

## **INDEPENDENT AUDITORS' REPORT**

This section includes the opinion of the Village's independent auditing firm.



## **INDEPENDENT AUDITORS' REPORT**

May 3, 2017

The Honorable Village President  
Members of the Board of Trustees  
Village of Lombard, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lombard, Illinois, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lombard Public Facilities Corporation, the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lombard Public Facilities Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lombard, Illinois, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents and budgetary information reported in the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lombard, Illinois' basic financial statements. The introductory section, combining and individual fund financial statements and budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Matters – Continued**

*Other Information – Continued*

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2017, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

  
LAUTERBACH & AMEN, LLP

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **VILLAGE OF LOMBARD, ILLINOIS**

## **Management's Discussion and Analysis December 31, 2016**

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Our discussion and analysis of the Village of Lombard's financial performance provides an overview of the Village's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the transmittal letter beginning on page iii and the Village of Lombard's financial statements, which begin on page 4. A comparative analysis of government-wide data has been presented. Please note throughout the MD&A, amounts are rounded to nearest 100,000.

### **FINANCIAL HIGHLIGHTS**

- The Village of Lombard's net position totals \$142.0 million. Net position for governmental activities account for \$57.4 million or 40.4% of the total and business-type activities account for \$84.6 million or 59.6%.
- During the year, expenses were \$81.8 million on a government-wide basis as compared to \$78.0 million in revenue. Governmental activities accounted for \$64.5 million or 78.9% of total expenses with business-type activities accounting for \$17.2 million or 21.1%.
- Expenses for governmental activities exceeded revenues by \$8.5 million and business-type activities revenues exceeded expenses by \$4.8 million.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 4-7) provide information about the activities of the Village of Lombard as a whole and present a longer-term view of the Village of Lombard's finances. Fund financial statements begin on page 8. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village of Lombard's operation in more detail than the government-wide statements by providing information about the Village of Lombard's most significant funds. The remaining statements provide financial information about activities for which the Village of Lombard acts solely as a trustee or agent for the benefit of those outside of the government.

### **Government-Wide Financial Statements**

The government-wide financial statements provide readers with a broad overview of the Village of Lombard's finances, in a matter similar to a private-sector business. The government-wide financial statements can be found on pages 4-7 of this report.

# VILLAGE OF LOMBARD, ILLINOIS

## Management's Discussion and Analysis

December 31, 2016

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### USING THIS ANNUAL REPORT – Continued

#### Government-Wide Financial Statements – Continued

The Statement of Net Position reports information on all of the Village of Lombard's assets/deferred outflows and liabilities/deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village of Lombard is improving or deteriorating. Consideration of other nonfinancial factors, such as changes in the Village of Lombard's property tax base and the condition of the Village of Lombard's roads, is needed to assess the overall health of the Village of Lombard.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village of Lombard that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village of Lombard include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the Village of Lombard include waterworks and sewerage and parking operations.

The Village of Lombard includes four separate legal entities in its report, the Village of Lombard, the Village of Lombard Police Pension Employees Retirement System, the Firefighters' Pension Employees Retirement System and the Lombard Public Facilities Corporation. The Village of Lombard Police Pension Employees Retirement System and the Firefighters' Pension Employees Retirement System are considered "blended component units". The Lombard Public Facilities Corporation is considered a "discretely presented component unit". Although legally separate, these "component units" are important because the Village of Lombard is financially accountable for them, subject to certain conditions. Financial information for the component units is reported separately from the financial information presented for the primary government itself.

The Lombard Public Facilities Corporation, an Illinois not-for-profit corporation, was 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.

# VILLAGE OF LOMBARD, ILLINOIS

## Management's Discussion and Analysis December 31, 2016

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### USING THIS ANNUAL REPORT – Continued

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Lombard, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Lombard can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Village of Lombard's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Village of Lombard maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and the Capital Projects Fund, all of which are considered major funds.

The Village of Lombard adopts an annual appropriated budget for all of the governmental funds. A budgetary comparison schedule for these funds has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 8-11 of this report.

#### **Proprietary Funds**

The Village of Lombard maintains two different types of proprietary funds, enterprise and internal service. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village of Lombard utilizes enterprise funds to account for its waterworks and sewerage, and parking operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Village of Lombard's various functions.

# **VILLAGE OF LOMBARD, ILLINOIS**

## **Management's Discussion and Analysis December 31, 2016**

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### **USING THIS ANNUAL REPORT – Continued**

#### **Fund Financial Statements – Continued**

##### **Proprietary Funds – Continued**

The Village of Lombard uses internal service funds to account for its fleet of vehicles and equipment. Since this service predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Waterworks and Sewerage Fund and for the Parking Fund, both of which are considered to be major funds of the Village of Lombard. The internal service fund is aggregated into the presentation in the proprietary fund financial statements. Individual fund data for the Fleet Services internal service fund is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 12-15 of this report.

##### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village of Lombard's own programs. The accounting use for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 16-17 of this report.

##### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-73 of this report.

##### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village of Lombard's Illinois Municipal Retirement Fund (IMRF), police, and firefighters' employee pension obligations and the Village's other postemployment benefit obligation. Required supplementary information can be found on pages 74-83 of this report. Combining and individual fund statements and schedules can be found on pages 84-149 of this report.

# VILLAGE OF LOMBARD, ILLINOIS

## Management's Discussion and Analysis December 31, 2016

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The Village of Lombard retains a positive net position for both governmental and business-type activities. The following table reflects the condensed Statement of Net Position compared to the prior year.

	Net Position (in Millions)					
	Governmental Activities		Business-Type Activities		Total	
	Dec-16	Dec-15	Dec-16	Dec-15	Dec-16	Dec-15
Current and Other Assets	\$ 49.0	45.6	36.0	33.1	84.9	78.7
Capital Assets	97.7	95.6	64.1	55.8	161.8	151.4
Deferred Outflows	5.9	21.8	1.0	-	6.9	21.8
Total Assets/Deferred Outflows	152.6	163.0	101.1	88.9	253.6	251.9
Long-Term Debt Outstanding	5.2	5.6	5.9	4.1	11.1	9.7
Other Liabilities	74.9	81.6	10.5	5.0	85.4	86.7
Deferred Inflows	15.0	9.8	0.1	-	15.1	9.8
Total Liabilities/Deferred Inflows	95.2	97.0	16.4	9.1	111.6	106.1
Net Position						
Net Investment in Capital Assets	95.1	91.6	55.2	50.5	150.3	142.2
Restricted	8.8	7.9	-	-	8.8	7.9
Unrestricted	(46.5)	(33.6)	29.5	29.3	(17.0)	(4.3)
Total Net Position	\$ 57.4	65.9	84.6	79.9	142.0	145.8

**Current Year Impacts on Net Position.** The Village's total net position decrease from \$145.8 million to \$142.0 million was the result of the governmental activities net position decreasing by \$8.5 million and business-type activities increasing by \$4.8 million. The governmental activities assets/deferred outflows decreased \$10.4 million while governmental activities total liabilities/deferred inflows decreased \$1.9 million. The decrease in governmental activities liabilities is due to changes in the Village's net pension liabilities and related deferred items. The total decrease in net pension liabilities compared to FYE 2015 is \$5.5 million. Prior to FYE 2015, the Village was required to report its pension obligations as required supplementary information.

Total assets/deferred outflows of business-type activities increased 12.1 million. The increase is primarily due to the Illinois Environmental Protection Agency (IEPA) loan proceeds received for Roosevelt Road Phase 1 and Transmission Main.

Of the Village of Lombard's total net position at December 31, 2016 of \$142.0 million, the unrestricted net position decreased \$12.7 million due primarily to the addition of the net pension liabilities to the Village's basic financial statements. The unrestricted business-type activities totaled \$29.5 million and is mainly due to the Village's investment in the Glenbard Wastewater

# VILLAGE OF LOMBARD, ILLINOIS

## Management's Discussion and Analysis December 31, 2016

Authority, a joint action agency with the Village of Glen Ellyn, Illinois to provide wastewater treatment to the two communities. Another \$150.3 million, reflects the Village's investment in capital assets (for example, land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village of Lombard uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village of Lombard's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining \$8.8 million of the Village of Lombard's net position represents resources that are subject to external restrictions on how they may be used.

The following table provides a summary of the Statement of Activities on page 6.

### Changes in Net Position (In Millions)

	Governmental Activities		Business-Type Activities		Total	
	Dec-16	Dec-15	Dec-16	Dec-15	Dec-16	Dec-15
Revenues						
Program Revenues						
Charges for Services	\$ 6.0	6.1	16.5	15.0	22.5	21.1
Operating Grants/Contributions	0.2	0.2	-	-	0.2	0.2
Capital Grants/Contributions	7.6	3.0	0.1	0.2	7.7	3.2
General Revenues						
Taxes	40.0	39.7	4.4	5.1	44.5	44.8
Interest Income	0.2	0.3	0.1	0.1	0.3	0.4
Miscellaneous	1.3	0.4	1.5	1.7	2.8	2.1
Total Revenues	55.5	49.8	22.6	22.1	78.0	71.9
Expenses						
General Government	7.7	10.0	-	-	7.7	10.0
Public Safety	43.0	33.8	-	-	43.0	33.8
Physical Environment	1.6	1.5	-	-	1.6	1.5
Public Works	12.1	11.5	-	-	12.1	11.5
Interest on Long-Term Debt	0.1	0.1	-	-	0.1	0.1
Waterworks and Sewerage	-	-	17.2	23.1	17.2	23.1
Parking	-	-	0.1	0.1	0.1	0.1
Total Expenses	64.5	56.9	17.2	23.2	81.8	80.1
Increase (Decrease) in Net Position Before Transfers	(9.1)	(7.1)	5.3	(1.1)	(3.7)	(8.2)
Transfers	0.5	0.6	(0.5)	(0.6)	-	-
Change in Net Position	(8.5)	(6.6)	4.8	(1.7)	(3.7)	(8.3)
Net Position - Beginning	65.9	72.5	79.9	81.5	145.8	189.6
Net Position - Ending	\$ 57.4	65.9	84.6	79.9	142.0	145.8

# VILLAGE OF LOMBARD, ILLINOIS

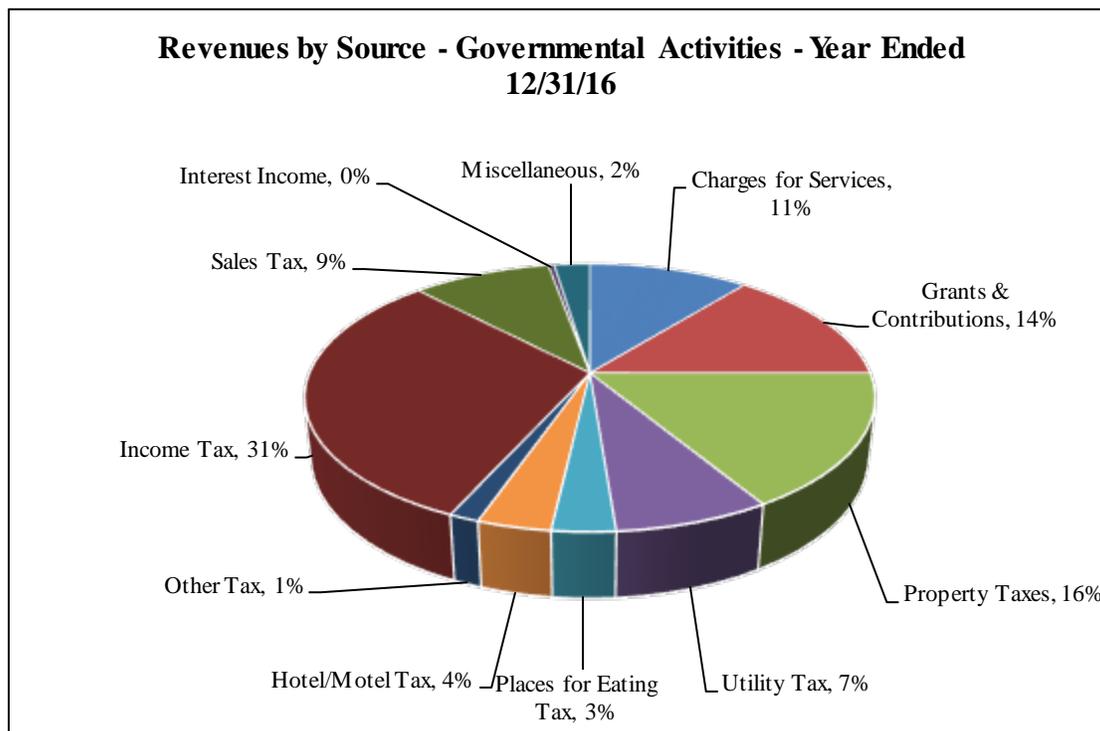
## Management's Discussion and Analysis December 31, 2016

### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

#### Governmental Activities

As shown in the Changes in Net Position table on the previous page, revenues for governmental activities in the fiscal year ended December 31, 2016 totaled \$55.5 million or 71.1% of the total revenues received. In the fiscal year ended December 31, 2015, revenues for governmental activities totaled \$49.8 million or 69.3% of the total revenues received during that period. The increase is primarily due to the capital contribution recognized for the construction of the Great Western Trail Bridge.

The following pie chart graphically depicts the major revenue sources of the Village of Lombard. It illustrates very clearly the reliance on sales and property taxes to fund governmental activities.

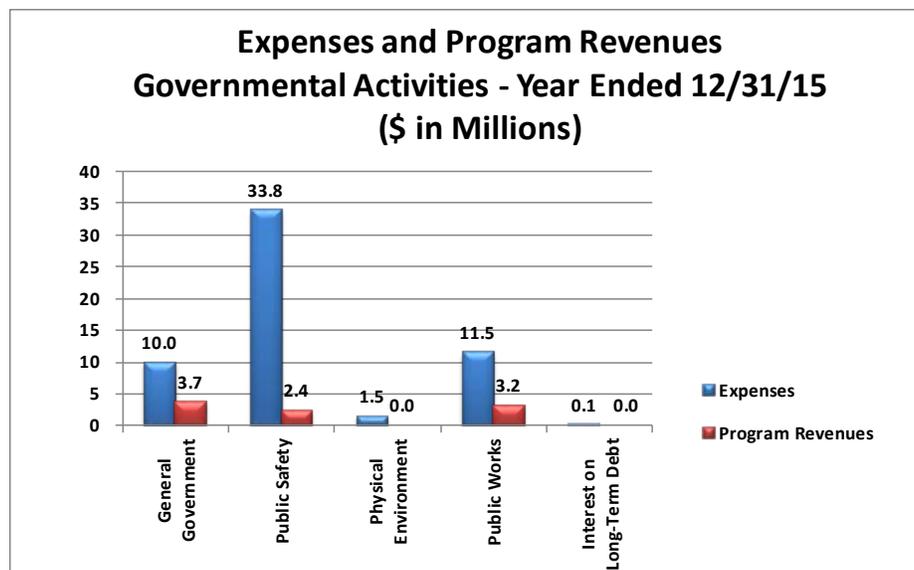
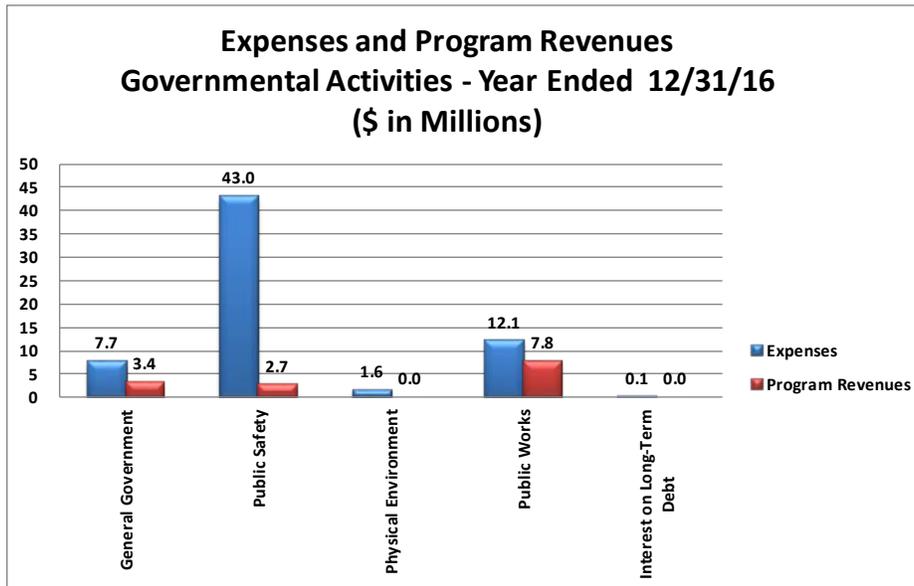


# VILLAGE OF LOMBARD, ILLINOIS

## Management's Discussion and Analysis December 31, 2016

### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

#### Governmental Activities – Continued



The 'Expenses and Program Revenues' Table identifies those governmental functions where program expenses greatly exceed revenues. Most program expenses are supported by general revenues of the Village and are not specifically allocated to a particular program. Fees for licenses, permits and other expenses for which there is a direct relationship between the cost of providing service and amount charged is reviewed on an annual basis as part of the annual budget process. The addition of the recording of the change in net position liability for pension funds resulted in most of the increase in public safety expenses for the year.

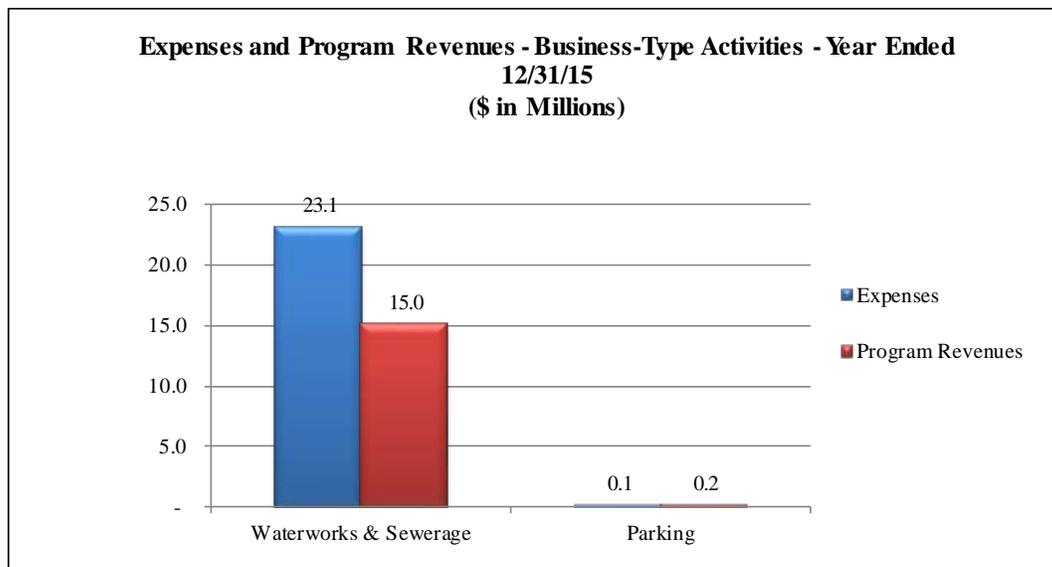
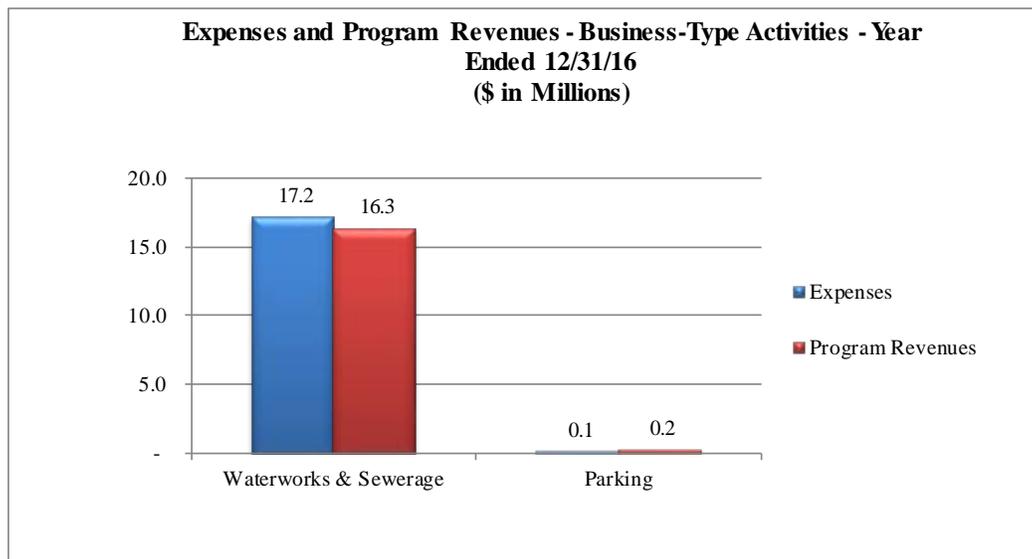
# VILLAGE OF LOMBARD, ILLINOIS

## Management's Discussion and Analysis December 31, 2016

### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

#### Business-Type Activities

Program revenues of the Village's business-type activities in the fiscal year ended December 31, 2016 were \$16.5 million while expenses totaled \$17.2 million. Program revenues of the business-type activities in the fiscal year ended December 31, 2015 were \$15.2 million while expenses totaled \$23.2 million.



The above graphs compare program revenues to expenses for waterworks and sewerage operations, and parking operations for the fiscal year ended December 31, 2016 and the fiscal year ended December 31, 2015.

# VILLAGE OF LOMBARD, ILLINOIS

## Management's Discussion and Analysis December 31, 2016

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### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Village of Lombard uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Funds

The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. As of the end of the current fiscal year, the major governmental funds reported combined ending fund balances of \$30.2 million. The following table provides information on the major funds: General, Capital Projects and Debt Service. Additional information is provided on page 50 of this report.

<b>Major Governmental Funds</b>				
<b>Fund Balance Analysis</b>				
<b>Major Governmental Funds</b>	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>	<b>% Chg</b>
<b>Nonspendable Fund Balance:</b>				
General Fund	\$ 1,565,759	857,860	707,899	82.5%
<b>Restricted Fund Balance:</b>				
General Fund	\$ 3,806,465	3,972,654	(166,189)	-4.2%
Capital Projects Fund	4,796,242	3,903,581	892,661	22.9%
Debt Service Fund	213,101	97,044	116,057	119.6%
<b>Committed Fund Balance:</b>				
General Fund	\$ 7,337,681	7,811,170	(473,489)	-6.1%
Capital Projects Fund	1,119,423	-	1,119,423	NA
<b>Assigned Fund Balance:</b>				
Capital Projects Fund	\$ 4,859,378	3,059,395	1,799,983	58.8%
<b>Unassigned Fund Balance:</b>				
General Fund	\$ 6,508,942	6,387,092	121,850	1.9%
Total	<u>\$ 30,206,991</u>	<u>26,088,796</u>	<u>4,118,195</u>	<u>15.8%</u>

- The Village maintains General Fund Balance restrictions for special revenues totaling \$3.8 million. The largest restriction maintained in the General Fund is for Liability Insurance and totaled \$1.6 million at year-end which decreased \$241,703 compared to FYE 2015. The Village also maintains restrictions for the Illinois Municipal Retirement Fund, Public Safety, Recycling and Hotel/Motel tax accounts and other smaller accounts for which the balances are restricted for specific purposes.
- The Village maintains a committed portion of General Fund balance for the future replacement of computer hardware and software and other technology in the Village.

# VILLAGE OF LOMBARD, ILLINOIS

## Management's Discussion and Analysis December 31, 2016

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### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – Continued

#### Governmental Funds – Continued

- The Village Board approved a year-end General Fund Reserve Maintenance Policy in 2016. Prior to this policy the Village maintained a General Fund committed account for Utility Tax. The balance of \$5,276,282 in the committed account for Utility Tax was split into four new committed accounts (Emergency Reserve, Revenue Stabilization Reserve, Pension Reserve, and Building Reserve) according to the reserve policy. Note the Building account is in the Capital Projects Fund.
- The Debt Service Fund is also reported as a major fund and is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest for the Village's governmental funds. For the fiscal year ended December 31, 2016, the Village reported an increase in the Debt Service fund balance of \$116,057, resulting in ending fund balance of \$213,101 which is restricted for future debt service costs. The increase in fund balance is due to an increase in the property tax levy revenue allocation.
- The Capital Projects Fund, also a major fund of the Village, is used to account for resources used for the acquisition of capital assets by the Village, except those financed by proprietary funds, including general and infrastructure capital assets. For the year ended December 31, 2016, the Capital Projects Fund reported an increase in fund balance of \$3.8 million. As noted above, the new Building account was established and \$1.1 million was move to the Capital Projects Fund from the General Fund. The additional, increase is largely just a timing issue related to capital projects. There are certain years where less capital projects are done and other years where more capital projects are done.

#### Proprietary Funds

The Village of Lombard's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Village reports the Waterworks and Sewerage Fund as a major proprietary fund. This fund accounts for all of the operations of the municipal water and sewer system. Water is purchased from the City of Chicago (through the DuPage Water Commission) at a rate of \$4.80 per thousand gallons. Water is sold to all municipal customers at a rate of \$7.44 per thousand gallons. The spread between purchase and sale rates is intended to finance the operations of the waterworks and sewerage system, including labor costs, supplies, and infrastructure maintenance.

The Village intends to run the fund at a breakeven rate. Periodically, there will be an annual surplus or draw down due to timing of capital projects. The surplus in the Proprietary Funds during the current fiscal year was \$4.8 million. This money has been designated by the Village for future rate stabilization or capital improvements.

# VILLAGE OF LOMBARD, ILLINOIS

## Management's Discussion and Analysis December 31, 2016

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### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The Village of Lombard's investment in capital assets for its governmental and business-type activities as of December 31, 2016, was \$161.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, vehicles, machinery and equipment, roads, sidewalks, and bridges and utility infrastructure. The total increase in the Village of Lombard investment in capital assets for the current fiscal year was \$15.5 million over the prior fiscal year due mainly to completed infrastructure projects including the Great Western Trail Bridge.

#### Capital Assets - Net of Depreciation (in Millions)

	Governmental Activities		Business-Type Activities		Total	
	Dec-16	Dec-15	Dec-16	Dec-15	Dec-16	Dec-15
Land	\$ 31.0	31.0	2.4	2.4	33.5	33.5
Construction in Progress	2.2	8.1	12.6	7.4	14.8	15.5
Land Improvements	1.3	1.4	-	0.0	1.3	1.4
Buildings	3.5	3.8	1.0	1.1	4.6	4.9
Vehicles and Equipment	4.8	3.8	-	0.0	4.8	3.9
Water and Sewerage Infrastructure	-	-	48.0	44.8	48.0	44.8
Other Infrastructure	54.7	47.5	-	-	54.7	47.5
Total	97.7	95.6	64.1	55.8	161.8	151.4

The December 31, 2016 fiscal capital budget included \$22.2 million for capital projects, maintenance of infrastructure, and debt payments on prior year projects. Many of these projects are still in progress at December 31, 2016, which is reflected in the significant increase to construction in progress in business type activities above. In addition, as discussed earlier in the MD&A, the Village Roosevelt Road Phase 1 and Transmission Main projects funded with an IEPA loan in the amount of \$4 million in 2016 for water and sewer infrastructure improvements is shown under Construction in Progress. The Village also recognized Lombard Meadows 2, Circle Avenue, and Fairview Lift Station as completed in 2016. Additional information on the Village of Lombard's capital assets can be found in Note 3 on pages 42-43 of this report.

#### Debt Administration

At December 31, 2016, the Village of Lombard had total outstanding debt of \$11.5 million, as compared to \$10.9 million the previous year, an increase of 5.9%. At the end of fiscal year December 31, 2016, the Village's governmental activities had \$2.6 million in outstanding debt certificates as compared to \$3.9 million at the end of fiscal year December 31, 2015. The business-type activities outstanding debt certificates decreased from \$6.9 million at the end of fiscal year ended December 31, 2015 to \$4.9 million at the end of fiscal year ended December 31, 2016 and the Village also issued \$4.1 million in IEPA Loans.

## **VILLAGE OF LOMBARD, ILLINOIS**

### **Management's Discussion and Analysis December 31, 2016**

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#### **CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued**

##### **Debt Administration – Continued**

As a non-home rule community the Village of Lombard is required by state statute to seek voter approval to issue general obligation bonds. The Village has chosen to use alternative financing methods to fund the capital needs of the Village. Capital needs of the Village's water and sewer system are funded mainly through rates, non-home rule sales tax and water and sewer connection fees.

The Village's legal debt limit is \$119.9 million. The amount currently applicable to this limit is \$7.4 million, leaving a legal debt margin available of \$112.4 million. Specifics on the Village of Lombard long-term debt can be found in Note 3 on pages 44-48 of this report.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Village has adhered to prudent financial management practices that have enabled it to maintain and strengthen the Village's overall financial position while staying committed to funding the Village's long-term liabilities and achieving the goals and objectives of the Village Board.

The Village is subject to the property tax extension limitation law which limits the increase in the Village property tax extension to the increase in the consumer price index. For the 2015 levy collected in calendar year 2016, the increase was 0.8%. For the 2016 levy collected in 2017, the applicable CPI factor is 0.7%. For both the 2015 levy and the 2016 levy the Village has also seen an increase in new construction within the Village.

The Village's local economy continues to strengthen as new businesses have opened and development of vacant land continues. However, the Village continues to face substantial increases in pension costs, which includes IMRF, the police pension and the firefighters' pension. The increase is due to increase in salaries and the investment return was less than assumed. In addition, eight former police officers and firefighters are now receiving free health insurance from the Village under the Public Safety Employee Benefits Act (PSEBA), as mandated by the State of Illinois. Two additional disability applications are pending or expected that may also result in the awarding of PSEBA benefits.

The indicators discussed above were taken into account when adopting the General Fund budget for 2017. Amounts available for appropriation in the General Fund increased 1.9% or \$966,120 above the amended 2016 budget. The 2017 budget includes a 1% increase to the Places for Eating Tax which will provide approximately \$1.6 million in additional revenue.

The Village continues to invest in the replacement of its roads and related infrastructure using assigned and restricted funds as well as applying for grants and IEPA loans where possible. The Village also replaces when necessary aging watermain in conjunction with the road program. The overall financial health of the Water and Sewer Fund continues to be strong.

## **VILLAGE OF LOMBARD, ILLINOIS**

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#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Village of Lombard's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to Director of Finance, Village of Lombard, 255 E. Wilson Ave., Lombard, IL 60148.