
Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	64,097,110
Less Capital Related Debt	
IEPA Loans Outstanding	(4,069,322)
Debt Certificates Outstanding	(4,857,375)
Net Investment in Capital Assets	55,170,413

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.

Committed Fund Balance. The Village reports committed fund balance in the General Fund. Board approval through passing an ordinance or resolution is required to establish, modify or rescind a fund balance commitment. The Village's Board has committed the funds through formal Board action of passing the budget ordinance for future technology costs and qualifying utility tax expenditures.

Assigned Fund Balance. The Village reports assigned fund balance in the Capital Projects Fund, a major fund. The Village's Board, through the Village's adopted fund balance policy, has given authority to the Village Manager to assign these funds to future capital needs and improvement projects based on approved Board/management expenditures as determined through the annual budget process.

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.

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

FUND BALANCE CLASSIFICATIONS – Continued

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				
Prepaids/Deposits	$ 1,565,759	-	-	1,565,759
Restricted				
Liability Insurance	1,561,341	-	-	1,561,341
IMRF/Social Security	622,880	-	-	622,880
Special Service Areas	26,489	-	-	26,489
Hotel/Motel Taxes	1,160,419	-	-	1,160,419
Grants/Donations	24,611	-	-	24,611
Cable Equipment	58,314	-	-	58,314
Recycling	122,955	-	-	122,955
Public Safety	229,456	-	-	229,456
Debt Service	-	213,101	-	213,101
Capital Projects	-	-	4,796,242	4,796,242
	3,806,465	213,101	4,796,242	8,815,808
Committed				
Technology	3,180,821	-	-	3,180,821
Emergency Reserve	1,786,728	-	-	1,786,728
Revenue Stabilization	1,250,709	-	-	1,250,709
Pension Stabilization	1,119,423	-	-	1,119,423
Building Reserve	-	-	1,119,423	1,119,423
	7,337,681	-	1,119,423	8,457,104
Assigned				
Capital Projects	-	-	4,859,378	4,859,378
Unassigned	6,508,942	-	-	6,508,942
Total Fund Balances	19,218,847	213,101	10,775,043	30,206,991

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:

	Dec. 31, 2016	Dec. 31, 2015
Claims Payable - Beginning	$ 185,985	253,461
Incurred Claims	(1,280,098)	(1,160,528)
Claims Paid	1,359,709	1,093,052
Claims Payable - Ending	265,596	185,985

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. Fiscal year 2015 was the last payment made for fixed costs with the DuPage Water Commission. 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.

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, 2016, the Village rebated a total of $981,059 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, 2016 are as follows:

Village of Lombard	55.61%
Village of Glen Ellyn	44.39%
	100.00%

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 $21,639,948. The Village has allocated its share of operating expenses based upon metered wastewater flows, which approximated 55.61% for the year ended December 31, 2016. Separate financial statements for the Authority may be obtained at 21W551 Bemis Road, Glen Ellyn, Illinois 60137.

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, 2016:

Assets/Deferred Outlfows		Liabilities/Deferred Inflows and Net Position	
Current Assets	$ 229,271	Current Liabilities	$ 1,073,184
		Long-Term Liabilities	5,113,160
Restricted Assets	2,619,036	Deferred Inflows	51,668
Capital Assets - Net	38,913,771	Total Liabilities and Deferred Inflows	6,238,012
Deferred Outflows	400,244	Net Position	35,924,310
Total Assets and Deferred Outflows	42,162,322	Total Liabilities, Deferred Inflows and Net Position	42,162,322

Summary of Results of Operations as of December 31, 2016:

Operating Revenues	
Charges to the Villages	$ 7,455,808
Operating Expenses	
Personnel Services	1,669,810
IMRF Pension Expense	128,868
Contractual Services	2,387,970
Commodities and Maintenance	462,968
Depreciation	2,624,572
Total Operating Expenses	7,274,188
Operating Income	181,620
Nonoperating Revenues (Expenses)	742,850
Change in Net Position	924,470
Net Position	
Beginning	34,999,840
Ending	35,924,310

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. 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.

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, 2016, the measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	268
Inactive Plan Members Entitled to but not yet Receiving Benefits	128
Active Plan Members	112
Total	508

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. The Village's annual contribution rate for calendar year 2016 was 18.37% of covered payroll.

Net Pension Liability. The Village's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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, 2016, 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	3.75% to 14.50%
Cost of Living Adjustments	2.75%
Inflation	2.75%

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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-2014 (base year 2012). 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-2014 (base year 2012). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.50% and the prior year used a discount rate of 7.46%. 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 presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	$ 21,475,446	11,724,082	3,686,372

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, 2015	$ 76,347,065	63,781,277	12,565,788
Changes for the Year:			
Service Cost	830,041	-	830,041
Interest on the Total Pension Liability	5,565,299	-	5,565,299
Difference Between Expected and Actual Experience of the Total Pension Liability	(237,225)	-	(237,225)
Changes of Assumptions	(361,558)	-	(361,558)
Contributions - Employer	-	1,392,045	(1,392,045)
Contributions - Employees	-	352,751	(352,751)
Net Investment Income	-	4,423,634	(4,423,634)
Benefit Payments, including Refunds of Employee Contributions	(4,320,449)	(4,320,449)	-
Other (Net Transfer)	-	469,833	(469,833)
Net Changes	1,476,108	2,317,814	(841,706)
Balances at December 31, 2016	77,823,173	66,099,091	11,724,082

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, 2016, the Village recognized pension expense of $3,485,406. At December 31, 2016, 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	$ 212,115	(142,426)	69,689
Change in Assumptions	18,394	(217,074)	(198,680)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,215,090	-	3,215,090
Total Deferred Amounts Related to IMRF	3,445,599	(359,500)	3,086,099

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 of Resources
2017	$ 1,098,246
2018	986,803
2019	944,852
2020	56,198
2021	-
Thereafter	-
Total	3,086,099

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, 2016, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	63
Inactive Plan Members Entitled to but not yet Receiving Benefits	1
Active Plan Members	69
Total	133

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.

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 1st after the police office 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, 2016, the Village's contribution was 44.56% of covered payroll.

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

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, 2016, 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	4.75%
Cost of Living Adjustments	3.00%
Inflation	2.50%

Mortality rates were based on the RP-2014 (BCHA) projected to 2017 using improvement scale MP-2016. The other non-economic actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

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.

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	$ 51,048,300	37,898,787	27,035,031

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	$ 97,485,638	58,372,146	39,113,492
Changes for the Year:			
Service Cost	1,531,546	-	1,531,546
Interest on the Total Pension Liability	6,688,180	-	6,688,180
Difference Between Expected and Actual Experience of the Total Pension Liability	622,457	-	622,457
Changes of Assumptions	(3,244,715)	-	(3,244,715)
Contributions - Employer	-	2,936,167	(2,936,167)
Contributions - Employees	-	695,084	(695,084)
Net Investment Income	-	3,223,224	(3,223,224)
Benefit Payments, including Refunds of Employee Contributions	(3,880,431)	(3,880,431)	-
Administrative Expense	-	(42,302)	42,302
Net Changes	1,717,037	2,931,742	(1,214,705)
Balances at December 31, 2016	99,202,675	61,303,888	37,898,787

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, 2016, the Village recognized pension expense of $8,481,554. At December 31, 2016, 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	$ 622,457	-	622,457
Change in Assumptions	-	(3,244,714)	(3,244,714)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	852,625	-	852,625
Total Deferred Amounts Related to Police Pension	1,475,082	(3,244,714)	(1,769,632)

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
2017	$ (364,630)
2018	(364,630)
2019	(364,630)
2020	(364,630)
2021	(311,112)
Thereafter	-
Total	(1,769,632)

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, 2016, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	46
Inactive Plan Members Entitled to but not yet Receiving Benefits	2
Active Plan Members	65
Total	113

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.

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 1st after the police office 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, 2016, the Village's contribution was 32.01% of covered payroll.

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

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, 2016, 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	4.75%
Cost of Living Adjustments	3.00%
Inflation	2.50%

Mortality rates were based on the RP-2014 Mortality Table (BCHA) projected to 2017 using improvement scale MP-2016. The other non-economic actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

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.

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	$ 33,454,510	23,228,031	14,741,722

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	$ 75,377,638	52,150,567	23,227,071
Changes for the Year:			
Service Cost	1,562,481	-	1,562,481
Interest on the Total Pension Liability	5,171,731	-	5,171,731
Difference Between Expected and Actual Experience of the Total Pension Liability	1,174,979	-	1,174,979
Changes of Assumptions	(2,512,331)	-	(2,512,331)
Contributions - Employer	-	2,034,905	(2,034,905)
Contributions - Employees	-	583,561	(583,561)
Net Investment Income	-	2,827,910	(2,827,910)
Benefit Payments, including Refunds of Employee Contributions	(2,991,521)	(2,991,521)	-
Administrative Expense	-	(50,476)	50,476
Net Changes	2,405,339	2,404,379	960
Balances at December 31, 2016	77,782,977	54,554,946	23,228,031

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, 2016, the Village recognized pension expense of $7,468,640. At December 31, 2016, 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	$ 1,174,979	-	1,174,979
Change in Assumptions	-	(2,512,332)	(2,512,332)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	807,807	-	807,807
Total Deferred Amounts Related to Firefighters' Pension	1,982,786	(2,512,332)	(529,546)

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
2017	$ (38,044)
2018	(38,044)
2019	(38,044)
2020	(38,044)
2021	(38,042)
Thereafter	(339,328)
Total	(529,546)

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

Plan Descriptions, Provisions, and Funding Policies

In addition to providing the pension benefits described, the Village provides post-employment health care insurance benefits (OPEB) for its eligible retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Village and can be amended by the Village through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the Village's General Fund.

The Village provides post-employment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the Village's retirement plans. Elected officials are eligible for benefits if they qualify for retirement through the Illinois Municipal Retirement Fund.

All health care benefits are provided through the Village's health insurance plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; vision care; dental care; and prescriptions. Upon a retiree reaching 65 years of age, Medicare becomes the primary insurer and the Village's plan becomes secondary.

All retirees contribute 100% of the actuarially determined premium to the plan. For the fiscal year ending December 31, 2016, retirees contributed $557,751. Active employees do not contribute to the plan until retirement.

At December 31, 2016, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	67
Active Employees	208
Total	275
Participating Employers	1

The Village does not currently have a funding policy.

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation (NOPEBO) as of December 31, 2016, was calculated as follows:

Annual Required Contribution	$ 553,032
Interest on the NOPEBO	93,693
Adjustment to the ARC	(78,078)
Annual OPEB Cost	568,647
Actual Contribution	437,699
Increase in the NOPEBO	130,948
NOPEBO - Beginning	2,342,355
NOPEBO - Ending	2,473,303

Trend Information

The Village's annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed and the net OPEB obligation are as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	$ 1,138,249	$ 414,941	36.45 %	$ 2,195,987
2015	546,402	400,034	73.21	2,342,355
2016	568,647	437,699	76.97	2,473,303

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2015, the date of the most current valuation, was as follows:

Actuarial Accrued Liability (AAL)	$ 9,759,171
Actuarial Value of Plan Assets	$ -
Unfunded Actuarial Accrued Liability (UAAL)	$ 9,759,171
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	$ 20,724,663
UAAL as a Percentage of Covered Payroll	47.09%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return and an annual healthcare cost trend rate of 3.50%, with an ultimate rate of 5.50%. Both rates include a 4.00% inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a percent of pay on an open basis. The remaining amortization period at December 31, 2016, was 30 years.