

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, 2015

See Following Page

VILLAGE OF LOMBARD, ILLINOIS

**Statement of Net Position
December 31, 2015**

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Totals	Lombard Public Facilities Corporation
ASSETS				
Current Assets				
Cash and Investments	\$ 29,587,042	10,526,973	40,114,015	10,735,976
Receivables - Net of Allowances	15,132,023	3,102,990	18,235,013	1,868,701
Prepaid/Deposits	857,860	323,675	1,181,535	386,799
Total Current Assets	45,576,925	13,953,638	59,530,563	12,991,476
Noncurrent Assets				
Capital Assets				
Nondepreciable Capital Assets	39,096,123	9,876,848	48,972,971	7,903,588
Depreciable Capital Assets	137,870,932	84,818,366	222,689,298	136,493,938
Accumulated Depreciation	(81,397,729)	(38,875,863)	(120,273,592)	(39,648,445)
	95,569,326	55,819,351	151,388,677	104,749,081
Equity Interest in Joint Venture	-	19,162,412	19,162,412	-
Total Noncurrent Assets	95,569,326	74,981,763	170,551,089	104,749,081
Total Assets	141,146,251	88,935,401	230,081,652	117,740,557
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Items - IMRF	6,019,012	-	6,019,012	-
Deferred Items - Police Pension	8,355,530	-	8,355,530	-
Deferred Items - Firefighters' Pension	7,445,499	-	7,445,499	-
Total Deferred Outflows of Resources	21,820,041	-	21,820,041	-
Total Assets and Deferred Outflows of Resources	162,966,292	88,935,401	251,901,693	117,740,557

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	\$ 2,342,200	1,528,775	3,870,975	11,415,861
Accrued Payroll	546,528	95,028	641,556	-
Deposits Payable	664,605	274,426	939,031	-
Claims Payable	185,985	-	185,985	-
Interest Payable	47,992	52,586	100,578	5,765,700
Current Portion of Long-Term Debt	1,801,203	2,113,098	3,914,301	181,481,334
Total Current Liabilities	5,588,513	4,063,913	9,652,426	198,662,895
Noncurrent Liabilities				
Net Pension Liability - IMRF	12,565,788	-	12,565,788	-
Net Pension Liability - Police	39,113,492	-	39,113,492	-
Net Pension Liability - Fire	23,227,071	-	23,227,071	-
Compensated Absences Payable	1,803,213	161,994	1,965,207	-
Installment Contracts Payable	2,587,625	4,857,375	7,445,000	-
Net Other Postemployment Benefit Payable	2,342,355	-	2,342,355	-
Bonds Payable	-	-	-	26,087,219
Total Noncurrent Liabilities	81,639,544	5,019,369	86,658,913	26,087,219
Total Liabilities	87,228,057	9,083,282	96,311,339	224,750,114
DEFERRED INFLOWS OF RESOURCES				
Deferred Items - Police Pension	428,903	-	428,903	-
Deferred Items - Firefighters' Pension	507,365	-	507,365	-
Property Taxes	8,876,000	-	8,876,000	-
Total Deferred Inflows of Resources	9,812,268	-	9,812,268	-
Total Liabilities and Deferred Inflows of Resources	97,040,325	9,083,282	106,123,607	224,750,114
NET POSITION				
Net Investment in Capital Assets	91,631,301	50,519,132	142,150,433	(85,519,660)
Restricted - Liability Insurance	1,803,044	-	1,803,044	-
Restricted - IMRF/Social Security	586,442	-	586,442	-
Restricted - Special Service Area	27,945	-	27,945	-
Restricted - Hotel/Motel Taxes	1,113,744	-	1,113,744	-
Restricted - Grants/Donations	28,217	-	28,217	-
Restricted - Cable Equipment	56,688	-	56,688	-
Restricted - Recycling	121,287	-	121,287	-
Restricted - Public Safety	235,287	-	235,287	-
Restricted - Debt Service	49,052	-	49,052	-
Restricted - Capital Projects	3,903,581	-	3,903,581	-
Unrestricted	(33,630,621)	29,332,987	(4,297,634)	-
Unrestricted - Component Unit	-	-	-	(21,489,897)
Total Net Position	65,925,967	79,852,119	145,778,086	(107,009,557)

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, 2015**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
Governmental Activities				
General Government	\$ 9,954,809	3,728,640	-	-
Public Safety	33,846,421	2,369,503	77,047	-
Physical Environment	1,538,966	-	-	-
Public Works	11,461,604	-	155,819	3,042,778
Interest on Long-Term Debt	120,882	-	-	-
Total Governmental Activities	56,922,682	6,098,143	232,866	3,042,778
Business-Type Activities				
Waterworks and Sewerage	23,120,131	14,845,277	-	189,232
Parking	125,721	186,835	-	-
Total Business-Type Activities	23,245,852	15,032,112	-	189,232
Total Primary Government	80,168,534	21,130,255	232,866	3,232,010
Component Unit - Lombard Public Facilities Corporation	47,490,996	31,622,051	-	-

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

Change in Net Position

Net Position - Beginning as Restated

Net Position - Ending

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

Net (Expenses)/Revenues			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Totals	Lombard Public Facilities Corporation
(6,226,169)	-	(6,226,169)	-
(31,399,871)	-	(31,399,871)	-
(1,538,966)	-	(1,538,966)	-
(8,263,007)	-	(8,263,007)	-
(120,882)	-	(120,882)	-
(47,548,895)	-	(47,548,895)	-
-	(8,085,622)	(8,085,622)	-
-	61,114	61,114	-
-	(8,024,508)	(8,024,508)	-
(47,548,895)	(8,024,508)	(55,573,403)	-
-	-	-	(15,868,945)
8,963,744	-	8,963,744	-
4,227,330	-	4,227,330	-
1,687,638	-	1,687,638	-
2,009,401	-	2,009,401	-
818,553	-	818,553	-
16,366,591	5,062,424	21,429,015	-
5,668,814	-	5,668,814	-
324,455	146,984	471,439	81,533
355,529	1,731,085	2,086,614	565,968
575,832	(575,832)	-	-
40,997,887	6,364,661	47,362,548	647,501
(6,551,008)	(1,659,847)	(8,210,855)	(15,221,444)
72,476,975	81,511,966	153,988,941	(91,788,113)
65,925,967	79,852,119	145,778,086	(107,009,557)

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

VILLAGE OF LOMBARD, ILLINOIS

Balance Sheet - Governmental Funds

December 31, 2015

	General	Debt Service	Capital Projects	Totals
ASSETS				
Cash and Investments	\$ 15,947,479	96,684	6,680,342	22,724,505
Receivables - Net of Allowances				
Property Taxes	8,258,400	617,600	-	8,876,000
Other Taxes	3,901,898	-	1,298,324	5,200,222
Accounts	869,979	-	93,145	963,124
Accrued Interest	39,287	360	25,272	64,919
Prepays/Deposits	857,860	-	-	857,860
Total Assets	29,874,903	714,644	8,097,083	38,686,630
LIABILITIES				
Accounts Payable	1,211,991	-	1,126,178	2,338,169
Accrued Payroll	525,146	-	7,929	533,075
Deposits Payable	664,605	-	-	664,605
Claims Payable	185,985	-	-	185,985
Total Liabilities	2,587,727	-	1,134,107	3,721,834
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	8,258,400	617,600	-	8,876,000
Total Liabilities and Deferred Inflows of Resources	10,846,127	617,600	1,134,107	12,597,834
FUND BALANCE				
Nonspendable	857,860	-	-	857,860
Restricted	3,972,654	97,044	3,903,581	7,973,279
Committed	7,811,170	-	-	7,811,170
Assigned	-	-	3,059,395	3,059,395
Unassigned	6,387,092	-	-	6,387,092
Total Fund Balances	19,028,776	97,044	6,962,976	26,088,796
Total Liabilities, Deferred Inflows of Resources and Fund Balances	29,874,903	714,644	8,097,083	38,686,630

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, 2015

Total Governmental Fund Balances \$ 26,088,796

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

Capital assets used in governmental activities are not financial
resources and therefore, are not reported in the funds. 92,066,586

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

 Deferred Items - IMRF 6,019,012

 Deferred Items - Police Pension 7,926,627

 Deferred Items - Firefighters' Pension 6,938,134

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 10,312,659

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

 Debt Certificates Payable (3,938,025)

 Net Pension Liability - IMRF (12,565,788)

 Net Pension Liability - Police (39,113,492)

 Net Pension Liability - Fire (23,227,071)

 Compensated Absences Payable (2,191,124)

 Net Post-Employment Benefit Obligation (2,342,355)

 Accrued Interest Payable (47,992)

Net Position of Governmental Activities 65,925,967

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, 2015**

	General	Debt Service	Capital Projects	Totals
Revenues				
Taxes	\$ 13,889,720	627,951	7,504,143	22,021,814
Licenses and Permits	1,286,559	-	-	1,286,559
Intergovernmental	17,953,123	-	3,042,778	20,995,901
Charges for Services	3,960,748	-	-	3,960,748
Fines and Forfeits	850,836	-	-	850,836
Interest	143,584	1,662	86,514	231,760
Miscellaneous	264,810	-	90,719	355,529
Total Revenues	38,349,380	629,613	10,724,154	49,703,147
Expenditures				
Current				
General Government	7,661,812	-	-	7,661,812
Public Safety	25,444,257	-	-	25,444,257
Physical Environment	1,538,966	-	-	1,538,966
Public Works	4,044,581	-	-	4,044,581
Capital Outlay	-	-	8,487,921	8,487,921
Debt Service				
Principal Retirement	-	765,000	1,135,775	1,900,775
Interest and Fiscal Charges	-	75,650	72,252	147,902
Total Expenditures	38,689,616	840,650	9,695,948	49,226,214
Excess (Deficiency) of Revenues Over (Under) Expenditures	(340,236)	(211,037)	1,028,206	476,933
Other Financing Sources				
Transfers In	575,832	-	-	575,832
Net Change in Fund Balances	235,596	(211,037)	1,028,206	1,052,765
Fund Balances - Beginning	18,793,180	308,081	5,934,770	25,036,031
Fund Balances - Ending	19,028,776	97,044	6,962,976	26,088,796

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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 1,052,765
---	---------------------

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	3,804,502
Depreciation Expense	(3,097,172)
Disposals - Cost	(155,853)
Disposals - Accumulated Depreciation	104,478

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

Change in Deferred Items - IMRF	369,580
Change in Deferred Items - Police Pension	5,389,049
Change in Deferred Items - Firefighters' Pension	4,929,891

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.

Decreases to Compensated Absences Payable	120,350
Increases to Net Pension Liability - IMRF	(2,548,504)
Increases to Net Pension Liability - Police	(10,212,776)
Increases to Net Pension Liability - Fire	(8,309,654)
Increases to Net Post-Employment Benefit Obligation	(146,368)
Retirement of Debt	1,900,775

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.

27,020

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.

220,909

Changes in Net Position of Governmental Activities

(6,551,008)

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, 2015**

	Business-Type Activities - Enterprise			Governmental
	Waterworks and Sewerage	Nonmajor	Totals	Internal
		Parking System		Service Fleet Services
ASSETS				
Current Assets				
Cash and Investments	\$ 9,613,411	913,562	10,526,973	6,862,537
Receivables - Net of Allowances				
Accounts	2,736,952	-	2,736,952	2,479
Other Taxes	334,412	-	334,412	-
Accrued Interest	28,267	3,359	31,626	25,279
Prepays	323,675	-	323,675	-
Total Current Assets	<u>13,036,717</u>	<u>916,921</u>	<u>13,953,638</u>	<u>6,890,295</u>
Noncurrent Assets				
Capital Assets				
Nondepreciable Capital Assets	8,328,033	1,548,815	9,876,848	602,691
Depreciable Capital Assets	84,369,757	448,609	84,818,366	8,375,018
Accumulated Depreciation	(38,432,119)	(443,744)	(38,875,863)	(5,474,969)
	<u>54,265,671</u>	<u>1,553,680</u>	<u>55,819,351</u>	<u>3,502,740</u>
Equity Interest in Joint Venture	19,162,412	-	19,162,412	-
Total Noncurrent Assets	<u>73,428,083</u>	<u>1,553,680</u>	<u>74,981,763</u>	<u>3,502,740</u>
Total Assets	<u>86,464,800</u>	<u>2,470,601</u>	<u>88,935,401</u>	<u>10,393,035</u>

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

	Business-Type Activities - Enterprise			Governmental
	Waterworks and Sewerage	Nonmajor	Totals	Internal
		Parking System		Service Fleet Services
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 1,023,848	504,927	1,528,775	4,031
Accrued Payroll	93,927	1,101	95,028	13,453
Deposits Payable	273,906	520	274,426	-
Interest Payable	52,586	-	52,586	-
Compensated Absences	40,498	-	40,498	12,578
Installment Contracts Payable	2,072,600	-	2,072,600	-
Total Current Liabilities	3,557,365	506,548	4,063,913	30,062
Noncurrent Liabilities				
Compensated Absences	161,994	-	161,994	50,314
Installment Contracts Payable	4,857,375	-	4,857,375	-
Total Noncurrent Liabilities	5,019,369	-	5,019,369	50,314
Total Liabilities	8,576,734	506,548	9,083,282	80,376
NET POSITION				
Net Investment in Capital Assets	48,965,452	1,553,680	50,519,132	3,502,740
Unrestricted	28,922,614	410,373	29,332,987	6,809,919
Total Net Position	77,888,066	1,964,053	79,852,119	10,312,659

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, 2015**

	Business-Type Activities - Enterprise			Governmental Activities
	Waterworks and Sewerage	Nonmajor	Totals	Internal Service Fleet Services
		Parking System		
Operating Revenues				
Charges for Services	\$ 14,845,277	186,835	15,032,112	1,822,193
Operating Expenses				
Administration	1,184,241	-	1,184,241	-
Operations	10,611,860	120,857	10,732,717	1,322,157
Sewerage Treatment	3,987,108	-	3,987,108	-
Depreciation	1,995,478	4,864	2,000,342	615,706
Total Operating Expenses	17,778,687	125,721	17,904,408	1,937,863
Operating Income (Loss)	(2,933,410)	61,114	(2,872,296)	(115,670)
Nonoperating Revenues (Expenses)				
Sales Tax	5,062,424	-	5,062,424	-
Interest Income	130,429	16,555	146,984	92,695
Other Income	6,891	-	6,891	42,497
Connection Fees	1,724,194	-	1,724,194	-
Disposal of Capital Assets	(276,839)	-	(276,839)	201,387
Joint Venture Income	(4,889,347)	-	(4,889,347)	-
Interest Expense	(175,258)	-	(175,258)	-
	1,582,494	16,555	1,599,049	336,579
Income (Loss) Before Contributions and Transfers	(1,350,916)	77,669	(1,273,247)	220,909
Capital Contributions	189,232	-	189,232	-
Transfers Out	(572,112)	(3,720)	(575,832)	-
Change in Net Position	(1,733,796)	73,949	(1,659,847)	220,909
Net Position - Beginning	79,621,862	1,890,104	81,511,966	10,091,750
Net Position - Ending	77,888,066	1,964,053	79,852,119	10,312,659

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, 2015**

	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	\$ -	-	-	1,863,812
Receipts from Customers and Users	15,609,199	188,225	15,797,424	-
Payments to Employees	(2,118,974)	(26,305)	(2,145,279)	(278,130)
Payments to Suppliers	(14,222,498)	405,770	(13,816,728)	(1,000,923)
	<u>(732,273)</u>	<u>567,690</u>	<u>(164,583)</u>	<u>584,759</u>
Cash Flows from Noncapital Financing Activities				
Transfers Out	(572,112)	(3,720)	(575,832)	-
Sales Tax	5,062,424	-	5,062,424	-
Connection Fees	1,724,194	-	1,724,194	-
	<u>6,214,506</u>	<u>(3,720)</u>	<u>6,210,786</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(4,402,876)	(984,772)	(5,387,648)	(610,795)
Interest on Installment Contracts	(175,258)	-	(175,258)	-
Principal Paid on Installment Contracts	(1,972,225)	-	(1,972,225)	-
Disposal of Capital Assets	(276,839)	-	(276,839)	201,387
	<u>(6,827,198)</u>	<u>(984,772)</u>	<u>(7,811,970)</u>	<u>(409,408)</u>
Cash Flows from Investing Activities				
Interest Received	130,429	16,555	146,984	92,695
Net Change in Cash and Cash Equivalents	(1,214,536)	(404,247)	(1,618,783)	268,046
Cash and Cash Equivalents - Beginning of Year	10,827,947	1,317,809	12,145,756	6,594,491
Cash and Cash Equivalents - End of Year	<u>9,613,411</u>	<u>913,562</u>	<u>10,526,973</u>	<u>6,862,537</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	(2,933,410)	61,114	(2,872,296)	(115,670)
Adjustments to Reconcile Operating Income to Net Income to Net Cash				
Provided by (Used in) Operating Activities:				
Depreciation and Amortization Expense	1,995,478	4,864	2,000,342	615,706
Other Income (Loss)	6,891	-	6,891	42,497
(Increase) Decrease in Current Assets	757,031	1,390	758,421	(878)
Increase (Decrease) in Current Liabilities	(558,263)	500,322	(57,941)	43,104
Net Cash Provided by Operating Activities	<u>(732,273)</u>	<u>567,690</u>	<u>(164,583)</u>	<u>584,759</u>
Noncash Investing and Financing Activities				
Capital Contributions	189,232	-	189,232	-

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

VILLAGE OF LOMBARD, ILLINOIS

Statement of Fiduciary Net Position

December 31, 2015

	Pension Trust	Agency
ASSETS		
Cash and Cash Equivalents	\$ 3,562,235	734,557
Investments		
Local Government Obligations	7,294,416	-
U.S. Government and Agency Obligations	35,432,965	-
Corporate Bonds	9,836,858	-
Stock Equities	2,891,762	-
Mutual Funds	49,100,714	-
Illinois Metropolitan Investment Funds	1,912,227	-
Illinois Funds	84,765	-
Receivables		
Accounts	-	2,073
Accrued Interest	432,295	-
Prepays	<u>13,447</u>	<u>-</u>
Total Assets	<u>110,561,684</u>	<u>736,630</u>
LIABILITIES		
Accounts Payable	38,971	-
Due to Bondholders	<u>-</u>	<u>736,630</u>
Total Liabilities	<u>38,971</u>	<u>736,630</u>
NET POSITION		
Net Position Restricted for Pensions	<u>110,522,713</u>	

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

VILLAGE OF LOMBARD, ILLINOIS

**Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2015**

	<u>Pension Trust</u>
Additions	
Contributions - Employer	\$ 4,545,822
Contributions - Plan Members	<u>1,217,285</u>
Total Contributions	<u>5,763,107</u>
Investment Income	
Interest Earned	4,319,265
Net Change in Fair Value	<u>(3,292,490)</u>
	1,026,775
Less Investment Expenses	<u>(208,359)</u>
Net Investment Income	<u>818,416</u>
Total Additions	<u>6,581,523</u>
Deductions	
Administration	87,728
Benefits and Refunds	<u>6,379,423</u>
Total Deductions	<u>6,467,151</u>
Change in Fiduciary Net Position	114,372
Net Position Restricted for Pensions	
Beginning	<u>110,408,341</u>
Ending	<u><u>110,522,713</u></u>

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

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

The Village's financial reporting entity comprises the following:

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

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

Police Pension Employees Retirement System

The Village's sworn police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's President, one elected pension beneficiary and two elected police employees constitute the pension board. The participants are required to contribute a percentage of salary as established by state statute and the Village is obligated to fund all remaining PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it is legally separate from the Village, the PPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the Village's police employees. The PPERS is reported as a fiduciary fund, and specifically a pension trust fund, due to the fiduciary responsibility exercised over the PPERS.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

REPORTING ENTITY – Continued

Firefighters' Pension Employees Retirement System

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

Discretely Presented Component Unit

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

Lombard Public Facilities Corporation

The Lombard Public Facilities Corporation (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. Separate audited financial statements as of December 31, 2014 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, 2014 is the most recent audited financial statements available.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

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.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements

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

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

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

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

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

Governmental Funds

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

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

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

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

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

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

Proprietary Funds

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

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

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

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Fiduciary Funds

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

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

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements

December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Measurement Focus – Continued

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

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

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

Basis of Accounting

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

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

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

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

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 reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

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.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements

December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Receivables

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

Prepays/Deposits

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$50,000 to \$200,000 or more 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.

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.

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Capital Assets – Continued

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 or 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.

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.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements

December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Long-Term Obligations – Continued

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

Net Position

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

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

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

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

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

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 \$107,009,557.

NOTE 3 – DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

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

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

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

The deposits and investments of the Pension Funds are held separately from those of other Village funds. Statutes authorize the Pension Fund to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit unions, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois bonds; pooled accounts managed by the Illinois Funds Market Fund (Formerly known as IPTIP, Illinois Public Treasurer's Investment Pool), or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois; direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the Federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies; and separate accounts of life insurance companies and mutual funds, the mutual funds must meet specific restrictions, provided the investment in separate accounts and mutual funds does not exceed ten percent of the Pension Fund's plan net position; and corporate bonds managed through an investment advisor, rated as investment grade by one of the two largest rating services at the time of purchase. Pension Funds with plan net position of \$2.5 million or more may invest up to forty-five percent of plan net position in separate accounts of life insurance companies and mutual funds. Pension Funds with plan net position of at least \$5 million that have appointed an investment advisor, may through that investment advisor invest up to forty-five percent of the plan net position in common and preferred stocks that meet specific restrictions. In addition, Pension Funds with plan net position of at least \$10 million that have appointed an investment advisor, may invest up to fifty percent of its net position in common and preferred stocks and mutual funds that meet specific restrictions effective July 1, 2011 and up to fifty-five percent effective July 1, 2012.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

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 \$16,756,076 and the bank balances totaled \$16,841,189.

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
U.S. Agencies	\$ 119,094	-	119,094	-	-
Illinois Metropolitan Investment Fund	11,254,104	11,254,104	-	-	-
Illinois Funds	5,656,832	5,656,832	-	-	-
Municipal Bonds	6,327,909	1,431,240	4,896,669	-	-
	<u>23,357,939</u>	<u>18,342,176</u>	<u>5,015,763</u>	<u>-</u>	<u>-</u>

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 U.S. Government Agencies are all rated AAA 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.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

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

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 investments in U.S. Government Agencies are all insured or registered with the Village or its agent in the Village’s name and 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.

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 has over 5 percent of the total cash and investment portfolio (other than U.S. Government guaranteed obligations) invested in the Illinois Funds and the Illinois Metropolitan Investment Fund.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

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

Deposits. At year-end, the carrying amount of the Fund's deposits totaled \$406,151 and the bank balances totaled \$424,348.

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	\$ 4,563,520	-	1,490,750	3,072,770	-
U.S. Agencies	21,180,925	1,064,619	4,665,351	13,303,343	2,147,612
Local Government Obligations	4,594,776	101,480	1,831,562	1,838,225	823,509
Illinois Metropolitan Investment Fund	1,078,960	1,078,960	-	-	-
Illinois Funds	30,183	30,183	-	-	-
	<u>31,448,364</u>	<u>2,275,242</u>	<u>7,987,663</u>	<u>18,214,338</u>	<u>2,971,121</u>

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 all rated AAA by Standard & Poor's. The Fund's investment in the Illinois Funds was rated AAAM by Standard & Poor's. The Illinois Metropolitan Investment Trust Convenience Fund is not rated and the Illinois Metropolitan Investment Trust 1-3 Year Fund is rated Aaa by Moody's.

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

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 noncategorizable.

Concentration Risk. The Fund’s investment policy in accordance with Illinois Compiled Statutes (ILCS) establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	50% - 60%	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 55%. Securities in any one company should not exceed 5% of the total fund.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

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

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

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

At year-end, the Fund is in compliance with the guideline outlined above. In addition to the securities and fair values previously listed, the Fund also has \$26,351,497 invested in mutual funds. At year-end, the Fund has over 5 percent of net position available for retirement benefits (other than U.S. Government guaranteed obligations) invested in Vanguard 500 Index Mutual Funds of \$6,163,224, Pioneer Equity Income of \$2,918,455 and T. Rowe Price Growth Mutual Funds of \$6,090,723.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

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, 2015 are listed in the table above.

Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.38%. 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 \$3,156,084 and the bank balances totaled \$3,168,442.

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	\$ 605,901	453,957	151,944	-	-
U.S. Agencies	9,082,619	1,215,389	5,075,300	2,539,002	252,928
Local Government Obligations	2,699,640	132,069	974,262	1,593,309	-
Corporate Bonds	9,836,858	718,383	4,940,195	4,178,280	-
Illinois Metropolitan Investment Fund	833,267	833,267	-	-	-
Illinois Funds	54,582	54,582	-	-	-
	<u>23,112,867</u>	<u>3,407,647</u>	<u>11,141,701</u>	<u>8,310,591</u>	<u>252,928</u>

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

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

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 all rated AAA rated by Standard & Poor's. 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 noncategorizable.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

Concentration Risk. The Fund's investment policy in accordance with Illinois Compiled Statutes (ILCS) establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	7.5% - 40%	1.8% - 7.7%
Domestic Equities	10% - 55%	5.0% - 9.8%
International Equities	15%	4.1% - 5.3%
Cash and Cash Equivalents	0%	0.0%

Illinois Compiled Statutes (ILCS) limit the Fund's investments in equities, mutual funds and variable annuities to 55%. 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, 2015 are listed in the table above.

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

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

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

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

At year-end, the Fund is in compliance with the guideline outlined above. In addition to the securities and fair values previously listed, the Fund also has \$22,749,217 invested in mutual funds and \$2,891,762 invested in stock equities. At year-end, the Fund has over 5 percent of net position available for retirement benefits (other than U.S. Government guaranteed obligations) invested in American Beacon Mutual Funds of \$5,843,377 and Fidelity Advisor Mutual Funds of \$4,213,504.

Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.11%. 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.

VILLAGE OF LOMBARD, ILLINOIS**Notes to the Financial Statements
December 31, 2015****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	5,955,761	3,305,301	1,191,790	8,069,272
	<u>36,982,612</u>	<u>3,305,301</u>	<u>1,191,790</u>	<u>39,096,123</u>
Other Capital Assets				
Land Improvements	1,760,158	-	-	1,760,158
Buildings	7,448,630	344,562	-	7,793,192
Vehicles and Equipment	10,356,533	610,795	166,777	10,800,551
Other Infrastructure	116,326,455	1,346,429	155,853	117,517,031
	<u>135,891,776</u>	<u>2,301,786</u>	<u>322,630</u>	<u>137,870,932</u>
Less Accumulated Depreciation				
Land Improvements	366,169	22,197	-	388,366
Buildings	3,778,086	238,343	-	4,016,429
Vehicles and Equipment	6,349,421	770,108	166,777	6,952,752
Other Infrastructure	67,462,430	2,682,230	104,478	70,040,182
	<u>77,956,106</u>	<u>3,712,878</u>	<u>271,255</u>	<u>81,397,729</u>
Total Other Capital Assets	<u>57,935,670</u>	<u>(1,411,092)</u>	<u>51,375</u>	<u>56,473,203</u>
Total Capital Assets	<u>94,918,282</u>	<u>1,894,209</u>	<u>1,243,165</u>	<u>95,569,326</u>

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS – Continued

Governmental Activities – Continued

Depreciation expense was charged to governmental activities as follows:

General Government	\$	216,269
Public Safety		198,674
Public Works		<u>2,682,229</u>
		3,097,172
Internal Services		<u>615,706</u>
		<u><u>3,712,878</u></u>

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

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	\$ 2,826,540	-	398,281	2,428,259
Construction in Progress	5,012,270	2,436,319	-	7,448,589
	<u>7,838,810</u>	<u>2,436,319</u>	<u>398,281</u>	<u>9,876,848</u>
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	77,480,949	3,538,842	-	81,019,791
	<u>81,279,524</u>	<u>3,538,842</u>	<u>-</u>	<u>84,818,366</u>

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS – Continued

Business-Type Activities – Continued

	Beginning Balances	Increases	Decreases	Ending Balances
Less Accumulated Depreciation				
Land Improvements	\$ 438,880	4,864	-	443,744
Buildings	1,898,453	57,664	-	1,956,117
Vehicles and Equipment	293,739	-	-	293,739
Water and Sewerage Infrastructure	34,244,449	1,937,814	-	36,182,263
	<u>36,875,521</u>	<u>2,000,342</u>	<u>-</u>	<u>38,875,863</u>
 Total Other Capital Assets	 44,404,003	 1,538,500	 -	 45,942,503
 Total Capital Assets	 <u>52,242,813</u>	 <u>3,974,819</u>	 <u>398,281</u>	 <u>55,819,351</u>

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

Waterworks and Sewerage	\$ 1,995,478
Parking	<u>4,864</u>
	<u><u>2,000,342</u></u>

INTERFUND TRANSFERS

Interfund transfers for the year consisted of the following:

	<u>Transfers In</u>
	<u>General</u>
 Transfers Out	
Waterworks and Sewerage	\$ 572,112
Nonmajor Business-Type	<u>3,720</u>
	<u><u>575,832</u></u>

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

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

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 2007, due in annual installments of \$275,000 to \$370,000 through January 1, 2015, plus interest at 4.00% to 5.00%	Waterworks and Sewerage	\$ 130,000	-	130,000	-
	Capital Projects	240,000	-	240,000	-
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	1,155,000	-	315,000	840,000
	Cap.Projects/ Debt Service	400,000	-	400,000	-
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	1,540,000	-	285,000	1,255,000
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	1,070,000	-	345,000	725,000
	Cap.Projects/ Debt Service	2,270,000	-	725,000	1,545,000
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	6,547,200	-	1,182,225	5,364,975
	Cap.Projects/ Debt Service	1,388,800	-	250,775	1,138,025
		<u>14,741,000</u>	-	<u>3,873,000</u>	<u>10,868,000</u>

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Long-Term Liability Activity

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

Type of Debt	Beginning Balances as Restated	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Net Pension Liability					
IMRF	\$ 10,017,284	2,548,504	-	12,565,788	-
Police	28,900,716	10,212,776	-	39,113,492	-
Fire	14,917,417	8,309,654	-	23,227,071	-
Compensated Absences	2,311,474	57,458	114,916	2,254,016	450,803
Debt Certificates	5,838,800	-	1,900,775	3,938,025	1,350,400
Net Other Post-Employment Benefit Obligation	2,195,987	146,368	-	2,342,355	-
	<u>64,181,678</u>	<u>21,274,760</u>	<u>2,015,691</u>	<u>83,440,747</u>	<u>1,801,203</u>
Business-Type Activities					
Compensated Absences	185,100	34,784	17,392	202,492	40,498
Debt Certificates	8,902,200	-	1,972,225	6,929,975	2,072,600
	<u>9,087,300</u>	<u>34,784</u>	<u>1,989,617</u>	<u>7,132,467</u>	<u>2,113,098</u>

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. Additionally, for the business-type activities, 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, \$62,892 of internal service fund's compensated absences are included in the above amounts.

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Debt Service Requirements to Maturity

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

Fiscal Year	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Debt		Debt	
	Certificates		Certificates	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,350,400	99,906	2,072,600	149,547
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	<u>3,938,025</u>	<u>219,371</u>	<u>6,929,975</u>	<u>345,438</u>

Non-Commitment Debt

Special Assessment Debt

Special assessment bonds outstanding as of the date of this report totaled \$370,000. 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.

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

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 - 2015	<u>\$ 1,314,206,889</u>
Legal Debt Limit - 8.625% of Assessed Value	<u>113,350,344</u>
Amount of Debt Applicable to Limit	
Limited Tax Debt Certificates of 2008	840,000
Limited Tax Debt Certificates of 2009	1,255,000
Limited Tax Debt Certificates of 2010	2,270,000
Limited Tax Debt Certificates of 2013	<u>6,503,000</u>
	<u>10,868,000</u>
Legal Debt Margin	<u>102,482,344</u>

NET POSITION RESTATEMENT

Net position was restated due to the implementation of GASB Statement No. 68. The following is a summary of the net position as originally reported and as restated:

Net Position	As Reported	As Restated	(Decrease)
Governmental Activities	\$ 116,048,458	72,476,975	(43,571,483)

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

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, 2015:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 95,569,326
Less Capital Related Debt - Debt Certificates Outstanding	<u>(3,938,025)</u>
Net Investment in Capital Assets	<u>91,631,301</u>
Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	55,819,351
Plus Unspent Debt Proceeds	1,629,756
Less Capital Related Debt - Debt Certificates Outstanding	<u>(6,929,975)</u>
Net Investment in Capital Assets	<u>50,519,132</u>

FUND BALANCE CLASSIFICATIONS

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

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.

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

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				
Prepays/Deposits	\$ 857,860	-	-	857,860
Restricted				
Liability Insurance	1,803,044	-	-	1,803,044
IMRF/Social Security	586,442	-	-	586,442
Special Service Areas	27,945	-	-	27,945
Hotel/Motel Taxes	1,113,744	-	-	1,113,744
Grants/Donations	28,217	-	-	28,217
Cable Equipment	56,688	-	-	56,688
Recycling	121,287	-	-	121,287
Public Safety	235,287	-	-	235,287
Debt Service	-	97,044	-	97,044
Capital Projects	-	-	3,903,581	3,903,581
	<u>3,972,654</u>	<u>97,044</u>	<u>3,903,581</u>	<u>7,973,279</u>
Committed				
Technology	2,478,509	-	-	2,478,509
Utility Tax	5,332,661	-	-	5,332,661
	<u>7,811,170</u>	<u>-</u>	<u>-</u>	<u>7,811,170</u>
Assigned				
Capital Projects	-	-	3,059,395	3,059,395
Unassigned	<u>6,387,092</u>	<u>-</u>	<u>-</u>	<u>6,387,092</u>
Total Fund Balances	<u>19,028,776</u>	<u>97,044</u>	<u>6,962,976</u>	<u>26,088,796</u>

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 4 – OTHER INFORMATION

RISK MANAGEMENT

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

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

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

Changes in the balances of claims liabilities are as follows:

	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
Claims Payable - Beginning	\$ 253,461	146,403
Incurred Claims	(1,160,528)	(1,516,617)
Claims Paid	<u>1,093,052</u>	<u>1,623,675</u>
Claims Payable - Ending	<u><u>185,985</u></u>	<u><u>253,461</u></u>

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

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 Contract provides that the government pay its proportionate share of “fixed costs” (debt service and capital costs) to the Commission, such obligation being unconditional and irrevocable whether or not water is ever delivered. These costs are expenses along with the other “operation and maintenance” charges from the Commission.

The Village stops paying “fixed costs” portion starting May 1, 2015. Fiscal year 2014 is the last payments 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.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 4 – OTHER INFORMATION – Continued

CONTINGENT LIABILITIES – Continued

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.

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.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 4 – OTHER INFORMATION – Continued

JOINT VENTURES – Continued

Glenbard Wastewater Authority – Continued

The two members of the Authority and their percentage shares as of December 31, 2015 are as follows:

Village of Lombard	54.75%
Village of Glen Ellyn	<u>45.25%</u>
	<u>100.00%</u>

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

The Village's share of the capital assets is \$19,162,412. The Village has allocated its share of operating expenses based upon metered wastewater flows, which approximated 54.75% for the year ended December 31, 2015. Separate financial statements for the Authority may be obtained at 21W551 Bemis Road, Glen Ellyn, Illinois 60137.

Summary Financial Information of Joint Venture

Summary of Financial Position as of December 31, 2015:

Assets		Liabilities and Net Position	
Current Assets	\$ 187,759	Current Liabilities	\$ 2,267,754
Restricted Assets	4,550,007	Long-Term Liabilities	5,663,984
Capital Assets - Net	37,675,061	Deferred Inflows	<u>-</u>
Deferred Outflows	<u>518,751</u>	Total Liabilities and Deferred Inflows	<u>7,931,738</u>
Total Assets and Deferred Outflows	<u>42,931,578</u>	Net Position	<u>34,999,840</u>
		Total Liabilities, Deferred Inflows and Net Position	<u>42,931,578</u>

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 4 – OTHER INFORMATION – Continued

JOINT VENTURES – Continued

Glenbard Wastewater Authority – Continued

Summary of Results of Operations as of December 31, 2015:

Operating Revenues	
Charges to the Villages	<u>\$ 7,267,893</u>
Operating Expenses	
Personnel Services	1,723,201
Contractual Services	2,314,296
Commodities and Maintenance	378,735
Depreciation	<u>2,525,016</u>
Total Operating Expenses	<u>6,941,248</u>
Operating Income	326,645
Nonoperating Revenues (Expenses)	<u>529,206</u>
Change in Net Position	855,851
Net Position	
Beginning	<u>34,143,989</u>
Ending	<u><u>34,999,840</u></u>

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements

December 31, 2015

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 (IMRF)

Plan Descriptions

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

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

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

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement (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, 2015, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	270
Inactive Plan Members Entitled to but not yet Receiving Benefits	135
Active Plan Members	<u>109</u>
Total	<u><u>514</u></u>

Contributions. As set by statute, the Village's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village's annual contribution rate for calendar year 2015 was 16.36% of covered payroll.

Net Pension Liability. The Village's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements

December 31, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement (IMRF) – Continued

Plan Descriptions – Continued

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed, as of December 31, 2015, using the following actuarial methods and assumptions:

Actuarial Valuation Date	12/31/2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.46%
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 2014). 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 tables was used with fully generational projection scale MP-2014 (base year 2014). 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 2014). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement (IMRF) – Continued

Discount Rate

A Single Discount Rate of 7.46% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.46%.

Discount Rate Sensitivity

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.46%, 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 (6.46%)	Current Discount Rate (7.46%)	1% Increase (8.46%)
Net Pension Liability	\$ 22,331,186	12,565,788	4,534,462

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement (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, 2014	\$ 73,295,286	63,278,002	10,017,284
Changes for the Year:			
Service Cost	791,529	-	791,529
Interest on the Total Pension Liability	5,347,448	-	5,347,448
Difference Between Expected and Actual Experience of the Total Pension Liability	1,033,943	-	1,033,943
Changes of Assumptions	89,660	-	89,660
Contributions - Employer	-	1,245,964	(1,245,964)
Contributions - Employees	-	347,456	(347,456)
Net Investment Income	-	309,847	(309,847)
Benefit Payments, including Refunds of Employee Contributions	(4,210,801)	(4,210,801)	-
Other (Net Transfer)	-	2,810,809	(2,810,809)
Net Changes	3,051,779	503,275	2,548,504
Balances at December 31, 2015	76,347,065	63,781,277	12,565,788

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement (IMRF) – Continued

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

For the year ended December 31, 2015, the Village recognized pension expense of \$2,178,924. At December 31, 2015, the Village reported deferred outflows or 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	\$ 1,474,809	-	1,474,809
Change in Assumptions	503,087	-	503,087
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4,041,116	-	4,041,116
Total Deferred Amounts Related to IMRF	<u>6,019,012</u>	-	<u>6,019,012</u>

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

Fiscal Year	Net Deferred Outflows of Resources
2016	\$ 2,798,208
2017	1,281,330
2018	1,050,821
2019	888,653
2020	-
Thereafter	<u>-</u>
Total	<u>6,019,012</u>

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

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, 2015, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	59
Inactive Plan Members Entitled to but not yet Receiving Benefits	1
Active Plan Members	<u>66</u>
Total	<u><u>126</u></u>

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

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of ½ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the original pension and 3 percent compounded annually thereafter.

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

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 of ½ of the change in the Consumer Price Index for the preceding 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, 2015, the Village's contribution was 40.08% of covered payroll.

Concentrations. At year end, the Pension Plan has investments (other than U.S. Government and U.S. Government-guaranteed obligations) in any one organization that represent 5 percent or more of net position available for benefits as follows:

Investment	Amount
Vanguard 500 Index Mutual Funds	\$ 6,163,224
Pioneer Equity Income	2,918,455
T. Rowe Price Growth Mutual Funds	6,090,723

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

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, 2015, using the following actuarial methods and assumptions:

Actuarial Valuation Date	12/31/2015
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 2016 using improvement scale MP-2015. The other non-economic actuarial assumptions used in the December 31, 2015 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.

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

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	\$ 52,571,507	39,113,492	28,056,957

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2014	\$ 86,890,181	57,989,465	28,900,716
Changes for the Year:			
Service Cost	1,455,364	-	1,455,364
Interest on the Total Pension Liability	5,957,834	-	5,957,834
Difference Between Expected and Actual Experience of the Total Pension Liability	(542,772)	-	(542,772)
Changes of Assumptions	7,281,562	-	7,281,562
Contributions - Employer	-	2,537,579	(2,537,579)
Contributions - Employees	-	653,110	(653,110)
Net Investment Income	-	792,942	(792,942)
Benefit Payments, including Refunds of Employee Contributions	(3,556,531)	(3,556,531)	-
Other (Net Transfer)	-	(44,419)	44,419
Net Changes	10,595,457	382,681	10,212,776
Balances at December 31, 2015	97,485,638	58,372,146	39,113,492

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

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, 2015, the Village recognized pension expense of \$4,823,727. At December 31, 2015, the Village reported deferred outflows or 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	\$ -	(428,903)	(428,903)
Change in Assumptions	5,753,962	-	5,753,962
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,601,568	-	2,601,568
Total Deferred Amounts Related to Police Pension	<u>8,355,530</u>	<u>(428,903)</u>	<u>7,926,627</u>

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

Fiscal Year	Net Deferred Outflows of Resources
2016	\$ 2,064,124
2017	2,064,124
2018	2,064,124
2019	1,734,255
2020	-
Thereafter	<u>-</u>
Total	<u>7,926,627</u>

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters’ Pension Plan

Plan Descriptions – Continued

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, 2015, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	44
Inactive Plan Members Entitled to but not yet Receiving Benefits	2
Active Plan Members	<u>62</u>
Total	<u><u>108</u></u>

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

The Firefighters’ Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of ½ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the original pension and 3percent compounded annually thereafter.

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

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 of 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, 2015, the Village’s contribution was 35.08% of covered payroll.

Significant Investments. At year end, the Pension Plan has investments (other than U.S. Government and U.S. Government-guaranteed obligations) in any one organization that represent 5 percent or more of net position available for benefits as follows:

Investment	Amount
American Beacon Mutual Funds	\$ 5,843,377
Fidelity Advisor Mutual Funds	4,213,504

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

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, 2015, using the following actuarial methods and assumptions:

Actuarial Valuation Date	12/31/2015
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 2016 using improvement scale MP-2015. The other non-economic actuarial assumptions used in the December 31, 2015 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.

VILLAGE OF LOMBARD, ILLINOIS

**Notes to the Financial Statements
December 31, 2015**

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	\$ 33,514,992	23,227,071	14,737,017

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2014	\$ 67,336,293	52,418,876	14,917,417
Changes for the Year:			
Service Cost	1,513,082	-	1,513,082
Interest on the Total Pension Liability	4,614,739	-	4,614,739
Difference Between Expected and Actual Experience of the Total Pension Liability	(596,117)	-	(596,117)
Changes of Assumptions	5,332,533	-	5,332,533
Contributions - Employer	-	2,008,243	(2,008,243)
Contributions - Employees	-	564,175	(564,175)
Net Investment Income	-	25,474	(25,474)
Benefit Payments, including Refunds of Employee Contributions	(2,822,892)	(2,822,892)	-
Other (Net Transfer)	-	(43,309)	43,309
Net Changes	8,041,345	(268,309)	8,309,654
Balances at December 31, 2015	75,377,638	52,150,567	23,227,071

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements
December 31, 2015

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, 2015, the Village recognized pension expense of \$3,379,763. At December 31, 2015, the Village reported deferred outflows or 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	\$ -	(507,365)	(507,365)
Change in Assumptions	4,538,607	-	4,538,607
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,906,892	-	2,906,892
Total Deferred Amounts Related to Firefighters' Pension	<u>7,445,499</u>	<u>(507,365)</u>	<u>6,938,134</u>

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

Fiscal Year	Net Deferred Outflows of Resources
2016	\$ 1,431,898
2017	1,431,898
2018	1,431,898
2019	1,431,894
2020	705,174
Thereafter	<u>505,372</u>
Total	<u>6,938,134</u>

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

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, 2015, retirees contributed \$699,971. Active employees do not contribute to the plan until retirement.

At December 31, 2015, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	71
Active Employees	<u>206</u>
Total	<u><u>277</u></u>
Participating Employers	1

The Village does not currently have a funding policy.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

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, 2015, was calculated as follows:

Annual Required Contribution	\$ 531,762
Interest on the NOPEBO	87,840
Adjustment to the ARC	<u>(73,200)</u>
Annual OPEB Cost	546,402
Actual Contribution	<u>400,034</u>
Increase in the NOPEBO	146,368
NOPEBO - Beginning	<u>2,195,987</u>
NOPEBO - Ending	<u><u>2,342,355</u></u>

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
2013	\$ 1,089,779	\$ 329,452	30.23 %	\$ 1,472,679
2014	1,138,249	414,941	36.45	2,195,987
2015	546,402	400,034	73.21	2,342,355

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

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 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.

VILLAGE OF LOMBARD, ILLINOIS

Notes to the Financial Statements December 31, 2015

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Actuarial Methods and Assumptions – Continued

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, 2015, was 30 years.

SUBSEQUENT EVENT

On January 25, 2015, the Village submitted an application with the IEPA Public Water Supply Loan Program for \$8,172,392. If approved, the bonds will be issued in relation to three projects within the Village, Roosevelt Road Watermain Lining – Phase I, Roosevelt Road Watermain Lining – Phase II, and Transmission Main – Civic Center Reservoir to South Booster Station. A final repayment schedule is not yet available.