

VILLAGE OF NORRIDGE, ILLINOIS
GENERAL PURPOSE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED APRIL 30, 2017

VILLAGE OF NORRIDGE
GENERAL PURPOSE FINANCIAL REPORT
FISCAL YEAR ENDED APRIL 30, 2017

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INDEPENDENT AUDITORS' REPORT

President and Board of Trustees
of the Village of Norridge
4000 North Olcott Avenue
Norridge, IL 60706

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Norridge, Illinois, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Norridge, Illinois, as of April 30, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-8), budgetary comparison information (pages 44-45), and pension and OPEB information (pages 46-51), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

Frank J. Baker & Company, Ltd.
Frank J. Baker & Company, Ltd.
Certified Public Accountants

December 15, 2017
Des Plaines, Illinois

VILLAGE OF NORRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is intended to be an easily readable analysis of the Village of Norridge (Village) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the Village's finances. Within this view, all Village operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, inspection, public works, and general government administration. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Village.

Basic Financial Statements

The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. For the first time, governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities.

The Statement of Activities focuses on gross and net costs of Village programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The Village's major governmental funds are presented in their own columns and the only non-major fund, the Special Revenue Fund - Wireless 911 Fund is identified and reported in a separate column. Budgetary comparisons are presented for the General Fund and each major special revenue fund. Statements for the Village's proprietary fund follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow. The last set of statements is the Fiduciary Funds which include the Police Pension Fund.

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Village's financial condition.

VILLAGE OF NORRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Village as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Position at April 30, 2017 and 2016 follows:

VILLAGE OF NORRIDGE
STATEMENT OF NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assets | | | | | | |
| Cash and other assets | \$ 5,251,531 | \$ 4,699,259 | \$ 289,669 | \$ 607,307 | \$ 5,541,200 | \$ 5,306,566 |
| Capital assets | 12,187,120 | 12,502,864 | 4,223,142 | 3,835,823 | 16,410,262 | 16,338,687 |
| Deferred outflows | 6,292,990 | 2,800,764 | - | - | 6,292,990 | 2,800,764 |
| Total Assets | \$ 23,731,641 | \$ 20,002,887 | \$ 4,512,811 | \$ 4,443,130 | \$ 28,244,452 | \$ 24,446,017 |
| Liabilities | | | | | | |
| Current liabilities | \$ 435,637 | \$ 448,408 | \$ 254,966 | \$ 192,646 | \$ 690,603 | \$ 641,054 |
| Non-current liabilities | 26,144,807 | 20,560,508 | 174,151 | 163,671 | 26,318,958 | 20,724,179 |
| Current debt | - | - | 154,111 | 156,010 | 154,111 | 156,010 |
| Non-current debt | - | - | 285,321 | 439,432 | 285,321 | 439,432 |
| Deferred inflows | 3,336,137 | 519,419 | - | - | 3,336,137 | 519,419 |
| Total Liabilities | \$ 29,916,581 | \$ 21,528,335 | \$ 868,549 | \$ 951,759 | \$ 30,785,130 | \$ 22,480,094 |
| Net Position: | | | | | | |
| Invested in capital assets, net of related debt | \$ 12,187,120 | \$ 12,502,864 | \$ 3,673,953 | \$ 3,130,624 | \$ 15,861,073 | \$ 15,633,488 |
| Restricted | 1,368,191 | 1,046,989 | - | - | 1,386,191 | 1,046,989 |
| Unassigned | (19,740,251) | (15,075,301) | (29,691) | 360,747 | (19,769,942) | (14,714,554) |
| Total Net Position | (\$ 6,184,940) | (\$ 1,525,448) | \$ 3,644,262 | \$ 3,491,371 | (\$ 2,540,678) | \$ 1,965,923 |

Statement of Net Position:

The Village's combined net position for the primary government decreased from \$1,965,923 to (\$2,540,678). The net decrease of \$4,506,601 is attributable to a decrease of \$1,743,644 in Governmental Activities, an increase of \$152,891 in Business-Type Activities, and a decrease of \$2,915,848 related to a prior period adjustment for a change in accounting principle involving a change from a beginning of the year actuarial valuation to an end of the year valuation.

Normal Impacts

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

1. *Net Results of Activities* - which will impact (increase/decrease) current assets and unrestricted net position.
2. *Borrowing for Capital* - which will increase current assets and long-term debt outstanding.
3. *Spending Borrowed Proceeds on New Capital* - which will reduce current assets and increase capital assets. There is a second impact, an increase in investment in capital assets and an increase in related net debt, which will not change the investment in capital assets, net of related debt total.
4. *Spending Nonborrowed Current Assets on New Capital* - which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net position and increase investment in capital assets, net of related debt.
5. *Principal Payment on Debt* - which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net position and increase investment in capital assets, net of related debt.
6. *Reduction of Capital Assets through Depreciation* - which will reduce capital assets and reduce investment in capital assets, net of related debt.

VILLAGE OF NORRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Current Year Impacts

Governmental activities net position decreased \$4,659,492 while the business-type activities net position increased by \$152,891. The governmental activities total assets/deferred outflows increased by \$3,728,754 and the governmental activities total liabilities/deferred inflows increased by \$8,257,044. The total assets increase is due primarily to the increase in deferred outflows for pensions of \$3,492,226.

The increase in total liabilities of \$8,257,044 for the governmental activities was due to the increase in the net pension liability of \$5,543, and the increase in the deferred inflows for pensions of \$2,816,718.

Business-type activities total assets increased by \$69,681. This increase in capital assets of \$387,319 was offset by a decrease in cash of \$317,638. The business-type activities liabilities decreased by \$83,210. The decrease in loans payable from the latest principal payment on debt of \$156,010 was offset by an increase in accounts payable of \$62,230.

Changes in Net Position

The Village's combined change in net position for the primary government was a decrease of \$1,767,282 versus a decrease of \$2,152,314 for the prior year. Activities for the governmental activities saw a decrease in net position of \$1,743,644 from 2017, while activities for the business-type funds saw an increase in net position of \$152,891 from 2017.

A condensed version of the Statement of Activities at April 30, 2017 and 2016 follows:

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|------------------------------------|--------------------------------|-----------------------|---------------------------------|---------------------|-----------------------|-----------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 749,318 | \$ 791,861 | \$ 3,222,588 | \$ 2,974,852 | \$ 3,971,906 | \$ 3,766,713 |
| Fines and forfeitures | 345,998 | 311,349 | - | - | 345,998 | 311,349 |
| Operating grants and contributions | 28,414 | - | - | - | 28,414 | - |
| General Revenues: | | | | | | |
| Home Rule sales tax | 4,566,139 | 4,736,024 | - | - | 4,566,139 | 4,736,024 |
| State sales tax | 5,364,825 | 4,839,325 | - | - | 5,364,825 | 4,839,325 |
| State income tax | 1,377,416 | 1,552,974 | - | - | 1,377,416 | 1,552,974 |
| Real estate taxes | 1,098,468 | 1,084,796 | - | - | 1,098,468 | 1,084,796 |
| Telecommunications tax | 414,773 | 394,335 | - | - | 414,773 | 394,335 |
| Motor fuel tax | 370,607 | 373,464 | - | - | 370,607 | 373,464 |
| Other intergovernmental revenue | 239,904 | 203,244 | - | - | 239,904 | 203,244 |
| Gasoline tax | 212,690 | 222,939 | - | - | 212,690 | 222,939 |
| Amusement tax | 156,081 | 152,369 | - | - | 156,081 | 152,369 |
| Franchise fees | 180,445 | 178,357 | - | - | 180,445 | 178,357 |
| Video Gaming tax | 176,529 | - | - | - | 176,529 | - |
| Investment income | 16,990 | 12,234 | - | 1,976 | 16,990 | 14,210 |
| Other | 158,258 | 64,966 | - | - | 158,258 | 64,966 |
| Total Revenues | \$15,456,855 | \$14,918,237 | \$ 3,222,588 | \$2,976,828 | \$ 18,679,443 | \$ 17,895,065 |
| Expenses | | | | | | |
| General government | \$ 2,880,583 | \$ 2,884,934 | \$ - | \$ - | \$ 2,880,583 | \$ 2,884,934 |
| Public safety | 9,805,073 | 9,091,276 | - | - | 9,805,073 | 9,091,276 |
| Public works | | | | | | |
| Street | 1,574,584 | 1,908,915 | - | - | 1,574,584 | 1,908,915 |
| Sanitation | 1,276,917 | 1,083,730 | - | - | 1,276,917 | 1,083,730 |
| Village properties | 1,663,342 | 1,610,155 | - | - | 1,663,342 | 1,610,155 |
| Water | - | - | 3,055,792 | 3,450,070 | 3,055,792 | 3,450,070 |
| Debt service - interest | - | - | 13,905 | 18,299 | 13,905 | 18,299 |
| Total Expenses | \$17,200,499 | \$16,579,010 | \$ 3,069,697 | \$3,468,369 | \$ 20,270,196 | \$ 20,047,379 |
| Change in net assets | (\$ 1,743,644) | (\$ 1,660,773) | \$ 152,891 | (\$ 491,541) | (\$ 1,590,753) | (\$ 2,152,314) |

VILLAGE OF NORRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Normal Impacts

There are eight basic (normal) impacts on revenues and expenses as reflected below:

Revenues:

1. *Economic Condition* - which can reflect a declining, stable, or growing economic environment and has a substantial impact on state income, sales, and utility tax revenue as well as public spending habits for building permits, elective user fees, and levels of consumption.
2. *Increase/Decrease in Village-Approved Rates* - while certain tax rates are set by statute, the Village Board has significant authority to impose and periodically increase/decrease rates (property taxes, home rule sales tax, water rates, sewer rates, licenses and fees, etc.).
3. *Changing Patterns in Intergovernmental and Grant Revenue (both recurring and nonrecurring)* - Certain recurring revenues (state-shared revenues, etc.) may experience significant changes periodically, while nonrecurring (or one-time) grants are less predictable and often distorting due to their impact on year-to-year comparisons.
4. *Market Impacts on Investment Income* - the Village's investment portfolio is managed using a short-term average maturity. Market conditions may cause investment income to fluctuate.

Expenses:

5. *Introduction of new programs* - within the functional expense categories (general government, public safety, public works, etc.), individual programs may be added or deleted to meet changing community needs.
6. *Increase/Decrease in authorized personnel* - changes in service demand may cause the Village Board to increase/decrease authorized staffing levels. Personnel costs (salary and related benefits) represent approximately 58% of the Village's General Fund expenditures and approximately 14% of the Water Fund's operating costs at April 30, 2017.
7. *Salary Increases/(Annual Adjustments and Merit)* - the ability to attract and retain human and intellectual resources requires the Village to strive for a competitive salary range position in the marketplace.
8. *Inflation* - while overall inflation appears to be reasonably modest, the Village is a major consumer of certain commodities such as supplies, fuels, and parts. Some functions may experience unusual commodity-specific increases.

Current Year Impacts

Governmental Activities

Revenue:

Total revenues for the Village's Governmental Activities for the year ended April 30, 2017 were \$15,456,855 and were slightly higher than the previous year.

Sales taxes are the largest revenue source for governmental activities accounting for \$9,930,964 or 64% of total revenues. The sales tax consists of a 1.00% state portion and 1.25% local home-rule portion. State income tax revenue is the next largest revenue source of \$1,377,416 or 9% of total revenues.

The real estate tax revenue represents the Village's contribution to the police pension plan. The levy is based on the actuarially determined amount necessary to fund the plan.

VILLAGE OF NORRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Current Year Impacts (Continued)

Governmental Activities (Continued)

Expenses:

Total expenses for the Village's Governmental Activities for the year ended April 30, 2017 were \$17,200,499 an increase of \$621,489 over the prior year. Public Safety accounts for the largest portion of governmental expenses. Total Public Safety expenses in 2017 were \$9,805,073, an increase of \$713,797 from the prior year. The higher than typical increase in the Public Safety category is due to the recognition of changes in net pension liability for the police pension fund. Expenses for general government were \$2,880,583, a decrease of \$4,351. Public works expenses were \$1,574,584, a decrease of \$334,331 from the prior year. Major public works projects for the year were the Overhill Avenue reconstruction and the continuation of the street light cable replacement program.

Business-type Activities

Revenue:

Total revenues for the Village's Water Fund were \$3,222,588 for the fiscal year ended April 30, 2017, an increase of \$247,736 or 8% over the prior year.

Expenses:

Total expenses for the Water Fund were \$3,069,697 for the fiscal year, a decrease of \$398,672 from the prior year. Water purchases account for the majority of the expenses and decreased 11% from the prior year. The Village purchases its water from the City of Chicago and over the last few years there have been 15% annual increases in rates from the City of Chicago, however, there was no increase in the last fiscal year. The decrease in water purchase is related to a decrease in usage by the Village's residential and commercial customers. Major Water Fund projects for the year included the Agatite Avenue water main improvement and the replacement of residential water meter transmission units as the units reach the end of their useful life.

Net assets increased by \$152,891 during the fiscal year ended April 30, 2017.

Financial Analysis of the Village's General Fund

The General Fund is the Village's primary operating fund. It supports a majority of the day-to-day services delivered to residents and businesses.

General Fund revenues were less than the budget by \$781,398. This is mainly attributed to a lack of state grant money received than the amount budgeted and lower than anticipated amounts of sales tax, income tax, and use tax. The majority of revenue items were near the budgeted amounts.

Expenditures in all areas of general government came in below budget for the year.

Capital Assets

At April 30, 2017 the Village had \$16,410,262 invested in capital assets, net of accumulated depreciation including police equipment, buildings, roads, and water and sewer lines.

Capital Assets at Year-end

| | Governmental Activities | Business-type Activities | Totals |
|--------------------------|----------------------------|-----------------------------|----------------------|
| Land | \$ 1,310,667 | \$ - | \$ 1,310,667 |
| Buildings | 6,969,065 | - | 6,969,065 |
| Equipment | 4,221,474 | 2,779,816 | 7,001,290 |
| Infrastructure | 12,253,630 | 6,915,795 | 19,169,425 |
| Subtotal | \$ 24,754,836 | \$ 9,695,611 | \$ 34,450,447 |
| Accumulated depreciation | 12,567,716 | 5,472,469 | 18,040,185 |
| Capital assets, net | <u>\$ 12,187,120</u> | <u>\$ 4,223,142</u> | <u>\$ 16,410,262</u> |

More detailed information on the Village's capital assets is presented in the notes to the financial statements.

VILLAGE OF NORRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Outstanding

At year-end, the Village had \$439,432 in bonds and loans outstanding versus \$595,442 in the prior year, a decrease of \$156,010. During the fiscal year ended April 30, 2013, the Village Board authorized a loan agreement with the Illinois Environmental Protection Agency. The loan proceeds of \$353,540 were used to upgrade the Lawrence Avenue (East) water main.

Debt Outstanding at Year-end

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Totals</u> |
|--------------------|--|---|-------------------|
| Illinois EPA loans | <u>\$ -</u> | <u>\$ 439,432</u> | <u>\$ 439,432</u> |

More detailed information on the Village's capital assets is presented in the notes to the financial statements.

Economic Factors and Next Year's Budget

The Village's elected and appointed officials considered many factors when setting the fiscal year ending April 30, 2017 budget, tax rates, and fees that will be charged for its governmental and business-type activities. One of those factors is the economy. The economic downturn beginning in 2008 brought significant declines in many key revenues that had not surpassed 2008 levels until 2012. Recent trending has shown continued improvement, with general and home rule sales tax showing steady growth over the last few years. There is reason to be cautiously optimistic about the economy and the impact it has on the Village's finances.

Conservative approaches to estimating revenue and strong expenditure management by the various departments have allowed the Village to maintain a strong financial condition through several lean years following the significant downturn in the economy that started in 2008. Continuing challenges in fiscal year ending April 30, 2017 and years to come include, reductions in revenue due to state budgetary issues, rising personnel related costs (wages, insurance, etc.) and the funding of the police pension fund. As a result, the Village budgeted for little or no growth in various revenues. The goals remain to minimize the financial burden on Norridge taxpayers, to continue identifying cost cutting strategies and opportunities, responsibly utilize Village reserves when necessary, and proactively structure the Village in a way that will maximize the level services that can be provided with the current level of resources.

Financial Contact

The Village's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Village's finances and to demonstrate the Village's accountability. If you have questions about the report or need additional financial information, please contact the Village's Administrator at 4000 N. Olcott Avenue, Norridge, Illinois 60706.

VILLAGE OF NORRIDGE
STATEMENT OF NET POSITION
AS OF APRIL 30, 2017

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|-----------------------|
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 2,246,813 | \$ 44,092 | \$ 2,290,905 |
| Investments | 1,160,402 | - | 1,160,402 |
| Interest receivable | 900 | - | 900 |
| Taxes receivable | 1,668,120 | - | 1,668,120 |
| Accounts receivable | 62,096 | 240,769 | 302,865 |
| Inventories | - | 4,808 | 4,808 |
| Restricted Assets: | | | |
| Cash and cash equivalents | 113,200 | - | 113,200 |
| Capital assets not being depreciated | 1,310,667 | - | 1,310,667 |
| Capital assets being depreciated (net of accumulated depreciation) | 10,876,453 | 4,223,142 | 15,099,595 |
| TOTAL ASSETS | <u>\$ 17,438,651</u> | <u>\$ 4,512,811</u> | <u>\$ 21,951,462</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related amounts | \$ 6,292,990 | \$ - | \$ 6,292,990 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 23,731,641</u> | <u>\$ 4,512,811</u> | <u>\$ 28,244,452</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 183,121 | \$ 252,839 | \$ 435,960 |
| Notes payable, current | - | 154,111 | 154,111 |
| Liabilities payable from restricted assets | 113,200 | - | 113,200 |
| Compensated absences payable, current | 139,316 | - | 139,316 |
| Compensated absences payable, noncurrent | 904,664 | - | 904,664 |
| Other postemployment benefit obligation | 1,460,116 | - | 1,460,116 |
| Net pension liability | 23,780,027 | - | 23,780,027 |
| Unearned income | - | 2,127 | 2,127 |
| Customer deposits | - | 174,151 | 174,151 |
| Notes payable, non-current | - | 285,321 | 285,321 |
| Total Liabilities | <u>\$ 26,580,444</u> | <u>\$ 868,549</u> | <u>\$ 27,448,993</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension related amounts | \$ 3,336,137 | \$ - | \$ 3,336,137 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>\$ 29,916,581</u> | <u>\$ 868,549</u> | <u>\$ 30,785,130</u> |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | \$ 12,187,120 | \$ 3,673,953 | \$ 15,861,073 |
| Restricted - Highways and Streets | 1,300,533 | - | 1,300,533 |
| Restricted - Public Safety | 67,658 | - | 67,658 |
| Unrestricted | (19,740,251) | (29,691) | (19,769,942) |
| TOTAL NET POSITION | <u>(\$ 6,184,940)</u> | <u>\$ 3,644,262</u> | <u>(\$ 2,540,678)</u> |

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

VILLAGE OF NORRIDGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2017

| | Program Revenues | | | | Net Expense/Revenue | | |
|---------------------------------|----------------------|----------------------|-----------------------|------------------------------------|-------------------------|--------------------------|------------------------|
| | Expenses | Charges for Services | Fines and Forfeitures | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General government | \$ 2,880,583 | \$ 618,927 | \$ 5,430 | \$ 26,324 | (\$ 2,229,902) | \$ - | (\$ 2,229,902) |
| Public safety | 9,805,073 | 130,391 | 340,568 | - | (9,334,114) | - | (9,334,114) |
| Public works | | | | | | | |
| Street Department | 1,574,584 | - | - | 2,090 | (1,572,494) | - | (1,572,494) |
| Sanitation | 1,276,917 | - | - | - | (1,276,917) | - | (1,276,917) |
| Village Properties | 1,663,342 | - | - | - | (1,663,342) | - | (1,663,342) |
| Total Governmental Activities | <u>\$ 17,200,499</u> | <u>\$ 749,318</u> | <u>\$ 345,998</u> | <u>\$ 28,414</u> | <u>(\$ 16,076,769)</u> | <u>\$ -</u> | <u>(\$ 16,076,769)</u> |
| Business-Type Activities | | | | | | | |
| Water and Sewer | \$ 3,069,697 | \$ 3,222,588 | \$ - | \$ - | \$ - | (\$ 152,891) | \$ 152,891 |
| | <u>\$ 20,270,196</u> | <u>\$ 3,971,906</u> | <u>\$ 345,998</u> | <u>\$ 28,414</u> | <u>(\$ 16,076,769)</u> | <u>(\$ 152,891)</u> | <u>(\$ 16,923,878)</u> |

General Revenues:

| | | |
|---|-----------------------|-----------------------|
| Taxes: | | |
| Home Rule Sales tax | \$ 4,566,139 | \$ 4,566,139 |
| State Sales tax | 5,364,825 | 5,364,825 |
| State Income tax | 1,377,416 | 1,377,416 |
| Real Estate tax | 1,098,468 | 1,098,468 |
| Telecommunications tax | 414,773 | 414,773 |
| Intergovernmental revenue | 610,511 | 610,511 |
| Gasoline tax | 212,690 | 212,690 |
| Amusement tax | 156,081 | 156,081 |
| Franchise fees | 180,445 | 180,445 |
| Video Gaming tax | 176,529 | 176,529 |
| Storage tax | 10,528 | 10,528 |
| Investment income | 16,990 | 16,990 |
| Miscellaneous | 147,730 | 147,730 |
| Total General Revenues | <u>\$ 14,333,125</u> | <u>\$ 14,333,125</u> |
| Change in net position | (\$ 1,743,644) | (\$ 1,590,753) |
| Net Position at Beginning of Year | (\$ 1,525,448) | \$ 1,965,923 |
| Prior period adjustment | (2,915,848) | (2,915,848) |
| Net Position at Beginning of Year, Restated | <u>(\$ 4,441,296)</u> | <u>\$ 949,925</u> |
| Net Position at End of Year | <u>(\$ 6,184,940)</u> | <u>(\$ 2,540,678)</u> |

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

VILLAGE OF NORRIDGE
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF APRIL 30, 2017

| | <u>General</u> | <u>Special Revenue Fund Motor Fuel Tax</u> | <u>Non-major Governmental Funds</u> | <u>Totals</u> |
|--|---------------------|--|---|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,133,174 | \$ 1,045,981 | \$ 67,658 | \$ 2,246,813 |
| Investments | 905,850 | 254,552 | - | 1,160,402 |
| Interest receivable | 900 | - | - | 900 |
| Taxes receivable | 1,668,120 | - | - | 1,668,120 |
| Accounts receivable | 62,096 | - | - | 62,096 |
| Restricted assets | 113,200 | - | - | 113,200 |
| TOTAL ASSETS | <u>\$ 3,883,340</u> | <u>\$ 1,300,533</u> | <u>\$ 67,658</u> | <u>\$ 5,251,531</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 183,121 | \$ - | \$ - | \$ 183,121 |
| Liabilities payable from restricted assets | 113,200 | - | - | 113,200 |
| TOTAL LIABILITIES | <u>\$ 296,321</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 296,321</u> |
| FUND BALANCES | | | | |
| Unrestricted | | | | |
| Assigned | | | | |
| Special revenue funds | \$ - | \$ 1,300,533 | \$ 67,658 | \$ 1,368,191 |
| Unassigned | 3,587,019 | - | - | 3,587,019 |
| TOTAL FUND BALANCES | <u>\$ 3,587,019</u> | <u>\$ 1,300,533</u> | <u>\$ 67,658</u> | <u>\$ 4,955,210</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 3,883,340</u> | <u>\$ 1,300,533</u> | <u>\$ 67,658</u> | <u>\$ 5,251,531</u> |

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

VILLAGE OF NORRIDGE
RECONCILIATION OF THE FUNDS BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION
AS OF APRIL 30, 2017

| | | |
|--|-------------------|-----------------------|
| Fund Balances of Governmental Funds | | \$ 4,955,210 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | |
| Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds: | | |
| Capital assets | \$ 24,754,836 | |
| Accumulated depreciation | <u>12,567,716</u> | |
| Total Capital Assets, net | | 12,187,120 |
| Deferred outflows of resources related to pensions are not a current financial resource, and therefore, are not reported in governmental funds | | |
| | | 6,292,990 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds. | | |
| Compensated Absences Payable | | (1,043,980) |
| Net other postemployment benefits obligation | | (1,460,116) |
| Net pension liability - Illinois Municipal Retirement Fund | | (1,632,533) |
| Net pension liability - Police Pension Fund | | (22,147,494) |
| Deferred inflows of resources related to pensions are not a current financial resource, and therefore, are not reported in governmental funds | | |
| | | <u>(3,336,137)</u> |
| NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES | | <u>(\$ 6,184,940)</u> |

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

VILLAGE OF NORRIDGE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2017

| | <u>General</u> | <u>Special Revenue Fund</u> | <u>Non-major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|----------------------|---------------------------------|---|---|
| | | <u>Motor Fuel Tax</u> | | |
| REVENUES | | | | |
| Taxes | \$ 6,635,208 | \$ - | \$ - | \$ 6,635,208 |
| Licenses and permits | 568,955 | - | - | 568,955 |
| Intergovernmental | 6,901,410 | 370,607 | 109,149 | 7,381,166 |
| Charges for services | 329,456 | - | - | 329,456 |
| Fines and forfeitures | 315,088 | - | - | 315,088 |
| Miscellaneous | 221,646 | 5,276 | 60 | 226,982 |
| TOTAL REVENUES | <u>\$ 14,971,763</u> | <u>\$ 375,883</u> | <u>\$ 109,209</u> | <u>\$ 15,456,855</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ 2,456,870 | \$ - | \$ - | \$ 2,456,870 |
| Public safety | 8,069,373 | - | 96,123 | 8,165,496 |
| Highway and streets | 1,504,343 | 67,767 | - | 1,572,110 |
| Sanitation | 1,276,917 | - | - | 1,276,917 |
| Village properties | 1,519,068 | - | - | 1,519,068 |
| TOTAL EXPENDITURES | <u>\$ 14,826,571</u> | <u>\$ 67,767</u> | <u>\$ 96,123</u> | <u>\$ 14,990,461</u> |
| Excess of revenues over expenditures | <u>\$ 145,192</u> | <u>\$ 308,116</u> | <u>\$ 13,086</u> | <u>\$ 466,394</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | \$ - | \$ - | \$ - | \$ - |
| Transfers Out | - | - | - | - |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net Change in Fund Balances | \$ 145,192 | \$ 308,116 | \$ 13,086 | \$ 466,394 |
| FUND BALANCE, BEGINNING OF YEAR | 3,441,827 | 992,417 | 54,572 | 4,488,816 |
| FUND BALANCE, END OF YEAR | <u>\$ 3,587,019</u> | <u>\$ 1,300,533</u> | <u>\$ 67,658</u> | <u>\$ 4,955,210</u> |

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

VILLAGE OF NORRIDGE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2017

Net change in Fund Balances - Total governmental funds \$ 466,394

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

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported in the governmental funds

| | |
|-----------------------------------|--------------|
| (Increase) Compensated Absences | (469,719) |
| (Increase) in Net OPEB Obligation | (131,202) |
| Pension Expense | (1,293,373) |

Governmental funds report capital outlay as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets

| | |
|----------------|--------------------|
| Capital outlay | 192,274 |
| Depreciation | (<u>508,018</u>) |

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ 1,743,644

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

VILLAGE OF NORRIDGE
STATEMENT OF NET POSITION
PROPRIETARY FUND
APRIL 30, 2017

| | <u>Water Utilities</u> |
|---|------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 44,092 |
| Accounts receivable | 240,769 |
| Inventory | 4,808 |
| Total Current Assets | \$ 289,669 |
| Non-current Assets: | |
| Capital assets | |
| Other capital assets, net of accumulated depreciation | \$ 4,223,142 |
| Total Non-Current Assets | \$ 4,223,142 |
| TOTAL ASSETS | \$ 4,512,811 |
| | |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | \$ 252,839 |
| Unearned income | 2,127 |
| Customer deposits | 174,151 |
| Loan payable, current portion | 154,111 |
| Total Current Liabilities | \$ 583,228 |
| Non-current Liabilities | |
| Loans payable, non-current | \$ 285,321 |
| Total Liabilities | \$ 868,549 |
| | |
| NET POSITION | |
| Invested in capital assets, net of related debt | \$ 3,673,953 |
| Unrestricted | (29,691) |
| Total Net Position | \$ 3,644,262 |

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

VILLAGE OF NORRIDGE
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED APRIL 30, 2017

| | |
|---|----------------------------|
| OPERATING REVENUES | |
| Charges for services | |
| Water charges | \$ 2,765,925 |
| Permits and fees | 314,702 |
| Other | 9,518 |
| Total operating revenues | <u>\$ 3,090,145</u> |
| | |
| OPERATING EXPENSES | |
| Administration and Maintenance | \$ 2,827,323 |
| Depreciation | 228,469 |
| Total operating expenses | <u>\$ 3,055,792</u> |
| | |
| OPERATING INCOME | <u>\$ 34,353</u> |
| | |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | \$ - |
| Interest expense on notes and loans payable | (13,905) |
| Rental income | 132,443 |
| Total nonoperating expenses | <u>\$ 118,538</u> |
| | |
| Net Income | \$ 152,891 |
| | |
| Net Position, beginning of year | <u>3,491,371</u> |
| | |
| Net Position, end of year | <u><u>\$ 3,644,262</u></u> |

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

VILLAGE OF NORRIDGE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED APRIL 30, 2017

| | <u>Amount</u> |
|--|---------------|
| Cash flows from operating activities | |
| Receipts from Customers and Users | \$ 3,028,827 |
| Payments to Suppliers | (2,428,370) |
| Payments to Employees | (338,401) |
| Net cash provided by operating activities | \$ 262,056 |
| Cash flows from capital and related financing activities | |
| Construction of water main improvements | (\$ 615,788) |
| Principal paid on debt | (156,010) |
| Interest paid on debt | (14,265) |
| Rental income | 136,838 |
| Net cash (used) provided by capital and related financing activities | (\$ 649,225) |
| Cash flows from investing activities | |
| None | \$ - |
| Net cash provided by investing activities | \$ - |
| Net (decrease) in cash and cash equivalents | (\$ 387,169) |
| Cash and cash equivalents at beginning of year | 431,261 |
| Cash and cash equivalents at end of year | \$ 44,092 |
| Reconciliation of Operating Income to Net Cash | |
| Provided by Operating Activities | |
| Operating Income | \$ 34,353 |
| Adjustments to Reconcile Operating Income | |
| Income to Net Cash Provided by | |
| (Used in) Operating Activities: | |
| Depreciation | 228,469 |
| (Increase) Decrease in Current Assets | (71,798) |
| Increase (Decrease) in Current Liabilities | 71,032 |
| Net Cash Provided by Operating Activities | \$ 262,056 |

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

VILLAGE OF NORRIDGE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
APRIL 30, 2017

| | <u>Pension Trust Fund</u> |
|--|-------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 424,322 |
| Receivables: | |
| Interest and dividends | 49,631 |
| Total current assets | <u>\$ 473,953</u> |
| Investments | |
| U.S. Government Obligations | \$ 2,221,685 |
| Corporate Stocks | 13,721,843 |
| Mutual Funds | 4,166,226 |
| Municipal Bonds | 302,248 |
| Corporate Bonds | 1,428,415 |
| Certificates of deposit | 2,049,000 |
| Cash - interest bearing | 1,227,480 |
| Total investments | <u>\$ 25,116,897</u> |
| Total assets | <u>\$ 25,590,850</u> |
| LIABILITIES | |
| Accounts payable | \$ 76,317 |
| Total liabilities | <u>\$ 76,317</u> |
| NET POSITION RESTRICTED FOR PENSION BENEFITS | <u>\$ 25,514,533</u> |

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

VILLAGE OF NORRIDGE
STATEMENT OF CHANGES
IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2017

| | Pension Trust Fund |
|---|-----------------------|
| ADDITIONS: | |
| Contributions: | |
| Employer | \$ 1,148,468 |
| Plan members | 328,325 |
| Total contributions | \$ 1,476,793 |
| Investment income: | |
| Net appreciation in fair value of investments | \$ 2,033,426 |
| Interest and dividend income | 453,304 |
| Total investment income | \$ 2,486,730 |
| Less investment expenses | 106,208 |
| Net investment income | \$ 2,380,522 |
| Total additions | \$ 3,857,315 |
| DEDUCTIONS: | |
| Benefits | \$ 2,136,948 |
| Administrative expenses | 25,280 |
| Total deductions | \$ 2,162,228 |
| Change in net position | \$ 1,695,087 |
| NET POSITION RESTRICTED FOR PENSION BENEFITS | |
| Beginning of year | 23,819,446 |
| End of year | \$ 25,514,533 |

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

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Norridge, Illinois, was incorporated December 4, 1948 and became a home-rule municipality by referendum on May 1, 1973. The Village is a municipal corporation governed by an elected president and six-member Board of Trustees. The Village provides a broad range of services to citizens, including general government, public safety, building code enforcement, engineering, street maintenance, street lighting, water and sewer utilities, 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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB Pronouncements. Although the Village has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Village has chosen not to do so. The more significant of the Village's accounting policies established in GAAP and used by the Village are described below.

A. REPORTING ENTITY

The Village's financial reporting entity comprises the following:

| | |
|--------------------------|--|
| Primary Government: | Village of Norridge |
| Blended Component Units: | Police Pension Employees Retirement System |

In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 14, "the Financial Reporting Entity," and includes all component units that have a significant operational or financial relationship with the Village.

Blended Component Units - Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Village Board or the Component unit provides services entirely to the Village. These component unit funds are blended into those of the Village's by appropriate activity type to compose the primary government presentation.

Blended Component Unit

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 pension trust fund.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION

Government-wide and Fund Financial 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, highway and street maintenance and reconstruction, 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 activities are classified as business-type activities.

In the government-wide Statement of Net Assets, 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 and receivables as well as long-term debt and obligations.

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

Invested in capital assets, net of related debt—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 net assets—Consists of net assets 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.

Unassigned net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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 (sales and use taxes, income taxes, property taxes, intergovernmental revenue, fines, permits, and charges for services, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) fines and forfeitures, and 3) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.

The net costs (by function or business-type activity) are normally covered by general revenue (sales and use taxes, state income tax, property tax, and certain intergovernmental revenues).

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

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 comprise its assets, liabilities, reserves, 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.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Non-major funds by category are summarized into a single column. GASB Statement No. 34 set forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major 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, liabilities, 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, liabilities, revenues, or expenditures/expenses of that individual governmental 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 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

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

Special Revenue Funds

This type of fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Village maintains one major special revenue fund, the Motor Fuel Tax Fund, and one non-major special revenue fund. The Motor Fuel Tax Fund accounts for the motor fuel taxes received from the State of Illinois and expenditures that are legally restricted for specified purposes.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, 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

Enterprise funds are required to account for operations for which a fee is charged to external users for goods or services and the activity is (a) 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 Village maintains on major proprietary fund, the Water Fund, which accounts for the activities of the water and sewer operations. The Village operates the water distribution and sanitary sewer system.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Fiduciary Funds

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

Pension Trust Funds

Pension Trust funds are used to account for assets held in a trustee capacity by the Village 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.

C. 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 Assets and the Statement of Activities, both governmental and business-like 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.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities 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 assets, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary and pension trust fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like 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 is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities 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. A sixty day availability period is used for revenue recognition for governmental fund revenues. The Village's property taxes are levied for the Police Pension Fund and are deposited directly in the Pension Fund's checking account. The property taxes are not recognized until received. 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.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

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.

All proprietary and pension trust 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 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 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.

D. ASSETS, LIABILITIES AND EQUITY

1. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

States statutes authorize the Village to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments are stated at cost or amortized cost, except for investments, in the Police Pension Trust Fund and the deferred compensation agency fund, which are reported at market value.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

3. Inventories and Prepaid Items

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Enterprise Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES AND EQUITY (Continued)

4. Restricted Assets

General Fund - Amounts listed as restricted assets under the General Fund represent deposits made by contractors to the Village. These deposits are held by the Village to ensure that the contractors repair any damage done to Village streets.

Enterprise Fund - Amounts listed as restricted assets represent commercial customer deposits made when water service is set up.

5. Capital Assets

Capital assets, which include property, plant equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial cost of at least \$20,000 and an estimated useful life in excess of three years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. A composite depreciation rate is used for infrastructure assets. Depreciation on the remaining capital assets is provided on the straightline basis over the following estimated useful lives:

| | |
|-----------------------------------|-------------|
| Buildings | 25-50 years |
| Improvements other than Buildings | 15-50 years |
| Water Distribution System | 40 years |
| Sewer Collection System | 40 years |
| Machinery and Equipment | 3-10 years |
| Vehicles | 3-15 years |
| Infrastructure | 20-50 years |

6. Compensated Absences

Vested or accumulated vacation and sick leave are reported as an expenditure and a fund liability of the governmental fund that will pay it once retirement or separation has occurred. Vested or accumulated vacation and sick leave of proprietary funds and governmental activities are recorded as an expense and liability of those funds as the benefits accrue to employees.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES AND EQUITY (Continued)

7. 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 statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 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.

8. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 31, the President submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the prior May 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Village Hall to obtain taxpayer comments.
3. Prior to July 31, the budget is legally enacted through passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
5. Budgets for the General Fund are adopted and monitored throughout the year on a cash basis.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The cash and investments are classified into deposits, investments, and other, based upon their nature. Within each classification, the balances are further categorized, if required, by the risk element assumed, as described below. The deposits and investments of the pension trust fund are held separately from those of other funds.

1. Cash

The carrying amount of cash, of the Village, excluding the Pension Trust Fund, was \$2,403,017 at April 30, 2017, while the bank balances were \$2,918,783. As of April 30, 2017, the bank balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits were collateralized with securities of the U.S. government either held in the Village's name by the pledging financial institution or collateralized with securities held in the name of the pledging financial institution.

2. Certificates of Deposit

Certificate of deposit, for the Village, amounted to \$1,160,402 at April 30, 2017. The certificate of deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits were collateralized with securities of the U.S. government either held in the Village's name by pledging financial institution or collateralized with securities held in the name of the pledging financial institution.

3. Custodial Credit Risk

For an investment, custodial credit risk 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 is fully collateralized as of April 30, 2017.

4. Concentration of Credit Risk

The Village places no limit on the amount the Village may invest in any one issuer.

B. PROPERTY TAXES

Property taxes are recognized when they are received. The 2016 property taxes attach as an enforceable lien on January 1, 2016. They were levied on November 9, 2016 by passage of a tax levy ordinance. Tax bills are prepared by the county and issued on or about February 1, 2017 and are due in two installments, on March 1, 2017 and on August 1, 2017. The county collects such taxes and remits them periodically.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended April 30, 2017 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|---------------------|-------------|----------------------|
| Land | \$ 1,310,667 | \$ - | \$ - | \$ 1,310,667 |
| Depreciable capital assets: | | | | |
| Buildings | 6,969,065 | - | - | 6,969,065 |
| Equipment | 4,192,904 | 28,570 | - | 4,221,474 |
| Infrastructure | 12,089,926 | 163,704 | - | 12,253,630 |
| Total Capital Assets | <u>\$ 24,562,562</u> | <u>\$ 192,274</u> | <u>\$ -</u> | <u>\$ 24,754,836</u> |
| Accumulated Depreciation | | | | |
| Buildings | \$ 2,322,507 | \$ 139,381 | \$ - | \$ 2,461,888 |
| Equipment | 3,891,381 | 110,060 | - | 4,001,441 |
| Infrastructure | 5,845,810 | 258,577 | - | 6,104,387 |
| Total accumulated depreciation | <u>\$ 12,059,698</u> | <u>\$ 508,018</u> | <u>\$ -</u> | <u>\$ 12,567,716</u> |
| Governmental activities capital assets, net | <u>\$ 12,502,864</u> | <u>(\$ 315,744)</u> | <u>\$ -</u> | <u>\$ 12,187,120</u> |

Depreciation expense was charged to the following functions in the Statement of Activities:

| | |
|----------------------------------|-------------------|
| General government | \$ 69,690 |
| Public safety | 133,802 |
| Public works - Street Department | 160,252 |
| Village properties | 144,274 |
| Net | <u>\$ 508,018</u> |

Capital asset activity for business-type activities for the year ended April 30, 2017 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|-------------------|-------------|---------------------|
| Combined waterworks and sewerage system | \$ 6,300,007 | \$ 615,788 | \$ - | \$ 6,915,795 |
| Machinery and equipment | 22,375 | - | - | 22,375 |
| Furniture and fixtures | 452,923 | - | - | 452,923 |
| Water meters | 2,304,518 | - | - | 2,304,518 |
| Total Capital Assets | <u>\$ 9,079,823</u> | <u>\$ 615,788</u> | <u>\$ -</u> | <u>\$ 9,695,611</u> |
| Accumulated Depreciation | | | | |
| Combined waterworks and sewerage system | \$ 3,086,160 | \$ 113,244 | \$ - | \$ 3,199,404 |
| Machinery and equipment | 22,375 | - | - | 22,375 |
| Furniture and fixtures | 452,923 | - | - | 452,923 |
| Water meters | 1,682,542 | 115,225 | - | 1,797,767 |
| Total accumulated depreciation | <u>\$ 5,244,000</u> | <u>\$ 228,469</u> | <u>\$ -</u> | <u>\$ 5,472,469</u> |
| Governmental activities capital assets, net | <u>\$ 3,835,823</u> | <u>\$ 387,319</u> | <u>\$ -</u> | <u>\$ 4,223,142</u> |

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. LONG-TERM DEBT

Enterprise Fund Long-Term Debt - On April 25, 2003 the Village entered into a loan agreement with the Illinois Environmental Protection Agency through the State's Illinois Public Water Supply Loan Program. The loan proceeds are being used to upgrade the current water meter system including the replacement of existing water meters and the installation of new remote registers and a new meter reading system.

The Village was approved to borrow up to \$1,952,667 with an annual interest rate of 2.905%. The loan term is 15 years with semiannual payments starting upon the completion of the project. The Village borrowed a total of \$1,785,376.

On August 22, 2012, the Village Board authorized a loan agreement with the Illinois Environmental Protection Agency through the State's Illinois Public Water Supply Loan Program. The loan proceeds are being used to upgrade the water supply system.

The Village was approved to borrow up to \$526,627 with an annual interest rate of 2.295%. The loan term is 20 years with semiannual payments starting on January 23, 2014. The Village borrowed a total of \$485,197. The State of Illinois forgave \$131,657 of the loan amount pursuant to the principal forgiveness provisions contained in the Loan Rules.

Annual debt service requirements to maturity for the Illinois EPA loan are as follows:

| Year Ending April 30 | 2003 Illinois EPA Water Supply Loan | | 2012 Illinois EPA Water Supply Loan | | Total | |
|-------------------------|--|-----------------|--|------------------|-------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | \$ 138,340 | \$ 2,975 | \$ 15,771 | \$ 6,820 | \$ 154,111 | \$ 9,795 |
| 2019 | - | - | 16,135 | 6,456 | 16,135 | 6,456 |
| 2020 | - | - | 16,507 | 6,083 | 16,507 | 6,083 |
| 2021 | - | - | 16,888 | 5,703 | 16,888 | 5,703 |
| 2022 | - | - | 17,278 | 5,313 | 17,278 | 5,313 |
| 2023 | - | - | 17,677 | 4,914 | 17,677 | 4,914 |
| 2024 | - | - | 18,085 | 4,506 | 18,085 | 4,506 |
| 2025 | - | - | 18,502 | 4,089 | 18,502 | 4,089 |
| 2026 | - | - | 18,929 | 3,662 | 18,929 | 3,662 |
| 2027 | - | - | 19,366 | 3,224 | 19,366 | 3,224 |
| 2028 | - | - | 19,813 | 2,778 | 19,813 | 2,778 |
| 2029 | - | - | 20,271 | 2,320 | 20,271 | 2,320 |
| 2030 | - | - | 20,738 | 1,852 | 20,738 | 1,852 |
| 2031 | - | - | 21,217 | 1,374 | 21,217 | 1,374 |
| 2032 | - | - | 21,707 | 884 | 21,707 | 884 |
| 2033 | - | - | 22,208 | 383 | 22,208 | 383 |
| 2034 | - | - | - | - | - | - |
| | <u>\$ 138,340</u> | <u>\$ 2,975</u> | <u>\$ 301,092</u> | <u>\$ 60,361</u> | <u>\$ 439,432</u> | <u>\$ 63,336</u> |

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. LONG-TERM DEBT (Continued)

Summary - The following is a summary of long-term debt transactions of the Village for the year ended April 30, 2016:

| | <u>Balance</u> <u>4/30/2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>4/30/2017</u> | <u>Amount due</u> <u>in One Year</u> |
|---|------------------------------------|-------------------|-------------------|------------------------------------|---|
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 574,261 | \$ 531,486 | \$ 61,767 | \$ 1,043,980 | \$ 139,316 |
| Other Postemployment Benefit Obligations | 1,328,914 | 131,202 | - | 1,460,116 | - |
| | <u>\$ 1,903,175</u> | <u>\$ 662,688</u> | <u>\$ 61,767</u> | <u>\$ 2,504,096</u> | <u>\$ 139,316</u> |
| Enterprise Fund | | | | | |
| Illinois EPA Loan - 2003 | \$ 278,935 | \$ - | \$ 140,595 | \$ 138,340 | \$ 138,340 |
| Illinois EPA Loan - 2012 | 316,507 | - | 15,415 | 301,092 | 15,771 |
| | <u>\$ 595,442</u> | <u>\$ -</u> | <u>\$ 156,010</u> | <u>\$ 439,432</u> | <u>\$ 154,111</u> |
| | <u>\$ 2,498,617</u> | <u>\$ 662,688</u> | <u>\$ 217,777</u> | <u>\$ 2,943,528</u> | <u>\$ 293,427</u> |

4. OTHER INFORMATION

A. 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; and natural disasters for which the government carries insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant decrease in the insurance coverage over the past year.

B. COMMITMENTS AND CONTINGENT LIABILITIES

The Village is a defendant in various lawsuits. The ultimate resolution of these matters is not ascertainable at this time. No provision has been made in the financial statements related to these claims.

C. OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description

In addition to providing the pension benefits described, the Village provides post-employment health care insurance benefits (OPEB) for its eligible retired employees through the Village group health insurance plan, which covers both active and retired members. 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 contract. 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 governmental and business-type activities.

The Village provides pre Medicare post-employment health insurance to retirees, their spouses, and dependents who were enrolled in one of the Village's healthcare plans at the time of the employees' retirement.

B. Funding Policy

The Village contributes 75 percent of the cost of current-year HMO premiums for eligible retired plan members. The retiree is responsible for 100% of the cost of any spouse and/or dependent coverage.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

4. OTHER INFORMATION

C. OTHER POST-EMPLOYMENT BENEFITS (Continued)

C. Membership

At April 30, 2017 (census date), membership consisted of:

| | |
|--|-----------|
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | 14 |
| Active employees | <u>70</u> |
| TOTAL | <u>84</u> |
| Participating employers | <u>1</u> |

D. Annual OPEB Cost and Net OPEB Obligation

The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The Village has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following tables shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation to the Retiree Health Plan:

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of April 30, 2017 and the two preceding fiscal years were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Employer Contributions</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|-------------------------------|---|----------------------------|
| 4/30/15 | \$ 315,329 | \$ 113,981 | 36.1% | \$ 1,181,332 |
| 4/30/16 | 248,717 | 101,135 | 40.7 | 1,328,914 |
| 4/30/17 | 256,337 | 125,135 | 48.8 | 1,460,116 |

The net OPEB obligation as of April 30, 2017 was calculated as follows:

| | |
|--|---------------------|
| Annual required contribution | \$ 254,454 |
| Interest on net OPEB obligation | 53,157 |
| Adjustment to annual required contribution | <u>(51,274)</u> |
| Annual OPEB cost | \$ 256,337 |
| Contributions made | <u>(125,135)</u> |
| Increase in net OPEB obligation | \$ 131,202 |
| Net OPEB obligation, beginning of year | <u>1,328,914</u> |
| NET OPEB OBLIGATION, END OF YEAR | <u>\$ 1,460,116</u> |

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

4. OTHER INFORMATION (Continued)

C. OTHER POST-EMPLOYMENT BENEFITS (Continued)

D. Annual OPEB Cost and Net OPEB Obligation (Continued)

Funded Status and Funding Progress: The funded status and funding progress of the Plan as of April 30, 2016 (latest information available) was as follows:

| | | |
|---|----|-----------|
| Actuarial accrued liability (AAL) | \$ | 2,736,695 |
| Actuarial value of plan assets | | - |
| Unfunded actuarial accrued liability (UAAL) | | 2,736,695 |
| Funded ratio (actuarial value of plan assets/AAL) | | 0.00% |
| Covered payroll (active plan members) | \$ | 6,920,909 |
| UAAL as a percentage of covered payroll | | 39.54% |

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 trend. Amounts determined regarding the funded status of the Plan and the annual required 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 financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the April 30, 2016 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return and an initial healthcare cost trend rate of 8.0% with an ultimate healthcare inflation rate of 4.7%. Both rates include a 3% inflation assumption and 3% wage 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 level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2016 was 30 years.

D. EMPLOYEE RETIREMENT SYSTEMS

The Village contributes to two defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system and the Police Pension Plan which is a single-employer pension plan. The benefits, benefit levels, employee contributions, and employer contributions for the plans are governed by ILCS and can only be amended by the Illinois General Assembly. IMRF issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

a. Plan Descriptions

Illinois Municipal Retirement Fund

All employees (other than those covered by the Police Pension Plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

4. OTHER INFORMATION (Continued)

C. OTHER POST-EMPLOYMENT BENEFITS (Continued)

D. Annual OPEB Cost and Net OPEB Obligation (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1½% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

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 members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1½% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer required contribution rate for calendar year 2015 was 11.42%.

Plan Membership

At December 31, 2016, IMRF membership consisted of:

| | |
|--|-----------------------|
| Inactive plan members currently receiving benefits | 39 |
| Inactive plan members entitled to but not yet receiving benefits | 14 |
| Active plan members | <u>48</u> |
| TOTAL | <u><u>101</u></u> |

Actuarial Assumptions

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

| | |
|----------------------------|-------------------|
| Actuarial valuation date | December 31, 2016 |
| Actuarial cost method | Entry age normal |
| Assumptions | |
| Inflation | 2.75% |
| Salary increases | 3.75% to 14.50% |
| Discount rate | 7.50% |
| Cost of living adjustments | 3.00% |
| Asset valuation method | Market |

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

4. OTHER INFORMATION (Continued)

C. OTHER POST-EMPLOYMENT BENEFITS (Continued)

D. Annual OPEB Cost and Net OPEB Obligation (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate

The discount rate used to measure the IMRF total pension liability was 7.48%. 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 the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 7.48%.

Changes in the Net Pension Liability

| | (a) Total Pension Liability | (b) Plan Fiduciary Net Position | (a) - (b) Net Pension Liability |
|--|--------------------------------------|--|---------------------------------------|
| BALANCES AT JANUARY 1, 2016 | <u>\$ 14,888,674</u> | <u>\$ 12,981,902</u> | <u>\$ 1,906,772</u> |
| Changes for the period | | | |
| Service cost | 362,038 | | 362,038 |
| Interest | 1,110,494 | | 1,110,494 |
| Difference between expected and actual experience | (241,961) | | (241,961) |
| Changes in assumptions | (39,620) | | (39,620) |
| Employer contributions | - | 363,549 | (363,549) |
| Employee contributions | - | 143,506 | (143,506) |
| Net investment income | - | 908,735 | (908,735) |
| Benefit payments and refunds | (447,026) | (447,026) | - |
| Other (net transfer) | - | 49,400 | (49,400) |
| Net changes | <u>743,925</u> | <u>1,018,164</u> | <u>(274,239)</u> |
| BALANCES AT DECEMBER 31, 2015 | <u>\$ 15,632,599</u> | <u>\$ 14,000,066</u> | <u>\$ 1,632,533</u> |

Changes in assumptions related to retirement age and mortality were made since the prior measurement date.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

4. OTHER INFORMATION (Continued)

D. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2016, the Village recognized pension expense of \$359,511.

At December 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ - | \$ 404,788 |
| Changes in assumption | 10,940 | 30,951 |
| Net difference between projected and actual earnings on pension plan investments | <u>601,298</u> | <u>-</u> |
| TOTAL | <u>\$ 612,238</u> | <u>\$ 435,739</u> |

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized as pension expense by the Village as follows:

| <u>Year Ending December 31,</u> | |
|-------------------------------------|-------------------|
| 2017 | \$ 57,631 |
| 2018 | 57,631 |
| 2019 | 82,567 |
| 2020 | <u>(21,330)</u> |
| | <u>\$ 176,499</u> |

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the Village calculated using the discount rate of 7.50% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

| | <u>1% Decrease (6.50%)</u> | <u>Current Discount Rate (7.50%)</u> | <u>1% Increase (8.50%)</u> |
|-----------------------------|--------------------------------|--|--------------------------------|
| Total Pension Liability | \$ 17,779,702 | \$ 15,632,599 | \$ 13,899,204 |
| Plan Fiduciary Net Position | <u>14,000,066</u> | <u>14,000,066</u> | <u>14,000,066</u> |
| Net Pension Liability | <u>\$ 3,779,636</u> | <u>\$ 1,632,533</u> | <u>(\$ 100,862)</u> |

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

4. OTHER INFORMATION (Continued)

D. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan

Plan Administration

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40 - Article 5/3) and may be amended only by the Illinois legislature. The Village accounts for the Police Pension Plan as a pension trust fund.

The plan is governed by a five-member pension board. Two members are appointed by the Village's President, one member is elected by pension beneficiaries, and two members are elected by active police employees.

Plan Membership

At April 30, 2017, the Police Pension Plan membership consisted of:

| | |
|--|---------------|
| Inactive plan members currently receiving benefits | 33 |
| Inactive plan members entitled to but not yet receiving benefits | 1 |
| Active plan members | <u>37</u> |
| TOTAL | <u>71</u> |

Benefits Provided

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. 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% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the preceding calendar year.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

4. OTHER INFORMATION (Continued)

D. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Contributions

Employees are required by ILCS 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. The Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. For the year ended April 30, 2015, the Village's contribution was 29.6% of covered payroll. The Village utilizes the entry age normal actuarial cost method to fund the plan.

Cash

At April 30, 2017, the Pension Trust Fund's carrying amount of cash was \$1,651,802 and bank balances of cash were \$1,629,364. The FDIC insures bank balances up to \$250,000. As of April 30, 2017, the bank balances in excess of FDIC insurance limits were collateralized with securities of the U.S. government either held in the Village's name by the pledging financial institution, collateralized with securities held in the name of the pledging financial institution or otherwise insured.

Investment Policy

The Police Pension Fund's (the Fund) investment policy authorizes the Fund to invest in all investments allowed by ILCS. These include deposits/investments in insured commercial banks, savings and loan institutions, interest-bearing obligations of the U.S. Treasury and U.S. agencies, interest-bearing bonds of the State of Illinois or any county, township, or municipal corporation of the State of Illinois, direct obligations of the State of Israel, money market mutual funds whose investments consist of obligations of the U.S. Treasury or U.S. agencies, separate accounts managed by life insurance companies, mutual funds, common and preferred stock, Illinois Funds (created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the participants fair value), and IMET, a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and 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 IMET's share price, the price for which the investment could be sold.

It is the policy of the Fund to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the cash flow demands of the Fund and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are, in order of priority, safety of principal, risk aversion, rate of return, and liquidity.

The Fund's asset allocation policy establishes the following target allocation across asset classes:

| <u>Asset Class</u> | <u>Minimum</u> | <u>Maximum</u> |
|-----------------------------|----------------|----------------|
| Equities (separate account) | 20% | 55 % |
| Equities/Mutual Funds only | 0% | 10 % |
| Fixed Income | 33% | 78 % |
| Cash | 2% | 20 % |

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

4. OTHER INFORMATION (Continued)

D. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Investment Valuations

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market prices at April 30 for debt securities, equity securities, and mutual funds.

Investment Concentrations

Concentration of credit risk is the risk that the Fund has a high percentage of its investments invested in one type of investment. The Fund's investment policy requires diversification of investment to avoid unreasonable risk. In addition, the following allocations are desired: depository accounts and money market mutual funds at 2% to 20%, fixed income securities at 33% to 78%, mutual funds at 0% to 10%, and equity securities at 20% to 55%.

Significant Investments

Investments that represent 5% or more of net assets available for benefits are:

| | |
|--|-------------|
| Mutual Funds and Exchange Traded Funds | |
| American Funds | |
| Europacific Growth Fund Class A | \$1,749,449 |

Related Party Transactions

There are no securities of the employer or any other related parties included in the plan.

Investment Rate of Return

For the year ended April 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.33%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Custodial Credit Risk - Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Fund's deposits may not be returned to it. The Fund's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, at an amount not less than 110% of the fair market value of the funds secured, with the collateral held by an independent third party or the Federal Reserve Bank, and evidenced by safekeeping receipts.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

4. OTHER INFORMATION (Continued)

D. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Interest Rate Risk

The following table presents the investments and maturities of the Fund's debt securities as of April 30, 2017:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in Years)</u> | | | |
|-------------------------|---------------------|---|------------------------------|-----------------------------|-----------------------------------|
| | | <u>Less than One Year</u> | <u>One to Five Years</u> | <u>Six to Ten Years</u> | <u>Greater Than Ten Years</u> |
| U.S. Treasuries | \$ 1,612,711 | \$ 230,150 | \$ 1,046,633 | \$ 335,928 | \$ - |
| U.S. agencies | 608,974 | 551,676 | 51,691 | - | 5,607 |
| Municipal bonds | 302,248 | - | 302,248 | - | - |
| Corporate bonds | 1,428,415 | 49,965 | 1,378,450 | - | - |
| Certificates of Deposit | 2,049,000 | 750,000 | 1,299,000 | - | - |
| Total | <u>\$ 6,001,348</u> | <u>\$1,581,791</u> | <u>\$ 4,078,022</u> | <u>\$ 335,928</u> | <u>\$ 5,607</u> |

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for all reasonably anticipated operating requirements while providing a reasonable rate of return based on the current market with a minimum return of 7% desired during market cycle. In addition, no investment in a fixed income security shall have a maturity of greater than 30 years from the time of purchase.

Credit Risk

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Fund's investment policy does not address the management of credit risk other than to limit investments to those allowed by state statutes. The U.S. Treasuries and agencies, money market mutual funds, and Illinois Funds are rated AAA. The state, local, and municipal bonds are rated A3 to AAA. The corporate bonds are rated BAA3 to AAA.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund's policy for managing custodial credit risk is to adhere to the ILCS regarding the registration, custody, and safekeeping of investments. The Fund's policy, in accordance with the statutes, is that all investments shall be clearly held and accounted for to indicate ownership by the Fund. The Fund may direct the registration of securities in its own name or in nominee name for the expressed purpose of registration of securities by a national or state bank or trust company authorized to conduct a trust business in the State of Illinois.

A broker/dealer may maintain possession of or control over securities if it is registered as a broker/dealer with the U.S. Securities and Exchange Commission and is a good member in good standing of the National Association of Securities Dealers and is compliant with the provisions of (40 ILCS 5/1 113.7) Sec. 1 113.7, regarding registration of investments, custody, and safekeeping. The broker/dealer is required to have excess Security Investor Protection Corporation (SIPC) insurance to protect the assets of the Pension Fund.

The Fund's investments are in compliance with its policy.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

4. OTHER INFORMATION (Continued)

D. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Net Pension Liability

The components of the net pension liability of the Police Pension Plan as of April 30, 2017 were as follows:

| | (a) Total Pension Liability | (b) Plan Fiduciary Net Position | (a) - (b) Net Pension Liability |
|---|--------------------------------------|--|---------------------------------------|
| BALANCES AT APRIL 30, 2016 | \$ 44,717,686 | \$ 23,819,446 | \$ 20,898,240 |
| Changes for the period | | | |
| Service cost | 749,977 | - | 749,977 |
| Interest | 2,994,336 | - | 2,994,336 |
| Difference between expected and actual experience | 452,361 | - | 452,361 |
| Changes in assumptions | 884,615 | - | 884,615 |
| Employer contributions | - | 1,148,468 | (1,148,468) |
| Employee contributions | - | 328,325 | (328,325) |
| Net investment income | - | 2,380,522 | (2,380,522) |
| Benefit payments and refunds | (2,136,948) | (2,136,948) | - |
| Administrative expense | - | (25,280) | 25,280 |
| Net changes | 2,944,341 | 1,695,087 | 1,249,254 |
| BALANCES AT APRIL 30, 2017 | <u>\$ 47,662,027</u> | <u>\$ 25,514,533</u> | <u>\$ 22,147,494</u> |

There was a change with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to mortality rates, disability rates, turnover rates and retirement rates.

See the schedule of changes in the employer's net pension liability and related ratios in the required supplementary information for additional information related to the funded status of the Police Pension Fund.

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

4. OTHER INFORMATION (Continued)

D. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2017 using the following actuarial methods and assumptions.

| | |
|--|--|
| Actuarial Valuation Date | May 1, 2017 |
| Actuarial Cost Method | Entry-age normal (Level %) |
| <i>Assumptions</i> | |
| Discount Rate used for the Total Pension Liability | 6.86% |
| Long-Term Expected Rate of Return on Plan Assets | 7.00% |
| High Quality 20 Year Tax-Exempt G.O. Bond Rate | 3.82% |
| Projected Individual Salary Increases | 4.00% - 8.39% |
| Projected Increase in Total Payroll | 3.25% |
| Cost of living adjustments Tier 1 | 3.00% |
| Cost of living adjustments Tier 2 | 1.25% |
| Inflation rate included | 2.50% |
| Asset Valuation Method | Market Value |
| Mortality Table | L&A 2016 Illinois Police Mortality Rates |
| Retirement Rates | L&A 2016 Illinois Police Retirement Rates |
| Disability Rates | L&A 2016 Illinois Police Disability Rates |
| Termination Rates | L&A 2016 Illinois Police Termination Rates |
| Percent Married | 80% |

All rates shown in the economic assumptions are assumed to be annual rates, compounded on an annual basis.

Discount Rate

The discount rate used to measure the total pension liability was 6.86%. 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 the Village contributions will be made at rates equal to the difference between 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 projected future benefit payments of current plan members through April 30, 2075 to determine the total pension liability and the municipal bond rate of 3.82% was used to determine the portion of the net pension liability associated with those payments.

Interest Rate Sensitivity

The following is a sensitivity 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 of 6.86% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.86%) or 1 percentage point higher (7.86%) than the current rate:

| | 1% Decrease (5.86%) | Current Discount Rate (6.86%) | 1% Increase (7.86%) |
|-----------------------|------------------------|-------------------------------------|------------------------|
| Net Pension Liability | \$ 28,979,883 | \$ 22,147,494 | \$ 16,584,264 |

VILLAGE OF NORRIDGE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

4. OTHER INFORMATION (Continued)

D. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended April 30, 2017, the Village recognized police pension expense of \$1,293,373. At April 30, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to the police pension from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 390,138 | \$ 2,310,678 |
| Changes in assumption | 3,932,199 | - |
| Net difference between projected and actual earnings on pension plan investments | <u>1,358,415</u> | <u>589,720</u> |
| TOTAL | <u>\$ 5,680,752</u> | <u>\$ 2,900,398</u> |

| <u>Period Ending April 30,</u> | |
|------------------------------------|---------------------|
| 2018 | \$ 647,982 |
| 2019 | 647,982 |
| 2020 | 647,982 |
| 2021 | 195,181 |
| 2022 | 342,608 |
| Thereafter | <u>298,619</u> |
| TOTAL | <u>\$ 2,780,354</u> |

E. PRIOR PERIOD ADJUSTMENT

For the fiscal year ended April 30, 2017 the Village began reporting the net pension liability of the Police Pension Plan using the end of the year actuarial valuation (April 30, 2017). For the fiscal year ended April 30, 2016, the Village used the actuarial valuation as of April 30, 2015. Both methods are allowed by Governmental accounting standards, however, the end of current year valuation is encouraged. Due to this change, the Village is recording the change in net pension liability between April 30, 2015 and April 30, 2016 as a prior period adjustment as reflected on the Statement of Activities. The change in net pension liability between April 30, 2016 and April 30, 2017 is being reported in the Statement of Activities for the year ended April 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF NORRIDGE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2017

| | Budget | | | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|----------------------|--|
| | Original | Final | Actual | |
| Budgetary fund balance, May 1, 2016 | \$ 2,586,077 | \$ 2,586,077 | \$ 3,441,827 | \$ 855,750 |
| Resources (inflows): | | | | |
| Sales Tax | 4,500,000 | 4,500,000 | 4,350,305 | (149,695) |
| Home Rule Sales Tax | 4,750,000 | 4,750,000 | 4,592,981 | (157,019) |
| Real Estate Tax Levy | 1,126,600 | 1,126,600 | 1,098,468 | (28,132) |
| State Income Tax | 1,500,000 | 1,500,000 | 1,387,441 | (112,559) |
| Fines and forfeitures | 425,000 | 425,000 | 346,716 | (78,284) |
| Licenses and permits | 618,000 | 618,000 | 568,955 | (49,045) |
| Gasoline Tax | 240,000 | 240,000 | 212,690 | (27,310) |
| Amusement Tax | 150,000 | 150,000 | 156,081 | 6,081 |
| Video Gaming Tax | 100,000 | 100,000 | 176,529 | 76,529 |
| State Use Tax | 300,000 | 300,000 | 356,031 | 56,031 |
| Telecommunications Tax | 405,000 | 405,000 | 357,308 | (47,692) |
| Other Intergovernmental | 563,000 | 563,000 | 159,169 | (403,831) |
| Investment Income | 10,000 | 10,000 | 12,600 | 2,600 |
| Franchise fees | 165,000 | 165,000 | 179,081 | 14,081 |
| Charges for services | 165,185 | 165,185 | 174,718 | 9,533 |
| Miscellaneous | 50,000 | 50,000 | 157,314 | 107,314 |
| Transfers from other funds | - | - | - | - |
| Amounts available for appropriation | <u>\$ 17,653,862</u> | <u>\$ 17,653,862</u> | <u>\$ 17,728,214</u> | <u>\$ 74,352</u> |
| Charges to appropriations (outflows): | | | | |
| General government | \$ 2,722,136 | \$ 2,722,136 | \$ 2,468,548 | 253,588 |
| Public safety: | | | | |
| Police | 7,801,504 | 7,801,504 | 8,106,993 | (305,489) |
| Public works: | | | | |
| Public works/Street Department | 2,290,500 | 2,290,500 | 1,512,134 | 778,366 |
| Garbage/recycling | 1,405,000 | 1,405,000 | 1,276,918 | 128,082 |
| Village properties | <u>2,364,003</u> | <u>2,364,003</u> | <u>1,446,702</u> | <u>917,301</u> |
| Total charges to appropriations | <u>\$ 16,583,143</u> | <u>\$ 16,583,143</u> | <u>\$ 14,811,295</u> | <u>1,771,848</u> |
| Budgetary fund balance, April 30, 2017 | <u>\$ 1,070,719</u> | <u>\$ 1,070,719</u> | <u>\$ 2,966,919</u> | <u>1,846,200</u> |
| Reconciliation of Budgetary (Cash Basis) and GAAP fund balance: | | | | |
| Budgetary Fund Balance, Cash basis | | | \$ 2,966,919 | |
| Revenue accruals | | | 685,377 | |
| Expenditure accruals | | | (65,277) | |
| Budgetary Fund Balance, GAAP basis | | | <u>\$ 3,587,019</u> | |

VILLAGE OF NORRIDGE

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MOTOR FUEL TAX FUND
FOR THE YEAR ENDED APRIL 30, 2017

| | Budget | | | Variance with Final Budget Positive (Negative) |
|--|--------------|--------------|--------------|---|
| | Original | Final | Actual | |
| Budgetary fund balance, May 1, 2016 | \$ 992,417 | \$ 992,417 | \$ 992,417 | \$ - |
| Resources (inflows): | | | | |
| Intergovernmental | | | | |
| Motor fuel tax allotments | 360,000 | 360,000 | 370,607 | 10,607 |
| Other Intergovernmental | 63,325 | 63,325 | - | (63,325) |
| Interest income | 1,500 | 1,500 | 5,276 | 3,776 |
| Amounts available for appropriation | \$ 1,417,242 | \$ 1,417,242 | \$ 1,368,300 | (\$ 48,942) |
| Charges to appropriations (outflows): | | | | |
| Highway and streets | | | | |
| Street projects | \$ 70,000 | \$ 70,000 | (\$ 7,569) | \$ 77,569 |
| Snow removal | 100,000 | 100,000 | 38,627 | 61,373 |
| Street signs | 20,000 | 20,000 | 19,676 | 324 |
| Contingencies | 200,000 | 200,000 | 17,033 | 182,967 |
| Total charges to appropriations | \$ 390,000 | \$ 390,000 | \$ 67,767 | \$ 322,233 |
| Budgetary fund balance, April 30, 2017 | \$ 1,027,242 | \$ 1,027,242 | \$ 1,300,533 | \$ 273,291 |

VILLAGE OF NORRIDGE

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

| <u>Calendar Year Ending December 31,</u> | <u>Balance 4/30/2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 4/30/2017</u> | <u>Amount due in One Year</u> |
|--|------------------------------|------------------|------------------|------------------------------|-----------------------------------|
| 2015 | \$ 365,293 | \$ 365,293 | \$ - | \$ 3,198,715 | \$ 11.42% |
| 2016 | 363,549 | 363,549 | - | 3,189,024 | 11.40 |

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 27 years; the asset valuation method was 5-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.5% annually, projected salary increases assumption of 3.75% to 14.50% compounded annually and post-retirement benefit increases of 3.50% compounded annually.

Note to Schedule:

The Village implemented GASB 68 in fiscal year ended April 30, 2016. Information is not available prior to 2015. Additional years will be added to future reports as schedules are required to show 10 years of historical data.

VILLAGE OF NORRIDGE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND
FOR THE LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>Actuarially Determined Contribution</u> | <u>Contributions in relation to the Actuarially Determined Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Employee Contribution</u> | <u>Contributions as a percentage of Covered Payroll</u> |
|--------------------|--|---|---|--|---|
| 4/30/2008 | \$ NA | \$ 480,000 | \$ NA | \$ 2,848,065 | 16.85% |
| 4/30/2009 | NA | 480,000 | NA | 2,832,909 | 16.94 |
| 4/30/2010 | 594,760 | 540,000 | 54,760 | 2,767,453 | 19.51 |
| 4/30/2011 | 1,102,862 | 805,245 | 297,617 | 2,837,362 | 28.38 |
| 4/30/2012 | 1,093,162 | 1,457,015 | (363,853) | 3,037,490 | 47.97 |
| 4/30/2013 | 953,676 | 1,104,540 | (150,864) | 3,221,942 | 34.28 |
| 4/30/2014 | 1,023,355 | 918,703 | 104,652 | 3,342,874 | 27.48 |
| 4/30/2015 | 1,090,581 | 1,028,552 | 62,029 | 3,472,235 | 29.62 |
| 4/30/2016 | 1,100,892 | 1,084,796 | 16,096 | 3,391,915 | 31.98 |
| 4/30/2017 | 1,291,900 | 1,148,468 | 143,432 | 3,413,460 | 33.65 |

NA - Not available.

The information presented was determined as part of the actuarial valuations as of April 30, 2017. Additional information as of the latest actuarial valuation presented is as follows:

| | |
|-----------------------------------|----------------------------------|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of pay (closed) |
| Amortization period | 19 years remaining |
| Asset valuation method | 5 Year Smoothed Market Value |
| Significant actuarial assumptions | |
| Interest rate of return | 7.00% |
| Projected salary increases | 4.00%-8.39% |
| Postretirement benefit increases | 3.00% |

VILLAGE OF NORRIDGE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN
FOR THE FISCAL YEAR ENDED APRIL 30, 2017

| <u>Fiscal Year</u> | <u>Employer</u> | <u>Annual Required Contribution</u> | <u>Percent Contributed</u> |
|--------------------|-----------------|---|----------------------------|
| 4/30/2012 | \$ 101,149 | \$ 287,624 | 35.17 % |
| 4/30/2013 | 101,149 | 287,624 | 35.17 |
| 4/30/2014 | 101,149 | 308,796 | 32.76 |
| 4/30/2015 | 113,981 | 308,796 | 36.91 |
| 4/30/2016 | 101,135 | 247,043 | 40.94 |
| 4/30/2017 | 125,135 | 254,454 | 49.18 |

VILLAGE OF NORRIDGE

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND
FOR THE FISCAL YEAR ENDED APRIL 30, 2017

| | <u>12/31/16</u> | <u>12/31/15</u> |
|--|-----------------------------|-----------------------------|
| TOTAL PENSION LIABILITY | | |
| Service cost | \$ 362,038 | \$ 356,178 |
| Interest on Total Pension Liability | 1,110,494 | 1,064,859 |
| Changes in benefit terms | - | - |
| Differences between expected and actual experience | (241,961) | (377,128) |
| Changes in assumptions | (39,620) | 19,122 |
| Benefit payments, including refunds of member contributions | <u>(447,026)</u> | <u>(426,677)</u> |
| Net change in total pension liability | \$ 743,925 | \$ 636,354 |
| Total pension liability - beginning | <u>14,888,674</u> | <u>14,252,320</u> |
| TOTAL PENSION LIABILITY - ENDING | <u>\$ 15,632,599</u> | <u>\$ 14,888,674</u> |
| PLAN FIDUCIARY NET POSITION | | |
| Contributions - employer | \$ 363,549 | \$ 365,293 |
| Contributions - employee | 143,506 | 144,320 |
| Net investment income | 908,735 | 65,746 |
| Benefit payments, including refunds of member contributions | (447,026) | (426,677) |
| Other (Net Transfer) | <u>49,400</u> | <u>(274,431)</u> |
| Net change in plan fiduciary net position | \$ 1,018,164 | (\$ 125,749) |
| Plan fiduciary net position - beginning | <u>12,981,902</u> | <u>13,107,651</u> |
| PLAN FIDUCIARY NET POSITION - ENDING | <u>\$ 14,000,066</u> | <u>\$ 12,981,902</u> |
| EMPLOYER'S NET PENSION LIABILITY | <u>\$ 1,632,533</u> | <u>\$ 1,906,772</u> |
| Plan fiduciary net position as a percentage of total pension liability | 89.56% | 87.19% |
| Covered-employee payroll | \$ 3,189,024 | \$ 3,198,715 |
| Employer's net position liability as a percentage of covered-employee payroll | 51.19% | 59.61% |

Note to Schedule:

The Village implemented GASB 68 in fiscal year ended April 30, 2016. Information is not available for the prior year. Additional years will be added as schedules are required to show 10 years of historical data.

VILLAGE OF NORRIDGE

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION FUND
FOR THE YEAR ENDED APRIL 30, 2017

| | <u>4/30/2015</u> | <u>4/30/2016</u> | <u>4/30/2017</u> |
|--|----------------------|----------------------|----------------------|
| TOTAL PENSION LIABILITY | | | |
| Service cost | \$ 763,448 | \$ 722,594 | \$ 749,977 |
| Interest | 2,588,780 | 2,863,849 | 2,994,336 |
| Changes in benefit terms | - | - | - |
| Difference between expected and actual experience | (147,088) | (3,164,904) | 452,361 |
| Changes in assumptions | 2,599,093 | 4,340,899 | 884,615 |
| Benefit payments and refunds | (1,835,622) | (1,913,751) | (2,136,948) |
| Net Change in Total Pension Liability | \$ 3,968,611 | \$ 2,848,687 | \$ 2,944,341 |
| Total Pension Liability - Beginning | <u>37,900,388</u> | <u>41,868,999</u> | <u>44,717,686</u> |
| TOTAL PENSION LIABILITY - ENDING | <u>\$ 41,868,999</u> | <u>\$ 44,717,686</u> | <u>\$ 47,662,027</u> |
| PLAN FIDUCIARY NET POSITION | | | |
| Contributions - Employer | \$ 1,028,552 | \$ 1,084,796 | \$ 1,148,468 |
| Contributions - Member | 330,106 | 327,651 | 328,325 |
| Net investment income | 1,768,480 | (540,607) | 2,380,522 |
| Benefit Payments, including Refunds of Member Contributions | (1,835,622) | (1,913,751) | (2,136,948) |
| Administrative expense | (22,601) | (19,116) | (25,280) |
| Net Change in Plan Fiduciary Net Position | \$ 1,268,915 | (\$ 1,061,027) | (\$ 1,695,087) |
| Plan Fiduciary Net Position - Beginning | <u>23,611,558</u> | <u>24,880,473</u> | <u>23,819,446</u> |
| PLAN FIDUCIARY NET POSITION - ENDING | <u>\$ 24,880,473</u> | <u>\$ 23,819,446</u> | <u>\$ 25,514,533</u> |
| EMPLOYER'S NET PENSION LIABILITY | <u>\$ 16,988,526</u> | <u>\$ 20,898,240</u> | <u>\$ 22,147,494</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 59.42% | 53.27% | 53.5% |
| Covered-employee payroll | \$ 3,472,235 | \$ 3,391,915 | \$ 3,413,460 |
| Employer's net position liability as a percentage of covered-employee payroll | 489.27% | 616.12% | 648.8% |

Note to Schedule:

The Village implemented GASB 68 in fiscal year ended April 30, 2017. Information is not available for the prior year. Additional years will be added as schedules are required to show 10 years of historical data.

VILLAGE OF NORRIDGE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
FOR THE FISCAL YEAR ENDED APRIL 30, 2017

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Liability (AAL) Entry Age</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|---------------------------------|----------------------------------|--|----------------------------|---------------------|------------------------|--|
| 4/30/2012 | \$ - | \$ NA | \$ NA | - % | \$ NA | NA% |
| 4/30/2013 | - | 3,538,349 | 3,538,349 | - | 6,067,071 | 58.32 |
| 4/30/2014 | - | NA | NA | - | NA | NA |
| 4/30/2015 | - | NA | NA | - | NA | NA |
| 4/30/2016 | - | 2,736,695 | 2,736,695 | - | 6,920,909 | 39.54 |
| 4/30/2017 | - | NA | NA | - | NA | NA |

The Village implemented GASB Statement No. 45 for the fiscal year ended April 30, 2010. Information for prior years is not available. The Village is required to have the actuarial valuation performed triennially.

NA - Not available.