

CITY OF BURBANK, ILLINOIS
ANNUAL FINANCIAL REPORT
December 31, 2018

CITY OF BURBANK, ILLINOIS

ANNUAL FINANCIAL REPORT

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of the City Council
City of Burbank, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Burbank, Illinois ("City"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police Pension Fund and the Firefighters' Pension Fund, which represent 98 percent of the assets and 93 percent of the revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors, whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the Police Pension Fund and the Firefighters' Pension Fund, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Police Pension Fund and the Firefighters' Pension Fund were not audited in accordance with *Government Auditing Standards*.

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 the 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 City'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, in June 2015 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Statement 75 is effective for the District's fiscal year ending December 31, 2018. This Statement replaces the requirements of Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". Statement 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identified the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about defined benefit OPEB also are addressed. As a result, net position was restated as of January 1, 2018 by \$(3,696,618) for the cumulative effect of the application of this pronouncement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedule, and historical pension and retirees' health plan information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Crowe LLP

Oak Brook, Illinois
September 30, 2019

City of Burbank, Illinois
Management's Discussion and Analysis
December 31, 2018

As management of the City of Burbank ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. Since the Management's Discussion and Analysis ("MD&A") is designed to focus on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the City's financial statements.

Financial Highlights

The assets and deferred outflows of resources of the City were exceeded by its liabilities and deferred inflows of resources at the close of fiscal year 2017 by \$17.5 million (net position). Of this amount, there is a deficit \$57.0 million (unrestricted net position).

As of the close of fiscal year 2018, the City's governmental funds reported combined ending fund balances of \$16.8 million, an increase of \$5.8 million in comparison to the prior year, or a 53% increase. At the end of fiscal year 2018, unassigned fund balance for the general fund was \$8.4 million or 43% of the total general fund expenditures.

The City's total long term debt increased by \$14.6 million (22%) during the current fiscal year, primarily due to the increase in the net pension liabilities for the City, issuance of new bonds, and implementation of GASB Statement No. 75.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the City's assets, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The governmental activities reflect the City's basic services, including administration, public safety, highways, streets and building control. Property taxes, shared state taxes and local utility taxes finance the majority of these services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is

City of Burbank, Illinois
Management's Discussion and Analysis
December 31, 2018

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

The City maintains 5 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Motor Fuel Tax Fund, Debt Service Fund, and the General Obligation Bond Fund, each of which are considered to be major funds, while the SSA Debt Fund is deemed to be a nonmajor fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report also includes certain required supplementary information related to budgetary information and the City's progress in funding its obligation to provide pension benefits to its employees. Non-major fund information can be found immediately following the required supplementary information.

Statement of Net Position

The following chart reflects the condensed Statement of Net Position:

	<u>2018</u>	<u>2017</u>
Assets:		
Current & other assets	\$ 25.3	\$ 21.3
Capital assets	<u>41.5</u>	<u>41.6</u>
Total assets	<u>66.8</u>	<u>62.9</u>
Deferred Outflows of Resources	<u>18.6</u>	<u>12.4</u>
Liabilities:		
Current liabilities	1.3	2.3
Long-term liabilities	<u>80.2</u>	<u>65.6</u>
Total liabilities	<u>81.5</u>	<u>67.9</u>
Deferred Inflows of Resources	<u>21.4</u>	<u>22.1</u>
Net position:		
Invested in capital assets, net	36.0	35.5
Restricted	3.5	2.8
Unrestricted	<u>(57.0)</u>	<u>(53.0)</u>
Total net position	<u>\$ (17.5)</u>	<u>\$ (14.7)</u>

City of Burbank, Illinois
Management's Discussion and Analysis
December 31, 2018

Nearly all of the City's net position is made up of capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, those assets are not available for future spending. An additional portion of the City's net position is resources that are subject to external restrictions on their use. There is no longer unrestricted net position available from an accounting perspective to meet the City's ongoing obligations to its citizens and creditors. At the end of the fiscal year, there are positive balances in two of the three categories of the City's net position.

Analysis of Operations

Burbank has not raised property taxes beyond minor adjustments in the levy for inflation based on the consumer price index. Burbank is a home rule unit of local government and has maintained one of the lowest real estate property tax rates in the metropolitan Chicago region. For the most part, increases in expenses closely parallel inflation and growth for demand in services. The City Council passed increases in vehicle sticker fees, gasoline tax, telecommunication tax, and electric utility tax. The City Council also allowed video gaming tax and red light safety cameras. This was done to replace revenues that decreased in 2010, specifically revenues collected through the local governments' share of the state revenue tax.

The following chart reflects the condensed Statement of Activities:

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for Services	\$ 4.9	\$ 3.9
Operation Grants/Contrib.	1.7	1.1
Capital Grants/Contrib.	-	-
General revenues:		
Property taxes	6.4	6.2
Other taxes	12.2	11.9
Other	0.8	0.6
Total revenues	26.0	23.7
Expenses:		
General government	3.3	4.3
Public safety	17.3	15.6
Public works	4.2	4.3
Interest on debt	0.3	0.3
Total expenses	25.1	24.5
Change in net position	0.9	(0.8)
Beginning net position	(14.7)	(13.9)
Change in accounting principle	(3.7)	-
Beginning net position, as restated	(18.4)	(13.9)
Ending net position	\$ (17.5)	\$ (14.7)

City of Burbank, Illinois
Management's Discussion and Analysis
December 31, 2018

Governmental Funds

The General Fund balance increased by \$2.7 million. This was due to an increase in revenue and control over some expenditures for the year.

The Motor Fuel Tax Fund balance increased by \$0.4 million due to less than planned expenditures of MFT proceeds.

The Debt Service Fund balance increased by \$.05. Revenues and expenditures were as planned.

The General Obligation Bond Fund increased in total by \$2.5 million due to new general obligation bonds issued during the year.

General Fund Budgetary Highlights

Total spending for the year was up a small percentage than the previous year due to an overall plan to contain spending for the majority of departments. Revenues increased at a greater rate than expenditures, increasing fund balance.

Generally, the various departmental spending is in line with the appropriations and those appropriations remaining constant from the previous year, the Fire department saw an increase in personnel costs and City pension contributions. The City pension contributions for the Police Pension Fund increased as well. Finally, the Building Department had a reduction in staff which decreased its costs.

There were no amendments to the original budget ordinance during the fiscal year.

Capital Assets

Change in Capital Assets			
(in millions)			
	Balance January 1, 2018	Net Additions/ Deletions	Balance December 31, 2018
Capital assets not being depreciated	\$ 1.7	\$ 0.4	\$ 2.1
Capital assets being depreciated	99.0	1.3	100.3
Accumulated depreciation	<u>(59.1)</u>	<u>(1.7)</u>	<u>(60.8)</u>
Capital assets being depreciated, net	<u>39.9</u>	<u>(0.4)</u>	<u>39.5</u>
Total	<u>\$ 41.6</u>	<u>\$ -</u>	<u>\$ 41.6</u>

Burbank has replaced any deteriorated infrastructure within the last decade and will continue to replace worn side streets as needed utilizing current motor fuel funds and additional long term financing planned that took place in 2018. More detailed information about capital assets can be found in Note 5 to the financial statements.

Debt Administration

The City retired over \$2.7 million of previously classified long-term debt and saw an increase in pension of \$9.1 million, of which, \$7.2 million was due to stock market fluctuations. The Total OPEB Liability of \$4.6 was added upon required implementation of GASB Statement No. 75. The City has an insignificant real estate tax receipts loss factor, and collects all revenues needed to finance debt service of the City. Long term levies have been approved and filed for all future debt service funding. The City has an "A3" rating from Moody's investor's service for general obligation debt. More detailed information about long term debt can be found in Note 7 to the financial statements.

Economic Factors

The City has a mature and stable residential tax base 12 miles southwest of Chicago. The tax base is well established with new development largely from the replacement of older homes. The City has home rule status with a manageable debt burden with rapid principal amortization. The City Council, over the years, has imposed various tax increases/user fees to diversify revenues. Imposed revenues include a ½ cent local option sales tax. The City still imposes lower sales taxes than its neighbor Chicago. The TIF district that has dissolved created the ability to add additional new property that was previously unavailable for the general corporate fund levy. This commercial property is now included in the new tax base available for the City's real estate tax levy purposes.

The City in 2018 established a new TIF district to aid in the development of a city block of land on a major thoroughfare of 79th Street. A previously closed hotel has been demolished and the City is currently seeing a new higher end extended stay hotel going up in its place. A new Tony's Super Food Store is in process to update and expand the former Food for Less facility, as well as, additional business projects at a smaller scale. Meetings were held to expand the district to encompass the Old Barn Restaurant which the City received title for after a tax delinquency process was completed as well as some vacant properties and undeveloped structures.

Requests for Information

This financial report is designed to provide a general overview of the City of Burbank's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Burbank Treasurer, 6530 W. 79th Street, Burbank, Illinois 60459.

CITY OF BURBANK, ILLINOIS

Statement of Net Position
December 31, 2018

	<u>Primary Government</u> <u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 16,274,167
Property Taxes Receivable	6,553,384
Other Governmental Receivables	2,447,708
Due from Fiduciary Funds	21,843
Prepaid Items	53,546
Capital Assets Not Being Depreciated	2,093,552
Capital Assets Being Depreciated, Net	<u>39,462,912</u>
Total Assets	<u>66,907,112</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Outflows	17,866,927
Deferred OPEB Outflows	<u>767,231</u>
Total Deferred Outflows of Resources	<u>18,634,158</u>
LIABILITIES	
Accounts Payable	468,814
Accrued Payroll	239,970
Accrued Payroll Taxes	34,292
Claims Payable	537,865
Interest Payable	19,501
Due to Fiduciary Funds	47,484
Long Term Debt, Due Within One Year:	
Compensated Absences	78,612
General Obligation Bonds Payable	2,859,000
Retiree Insurance Premiums Payable	221,695
Long Term Debt, Due in More Than One Year:	
Compensated Absences	936,308
General Obligation Bonds Payable	7,839,658
Retiree Insurance Premiums Payable	828,226
Net Pension Liabilities	62,887,358
Total OPEB Liability	<u>4,621,897</u>
Total Liabilities	<u>81,620,680</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned Property Taxes	6,546,216
Deferred Pension Inflows	14,462,446
Deferred OPEB Inflows	<u>450,282</u>
Total Deferred Inflows of Resources	<u>21,458,944</u>
NET POSITION	
Net Investment in Capital Assets	36,025,539
Restricted for:	
Motor Fuel Tax Projects	2,441,427
Debt Service	507,190
Capital Projects	547,908
Unrestricted	<u>(57,060,418)</u>
Total Net Position	<u>\$ (17,538,354)</u>

See accompanying notes to financial statements.

CITY OF BURBANK, ILLINOIS

Statement of Activities
Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue and Changes in Net Position
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 3,386,655	\$ 1,307,276	\$ -	\$ -	\$ (2,079,379)
Public Safety	17,325,756	3,621,786	957,709	-	(12,746,261)
Public Works	4,188,830	-	737,674	-	(3,451,156)
Interest on Debt	309,407	-	-	-	(309,407)
Total Primary Government	\$ 25,210,648	\$ 4,929,062	\$ 1,695,383	\$ -	(18,586,203)
		General Revenues:			
		Taxes:			
					6,455,070
					1,940,311
					2,763,914
		Shared Revenues:			
					3,388,308
					2,790,216
					68,046
					402,794
					849,685
					200,112
					589,630
					<u>19,448,086</u>
					Change in Net Position 861,883
					Net Position, January 1, 2018 (14,703,619)
					Change in Accounting Principle (See Note 10) (3,696,618)
					Net Position, January 1, 2018, as restated (18,400,237)
					Net Position, December 31, 2018 \$ (17,538,354)

CITY OF BURBANK, ILLINOIS

Balance Sheet
Governmental Funds
December 31, 2018

	Major Funds				Nonmajor Fund		Total Governmental Funds
	General Fund	Motor Fuel Tax Fund	Debt Service Fund	General Obligation Bond Fund	Nonmajor Governmental Funds		
ASSETS							
Cash and Investments	\$ 8,144,602	\$ 2,056,510	\$ 357,344	\$ 5,001,733	\$ 713,978	\$	\$ 16,274,167
Property Taxes Receivable	3,457,021	-	2,984,297	-	112,066	-	6,553,384
Other Governmental Receivables	2,322,129	125,579	-	-	-	-	2,447,708
Prepaid Items	53,546	-	-	-	-	-	53,546
Due from Fiduciary Funds	21,843	-	-	-	-	-	21,843
Interfund Advances - Receivable	273,080	272,565	-	-	-	-	545,645
Total Assets	<u>\$ 14,272,221</u>	<u>\$ 2,454,654</u>	<u>\$ 3,341,641</u>	<u>\$ 5,001,733</u>	<u>\$ 826,044</u>	<u>\$</u>	<u>\$ 25,896,293</u>
LIABILITIES							
Accounts Payable	\$ 392,873	\$ 13,227	\$ -	\$ 62,714	\$ -	\$ -	\$ 468,814
Accrued Payroll	239,970	-	-	-	-	-	239,970
Accrued Payroll Taxes	34,292	-	-	-	-	-	34,292
Claims Payable	477,243	-	-	-	-	-	477,243
Interfund Advances - Payable	190,223	-	-	344,422	-	11,000	545,645
Due to Fiduciary Funds	47,484	-	-	-	-	-	47,484
Total Liabilities	<u>1,382,085</u>	<u>13,227</u>	<u>-</u>	<u>407,136</u>	<u>11,000</u>	<u>-</u>	<u>1,813,448</u>
DEFERRED INFLOWS OF RESOURCES							
Unearned Revenue - Property Taxes	3,453,200	-	2,980,950	-	112,066	-	6,546,216
Unavailable Revenue - Taxes and Grants	682,261	-	-	-	-	-	682,261
Total Deferred Inflows of Resources	<u>4,135,461</u>	<u>-</u>	<u>2,980,950</u>	<u>-</u>	<u>112,066</u>	<u>-</u>	<u>7,228,477</u>
FUND BALANCES							
Nonspendable							545,645
Interfund Loans	273,080	272,565	-	-	-	-	53,546
Prepaid Items	53,546	-	-	-	-	-	-
Restricted							
Motor Fuel Tax Projects	-	2,168,862	-	-	-	-	2,168,862
Debt Service	-	-	360,691	-	166,000	-	526,691
Infrastructure Projects	-	-	-	4,594,597	536,978	-	5,131,575
Unassigned	8,428,049	-	-	-	-	-	8,428,049
Total Fund Balances	<u>8,754,675</u>	<u>2,441,427</u>	<u>360,691</u>	<u>4,594,597</u>	<u>702,978</u>	<u>-</u>	<u>16,854,368</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,272,221</u>	<u>\$ 2,454,654</u>	<u>\$ 3,341,641</u>	<u>\$ 5,001,733</u>	<u>\$ 826,044</u>	<u>\$</u>	<u>\$ 25,896,293</u>

See accompanying notes to financial statements.

CITY OF BURBANK, ILLINOIS

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
December 31, 2018

Total fund balances - governmental funds \$ 16,854,368

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Capital Assets	\$	102,417,658	
Accumulated Depreciation		<u>(60,861,194)</u>	
Net Capital Assets			41,556,464

Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds. These assets consist of:

Receivables Unavailable in Governmental Funds	682,261
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Interest on long-term debt is not accrued in governmental funds, but rather is recognized when due.	(19,501)
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Deferred outflows of resources applicable to the City's pension and OPEB activities do not involve available financial resources and accordingly are not reported on the fund financial statements	18,634,158
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Deferred inflows of resources applicable to the City's pension and OPEB activities do not involve available financial resources and accordingly are not reported on the fund financial statements	(14,912,728)
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Some liabilities reported in the statement of net position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of :

Provision for Compensated Absences		(1,014,920)	
Retiree Insurance Premiums Payable		(1,049,921)	
Claims Payable		(60,622)	
Total OPEB Liability		(4,621,897)	
Net Pension Liabilities		(62,887,358)	
Bonds Payable		<u>(10,698,658)</u>	
Total Long-term liabilities			<u>(80,333,376)</u>

Net position of governmental activities	<u>\$ (17,538,354)</u>
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CITY OF BURBANK, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2018

	Major Funds						Total Governmental Funds
	General Fund	Motor Fuel Tax Fund	Debt Service Fund	General Obligation Bond Fund	Nonmajor Funds		
REVENUES							
Property Taxes	\$ 3,312,378	\$ -	\$ 2,900,884	\$ -	\$ 241,808	\$ 6,455,070	
Sales Tax	3,415,475	-	-	-	-	3,415,475	
Home Rule Tax	1,957,951	-	-	-	-	1,957,951	
Income Tax	2,790,216	-	-	-	-	2,790,216	
Other Taxes	4,080,902	737,674	-	-	-	4,818,576	
Licenses, Permits and Fees	2,118,915	-	-	-	-	2,118,915	
Fines	2,852,147	-	-	-	-	2,852,147	
Investment Income	126,254	19,717	25,649	23,361	5,131	200,112	
Grants	957,709	-	-	-	-	957,709	
Other Revenue	485,680	-	-	91,950	-	577,630	
Total Revenues	22,097,627	757,391	2,926,533	115,311	246,939	26,143,801	
EXPENDITURES							
Current:							
Administration	2,856,729	-	-	2,971	-	2,859,700	
Building & Grounds	44,358	-	-	-	-	44,358	
Fire Department	5,934,149	-	-	-	-	5,934,149	
Police Department	8,379,990	-	-	-	-	8,379,990	
Civil Defense	26,196	-	-	-	-	26,196	
Public Works Department	1,868,618	-	-	-	-	1,868,618	
Building & License Enforcement	221,270	-	-	-	-	221,270	
Zoning Board of Appeals	49,953	-	-	-	-	49,953	
Liquor Commission	31,030	-	-	-	-	31,030	
Police & Fire Commission	21,650	-	-	-	-	21,650	
Capital Outlay	-	318,529	-	2,016,409	-	2,334,938	
Debt Service - Principal Retired	-	-	2,560,000	-	99,000	2,659,000	
Debt Service - Interest and Fees	122,355	-	310,360	-	12,897	445,612	
Total Expenditures	19,556,298	318,529	2,870,360	2,019,380	111,897	24,876,464	
Excess (Deficiency) of Revenues Over Expenditures	2,541,329	438,862	56,173	(1,904,069)	135,042	1,267,337	
OTHER FINANCING SOURCES (USES)							
Proceeds from Bonds	4,445,000	-	-	-	-	4,445,000	
Bond Premium	130,903	-	-	-	-	130,903	
Transfers In	-	-	-	4,400,000	-	4,400,000	
Transfers Out	(4,400,000)	-	-	-	-	(4,400,000)	
Total Other Financing Sources (Uses)	175,903	-	-	4,400,000	-	4,575,903	
Net Change in Fund Balances	2,717,232	438,862	56,173	2,495,931	135,042	5,843,240	
Fund Balances at Beginning of Year	6,037,443	2,002,565	304,518	2,098,666	567,936	11,011,128	
Fund Balances at End of Year	\$ 8,754,675	\$ 2,441,427	\$ 360,691	\$ 4,594,597	\$ 702,978	\$ 16,854,368	

See accompanying notes to financial statements.

CITY OF BURBANK, ILLINOIS

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to Statement of Activities
Year Ended December 31, 2018

Net change in total fund balances \$ 5,843,240

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.

Reduction of Retiree Insurance Premiums Payable	\$	234,345	
Reduction in Compensated Absences		43,115	
Change in Claims Payable		5,774	
Change in Pension Liability and Deferred Items		(3,313,652)	
Change in Total OPEB Liability and Deferred items		(10,866)	
Change in Accrued Interest Payable on Bonds		7,389	
Amortization of Capitalized Bond Premium		<u>128,816</u>	
Total expenses of non-current resources			(2,905,079)

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

Capital Outlay		1,981,102	
Depreciation		<u>(2,069,207)</u>	
Capital Outlay in excess of depreciation			(88,105)

The issuance of long-term debt (e.g., bonds) provided current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Issuance of debt		(4,445,000)	
Payment of bonds		2,659,000	
Bond premium		<u>(130,903)</u>	
Net effect of differences in long term debt			<u>(1,916,903)</u>

Change in net position of governmental activities \$ 861,883

CITY OF BURBANK, ILLINOIS
Statement of Fiduciary Net Position
December 31, 2018

	Pension Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 2,217,042	\$ 829,028
Investments, at Fair Value		
U.S. Government and Agency Obligations	18,575,093	-
State and Local Obligations	1,640,472	-
Corporate Bonds	4,644,775	-
Equity Securities	16,629,946	-
Equity Mutual Funds	20,131,631	-
Due from the City	47,484	-
Accrued Interest	190,016	-
Prepaid Items	8,789	-
Total Assets	64,085,248	\$ 829,028
LIABILITIES		
Accounts Payable	50,813	\$ -
Due to City	-	21,843
Due to Participants/Bond Holders	-	807,185
Total Liabilities	50,813	\$ 829,028
NET POSITION		
Restricted for Pensions	64,034,435	
Total Net Position	\$ 64,034,435	

CITY OF BURBANK, ILLINOIS

Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2018

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 2,553,474
Plan Members	<u>663,471</u>
Total Contributions	<u>3,216,945</u>
Investment Income	
Interest and Dividends	2,207,175
Net Change in Fair Value	(5,044,990)
Less Investment Expense	<u>(276,964)</u>
Net Investment Income	<u>(3,114,779)</u>
Total Additions	<u>102,166</u>
DEDUCTIONS	
Benefits and Refunds	2,637,051
Administrative Expenses	<u>1,930,440</u>
Total Deductions	<u>4,567,491</u>
Change in Net Position	(4,465,325)
Net Position at Beginning of Year	<u>68,499,760</u>
Net Position at End of Year	<u>\$ 64,034,435</u>

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Burbank (City), Illinois conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The following is a summary of the significant policies:

The Reporting Entity:

Financial Reporting Entity - These financial statements include all organizations, activities, functions, funds and component units for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City. The following component units have been included in the financial statements of the City.

Fiduciary Component Units – The Police Pension Fund of the City of Burbank is an Illinois local government, as such; it is a separate legal entity with its own management and budget authority. This fund exists solely to provide pension benefits for the City's police officers. The Pension Plan may not issue bonded debt or levy taxes without the City's approval. The financial statements of the Police Pension Fund as of and for the year ended December 31, 2018, are included in the City's combined financial statements as a pension trust fund. The Police Pension Fund has issued a separate financial report. This report may be obtained by contacting the City Treasurer.

The Firefighters' Pension Fund of the City of Burbank is an Illinois local government, as such; it is a separate legal entity with its own management and budget authority. This fund exists solely to provide pension benefits for the City's firefighters. The Pension Plan may not issue bonded debt or levy taxes without the City's approval. The financial statements of the Firefighters' Pension Fund as of and for the year ended December 31, 2018, are included in the City's combined financial statements as a pension trust fund. The Firefighters' Pension Fund has issued a separate financial report. This report may be obtained by contacting the City Treasurer.

Basis of Presentation: The City's financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis. These statements include the financial activities of the primary government, except for fiduciary activities. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The government-wide statement of activities reflects both the direct expenses and net cost of each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each government function is self-financing or draws from the general revenues of the City.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements – The financial transactions of the City are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures as appropriate. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and presented as nonmajor funds.

Measurement Focus and Basis of Accounting:

Government-wide Financial Statements – The government-wide financial statements and fund financial statements for fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, if measurable, and expenses are recognized as incurred, regardless of the timing of related cash flows.

The City has reported three categories of program revenues in the statement of activities (1) charges for services, (2) program-specific operating grants and contributions, and (3) program-specific capital grants and contributions. Program revenues are derived directly from the program itself or from external sources, such as the State of Illinois; they reduce the net cost of each function to be financed from the City's general revenues. For identifying the function to which program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is the function to which the revenues are restricted.

Eliminations have been made in the statement of net position to remove the “grossing-up” effect on assets and liabilities within the governmental activities column for amounts reported in the individual funds as interfund receivables and payables. Similarly, transfers between funds have been eliminated in the statement of activities. Amounts reported in the governmental funds as receivable from or payable to fiduciary funds have been reclassified in the statement of net position as accounts receivable or payable to external parties.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Revenues accrued at the end of the year include charges for services, licenses and permits, fines and forfeitures, intergovernmental revenues, investment earnings, property taxes, sales taxes and income taxes. All other revenue items are considered to be measurable and available only when cash is received by the government. Nonexchange transactions, in which the City receives value without directly giving equal value in return, include taxes, grants, and donations. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports unearned revenues on its financial statements. Unearned revenues arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet or statement of net position and revenue is recognized.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports differences between expected and actual experience, changes in assumptions, and loss on investments for their pension and OPEB plans. Differences between expected and actual experience and changes in plan assumptions are deferred and amortized over the average of the expected remaining service lives of employees that are provided with benefits through the plan. Loss on investments are deferred and amortized over five years.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: other taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Under the full accrual basis of accounting, in accordance with the requirements of GASB Statement No. 65, property tax revenues that are levied but intended to fund future periods are considered to be deferred inflows of resources. Additionally, certain amounts related to pension and OPEB plans must be deferred. Differences between expected and actual experience changes in assumptions are deferred and amortized over the average of the expected remaining service lives of all employees that are provided with benefits through the plan. Gain on investments are deferred and amortized over five years.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's policy to apply restricted resources first, then unrestricted resources as needed.

Differences occur from the manner in which the governmental activities and the government-wide financial statements are prepared due to the inclusion of capital asset and long-term debt activity. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. The General Fund has the following accounts:

Corporate – the Corporate account is used to account for all financial resources except those required to be accounted for in another fund.

Working Cash – the Working Cash account is used to loan resources to other funds.

Motor Fuel Tax Fund – This special revenue fund accounts for motor fuel tax revenues received, including interest income, for the purpose of street and alley maintenance.

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund – This fund is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

General Obligation Bond Fund – This capital projects fund accounts for capital improvements that are financed by the proceeds of the various GO bond issues.

In addition to the major funds listed above, the City uses the following fund type:

Fiduciary Funds

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the Government in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

These include pension trust and agency funds. Pension trust funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cash and Investments: Investments are stated at fair value except for Illinois Funds, which is reported at amortized cost. State statute requires the State Treasurer's Illinois Funds to comply with the Illinois Public Funds Investment Act.

Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amount: City employees receive vacation and sick pay in varying amounts based upon their employment anniversary dates. The City reimburses employees for accumulated vacation days upon their termination or retirement. Nonunion-employees must take vacation accrued during the year of the accrual. Union employees are allowed to carry forward up to 10 days to the next fiscal year. The City also reimburses employees for accumulated sick pay days upon their termination or retirement. Depending on the contract the employee falls under, sick days are paid at a rate ranging from \$35 for an 8 hour day to \$200 per day. The liability for compensated absences, (unused vacation and sick time) of the City relating to employees of the governmental activities at December 31, 2018, of \$1,014,919 is recorded in the Government-wide financial statements. The long-term portion of compensated absences will be paid from the fund from which the employee is paid.

An employee who retires with 20 or more years of service shall have the option, which must be exercised not later than 30 days after retirement, to convert accrued benefits (sick time, vacation time, and compensatory time) into a health insurance benefit. The rate of pay at the time of retirement and the monthly insurance rate paid by the City at the time of retirement shall be used to calculate the health insurance benefit. The employee's health insurance benefit shall be determined by taking 100% of the hours of accrued benefits times the hourly salary rate divided by the monthly health insurance premium in order to determine the number of months of health insurance to be provided by the City at no cost to the employee. The health insurance benefit must be used by the employee within 15 years of retirement. As of December 31, 2018, there are 18 retired City of Burbank employees eligible for this benefit who are participating. \$1,049,921 is recorded as a liability in the Government-wide financial statements related to this retirement insurance benefit. The benefit expense for the year ended December 31, 2018 was \$234,345. If the employee decides not to have the health insurance benefit, the employee may receive a less than pay stipend.

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost above a set dollar threshold based on the asset type. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The capitalization threshold for the City is \$5,000.

All reported capital assets except land and construction in progress are depreciated. Depreciation on all assets is provided on the straight-line basis over the following estimated useful live:

<u>Capital Asset Category</u>	<u>Estimated Useful Live</u>
Land	n/a
Land Improvements	20 years
Building	50 years
Vehicles, Machinery, and Equipment	5-20 years
Software	2-7 years
Infrastructure-Street Network	25-50 years
Infrastructure-Storm Sewers	100 years

Property Tax Revenue Recognition: Property taxes attach as an enforceable lien on January 1. They are normally levied in September (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about March 1 and August 1 and are payable in two installments, on or about April 1 and September 1. The County collects such taxes and remits them periodically. The amounts levied in the year 2018 are intended to fund year 2019 activity.

Property tax revenues are recognized when they become both measurable and available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days.

Long-Term Debt: In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight-line method, which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, with the exception of prepaid bond insurance, are expensed in the statement of activities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity/Net Position: Net position represents the difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In order to show compliance with GASB Statement No. 54, the components of the fund balance include the following line items:

- a. Nonspendable fund balance is inherently nonspendable, such as portions of net resources that cannot be spent because of their form and portions of net resources that cannot be spent because they must be maintained intact.
- b. Restricted fund balance is externally enforceable limitations on use, such as limitations imposed by creditors, grantors, contributors, or laws and regulations of other government as well as limitations imposed by law through constitutional provision or enabling legislation.
- c. Committed fund balance has self-imposed limitations set in place prior to the end of the period. The limitations are imposed at the highest level of decision making that requires formal action at the same level to remove. For the City, the City Council is the highest level of decision making. As of December 31, 2018, the City does not have any commitments of fund balance.
- d. Assigned fund balance has limitations resulting from intended use consisting of amounts where the intended use is established by the City Council designated for that purpose. The intended use is established by an official designated for that purpose. The City Council has not designated any members of management for this purpose.
- e. Unassigned fund balance is the total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance. It is also any negative fund balance in other funds.

If there is an expenditure incurred for purposes for which both restricted and unrestricted fund balance/net position is available, the City will consider restricted fund balance/net position to have been spent before unrestricted fund balance/net position. Further, if there is an expenditure incurred for purposes for which committed, assigned, or unassigned fund balance classifications could be used, then the City will consider committed fund balance to be spent before assigned fund balance, and consider assigned fund balance to be spent before unassigned fund balance.

The City does not have a minimum fund balance policy.

Claims and Judgments: Liability resulting from claims and judgments, if any, has been reflected in the financial statements in accordance with GASB Statement 10 provisions.

Estimates: The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund (IMRF) and the Police and Firefighters' Pension Plans (Plans) and additions to/deductions from the fiduciary net position of IMRF and the Plans have been determined on the same basis as they are reported by IMRF and the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash: The City has cash on hand of \$800. The carrying amount of cash, excluding the Pension Trust Funds, was \$12,202,395 at December 31, 2018, while the bank balances were \$13,689,338. 100% of the bank balances were either insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000, or collateralized with securities of the U.S. Government or with letters of credit issued by the Federal Home Loan Bank held in the City's name by financial institutions acting as the City's agent.

At December 31, 2018, the Pension Trust Funds' carrying amount of cash was \$2,217,042 while the bank balances were \$1,242,495. At December 31, 2018, \$751,217 of the bank balance of the deposits was uninsured and uncollateralized. The Pension Trust Funds' investment policy does not require pledging of collateral for all bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for the Pension Trust Funds' deposits with financial institutions.

Certificates of Deposit: Certificates of Deposit, excluding the Pension Trust Funds, amounted to \$4,900,000 at December 31, 2018. As of December 31, 2018, the balance was fully collateralized. The balance was either insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000, or collateralized with securities of the U.S. Government or with letters of credit issued by the Federal Home Loan Bank held in the City's name by financial institutions acting as the City's agent. All investment collateral is held in safekeeping in the City's name by financial institutions acting as the City's agent. Collateral is priced to market semi-monthly and monitored regularly with additional collateral requested as necessary.

Investments (Excluding Pension Trust Funds): The investments which the City may purchase are limited to those authorized under the Public Funds Investment Act and include: (1) securities that are guaranteed by the full faith and credit of the United States as to principal and interest; (2) obligations of agencies and instrumentalities of the United States as originally issued by the agencies and instrumentalities; (3) interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits of a bank, savings bank, savings and loan association, or credit union which maintains its principal office in the state of Illinois; (4) money market mutual funds registered under the Investment Company Act of 1940 and rated at the highest classification of at least one nationally recognized rating service; (5) interest-bearing bonds of any county, township, municipality, municipal corporation or school district rated at the time of purchase within the four highest general classifications of at least one nationally recognized rating service; (6) the Public Treasurer's Investment Pool administered the State Treasurer and (7) a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or which uses the services of such an entity and invest or advise regarding the investment of any public funds. As of December 31, 2018, the City did not have any investments.

Interest Rate Risk – Interest rate risk is minimized by structuring investments so that securities mature to meet cash requirements for ongoing operations without selling or cashing in securities on the open market prior to maturity.

Credit Risk – The City's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The City prohibits the following investments: (1) commercial paper of any corporation; (2) repurchase agreements of government securities; (3) derivative products; (4) leveraging of assets through reverse purchase agreements and (5) direct investments in tri-party repurchase agreements.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy does not require collateralization of deposits and investments, unless the amount of funds deposited in a financial institution exceeds 50% of

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

the capital stock and surplus of a bank, exceeds 50% of the net worth of a savings bank or savings and loan association, or exceeds 50% of the unimpaired capital and surplus of a credit union.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer.

Pension Trust Funds' Investments: The deposits and investments of the Pension Trust Funds are held separately from those of other City funds. Statutes authorize the Pension Funds to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit unions, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois bonds; pooled accounts managed by the Illinois Public Treasurer, or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois; money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and the Illinois Securities law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies and separate accounts of life insurance. Pension funds with net position of \$2.5 million or more may invest up to 45% of plan net position in separate accounts of life insurance companies and mutual funds. In addition, pension funds with plan net position of at least 5 million that have appointed an investment advisor, may through that investment advisor invest up to 45% of the plan's net position in common and preferred stocks that meet specific restrictions.

The following schedule reports the fair values and maturities (using the segmented time method) for the Pension Funds' investments at December 31, 2018:

Investment Type	Fair Value	Investment Maturities - in Years			
		Less Than 1	1-5	6-10	More Than 10
State and Local Obligations	\$ 1,640,472	\$ 300,352	\$ 855,407	\$ 484,713	\$ -
Corporate Bonds	4,644,775	304,103	2,504,587	1,836,085	-
U.S. Treasuries	9,302,566	956,881	6,232,526	2,113,159	-
U.S. Agencies	9,272,527	249,454	2,120,324	6,234,352	668,397
Total	24,860,340	<u>\$ 1,810,790</u>	<u>\$ 11,712,844</u>	<u>\$ 10,668,309</u>	<u>\$ 668,397</u>
Equity Mutual Funds	20,131,631				
Equity Securities	16,629,946				
Total	<u>\$ 61,621,917</u>				

The Pension Funds assumes any callable securities will not be called.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Funds limit their exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities. The Pension Fund's investment policy provides no additional limitations to interest rate risk.

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Funds help limit their exposure to credit risk by primarily investing in securities issued by the United State Government and/or its agencies that are implicitly guaranteed by the United States Government. The Pension Trust Funds’ investment policies establish criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The Investments, rated by Standard & Poor’s, in the securities of US government agencies were all rated AAA or better, Corporate Bonds were rated BBB or better, State and Local Obligations were all rated AA or better, or were small issues that were unrated except those listed in the table below:

Investment Type	Par Value	Interest Rate	Maturity Date	Standard and Poor’s
Federal Home Loan Mortgage Corp.	\$ 77,804	3.00%	October 1, 2031	N/R
Federal National Mortgage Assoc.	74,600	4.00%	May 1, 2046	N/R
Federal National Mortgage Assoc.	92,509	3.00%	June 1, 2046	N/R
Federal National Mortgage Assoc.	114,268	2.50%	October 1, 2031	N/R
Federal National Mortgage Assoc.	69,458	3.00%	January 1, 2031	N/R
Kane, Cook, DuPage IL Municipal	35,000	5.15%	January 1, 2019	N/R
Rock Island, IL	100,000	2.94%	December 1, 2023	N/R
Tennessee Valley Authority	100,000	0.00%	November 1, 2025	N/R
Federal Farm Credit Bank	150,000	2.77%	July 1, 2024	AA+
Federal Farm Credit Bank	150,000	2.70%	November 25, 2025	AA+
Federal Farm Credit Bank	100,000	2.80%	November 25, 2026	AA+
Federal Farm Credit Bank	100,000	2.95%	February 8, 2028	AA+

The Pension Trust Funds’ investment policy also prescribes to the “prudent expert” rule, which states, investments shall be made with “the same care, skill, prudence, and diligence under the circumstances that experienced investment professionals, acting in a like capacity and fully familiar with such matters, would use in like activities for like funds with like aims in accordance and compliance with all applicable laws, rules and regulations”.

Custodial Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Fund’s deposits may not be returned to it. At December 31, 2018, \$751,217 of the bank balance of the deposits was uninsured and uncollateralized. The Pension Fund’s investment policy does not require pledging of collateral for all bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for the Pension Fund’s deposits with financial institutions. The percentage of the \$751,217 bank balance of deposits covered by the flow-through FDIC insurance cannot be determined at this time.

Custodial Risk – Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the Pension Funds will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. Money market mutual funds and equity mutual funds are not subject to custodial credit risk. While not required by the Pension Fund’s investment policy, the Pension Trust Fund limits its exposure to custodial credit risk by utilizing an independent third party institution, selected by the Pension Trust Fund, to act as custodian for its securities and collateral.

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of the Funds’ investment in a single issuer. At December 31, 2018, the Pension Trust Funds did not have investments that are valued greater than 5% of the total plan assets. Agency investments represent a large portion of the portfolio; however, the investments are diversified by maturities date and as mentioned earlier are backed

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

by the issuing organization. Although unlike Treasuries, agency securities do not have the full faith and credit backing of the U.S. Government, they are considered to have a moral obligation of implicit backing and are supported by Treasury lines of credit and increasingly stringent federal regulation.

The Pension Funds categorizes their fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Pension Funds have the following recurring fair value measurements as of December 31, 2018 using a matrix pricing model for Level 2 investments:

Investment Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury	\$ 9,302,566	\$ 9,302,566	\$ -	\$ -
U.S. Agencies	9,272,527	-	9,272,527	-
Corporate Bonds	4,644,775	-	4,644,775	-
State and Local Obligations	1,640,472	-	1,640,472	-
Equity Securities	16,629,946	16,629,946	-	-
Equity Mutual Funds	20,131,631	20,131,631	-	-
Total	<u>\$ 61,621,917</u>	<u>\$ 46,064,143</u>	<u>\$ 15,557,774</u>	<u>\$ -</u>

Reconciliation of the Deposits and Investments Note to the financial statements:

Note 2 Deposits and Investments		Financial Statements	
Cash		Statement of Net Position -	
City	\$ 12,202,395	Cash and Investments	\$16,274,167
Pension Funds	2,217,042	Statement of Fiduciary Net Position - Cash	
Certificates of Deposit		and Cash Equivalents - Pension Trust Funds	2,217,042
City	4,900,000	Statement of Fiduciary Net Position -	
Petty Cash	800	Cash - Agency Funds	829,028
Investments		Statement of Fiduciary Net Position -	
Pension Funds	<u>61,621,917</u>	Investments - Pension Trust Funds	<u>61,621,917</u>
Total per Note	<u>\$ 80,942,154</u>	Total Financial Statements	<u>\$80,942,154</u>

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables as of December 31, 2018 are summarized below:

	Due From Other Funds	Due to Other Funds
Major Governmental Funds:		
General	\$ 273,080	\$ 190,223
General - Fiduciary	21,843	47,484
Motor Fuel Tax	272,565	-
General Obligation Bond	-	344,422
Nonmajor Governmental Funds	-	11,000
Fiduciary Funds	47,484	21,843
 Total interfunds	 \$ 614,972	 \$ 614,972

Interfund receivables and payables consist of loans of cash between funds on a routine basis. The loans will be repaid to the various funds when surplus cash is available. These are not expected to be repaid within one year. The Fiduciary Fund interfunds represent amounts owed from the prior payroll and are expected to be repaid within one year.

NOTE 4 - TRANSFERS

The following transfers were made during the year ended December 31, 2018 between funds within the primary government:

	Transfers In	Transfers Out
Major Governmental Funds:		
General	\$ -	\$ 4,400,000
General Obligation Bond	4,400,000	-
 Total transfers	 \$ 4,400,000	 \$ 4,400,000

The transfers can represent routine and non-routine items. Generally, routine transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. For the year ended December 31, 2018, the City made a non-routine transfer of bond proceeds from the General Fund to the General Obligation Fund for \$4,400,000 for the purpose of restricting the cash for infrastructure projects.

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Balance at January 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2018</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 1,732,935	\$ 195,974	\$ -	\$ 1,928,909
Construction in Progress	-	164,643	-	164,643
Subtotal	<u>1,732,935</u>	<u>360,617</u>	<u>-</u>	<u>2,093,552</u>
Capital Assets Being Depreciated:				
Land Improvements	357,191	-	-	357,191
Buildings	10,800,736	-	-	10,800,736
Machinery and Equipment	5,871,644	256,460	(26,068)	6,102,036
Infrastructure	<u>82,041,684</u>	<u>1,364,026</u>	<u>(341,567)</u>	<u>83,064,143</u>
Subtotal	<u>99,071,255</u>	<u>1,620,486</u>	<u>(367,635)</u>	<u>100,324,106</u>
Less Accumulated Depreciation for:				
Land Improvements	(325,144)	(9,156)	-	(334,300)
Buildings	(4,442,879)	(211,932)	-	(4,654,811)
Machinery and Equipment	(4,975,261)	(208,176)	26,068	(5,157,369)
Infrastructure	<u>(49,416,338)</u>	<u>(1,639,943)</u>	<u>341,567</u>	<u>(50,714,714)</u>
Total Accumulated Depreciation	<u>(59,159,622)</u>	<u>(2,069,207)</u>	<u>367,635</u>	<u>(60,861,194)</u>
Total Capital Assets Being Depreciated, Net	<u>39,911,633</u>	<u>(448,721)</u>	<u>-</u>	<u>39,462,912</u>
Governmental Activities Capital Assets, Net	<u>\$ 41,644,568</u>	<u>\$ (88,104)</u>	<u>\$ -</u>	<u>\$ 41,556,464</u>

Depreciation expense of \$2,069,207 was charged to the governmental activities functional expense categories as follows:

Governmental Activities:	<u>Depreciation</u>
General Government	\$ 14,282
Public Safety	360,594
Public Works	<u>1,694,331</u>
Total	<u>\$ 2,069,207</u>

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 6 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

The following is a summary of other governmental receivables by fund type at December 31, 2018. Any uncollectible amount is not believed to be material.

	<u>General</u>	<u>Motor Fuel Tax</u>	<u>Total</u>
Other Governmental Receivables:			
Allotments	\$ -	\$ 125,579	\$ 125,579
State Income Tax	239,986	-	239,986
State Sales Tax	900,818	-	900,818
Personal Property Replacement Tax	8,058	-	8,058
Court Fines	4,208	-	4,208
Franchise Fee	73,871	-	73,871
Local Use Tax	269,106	-	269,106
Home Rule Tax	521,044	-	521,044
Telecommunications Tax	92,947	-	92,947
Vehicle Tax	73,374	-	73,374
Utility Tax	48,463	-	48,463
Video Gaming Tax	73,120	-	73,120
Motel Tax	16,527	-	16,527
Traffic Camera Fines	<u>607</u>	<u>-</u>	<u>607</u>
 Total Due From Other Governments	 <u>\$2,322,129</u>	 <u>\$ 125,579</u>	 <u>\$2,447,708</u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current year, the various components of unearned and unavailable revenue reported in the governmental funds were as follows:

Unavailable and unearned

Property taxes receivable (General Fund)	\$ 3,453,200
Local use taxes receivable (General Fund)	104,533
Home rule taxes receivable (General Fund)	201,737
Telecommunication taxes receivable (General Fund)	31,327
Sales taxes receivable (General Fund)	344,664
Property taxes receivable (Debt Service Fund)	2,980,950
Property taxes receivable (SSA Debt Fund)	<u>112,066</u>
Total unavailable and unearned revenues	<u>\$ 7,228,477</u>

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes to the City's long-term debt for the year ended December 31, 2018.

	Obligations Outstanding Beginning of Year	Debt Additions	Debt Deletions	Obligations Outstanding End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds					
Series of 2008	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ -
Series of 2014	1,635,000	-	1,290,000	345,000	345,000
Series of 2015	5,660,000	-	270,000	5,390,000	2,410,000
Series of 2018	-	4,445,000	-	4,445,000	-
Plus Capitalized Amounts:					
For Bond Premiums	<u>350,571</u>	<u>130,903</u>	<u>128,816</u>	<u>352,658</u>	<u>-</u>
Total General Obligation Bonds	<u>8,645,571</u>	<u>4,575,903</u>	<u>2,688,816</u>	<u>10,532,658</u>	<u>2,755,000</u>
General Obligation Covenant Bonds:					
Series of 2009	87,000	-	42,000	45,000	45,000
Series of 2010	<u>178,000</u>	<u>-</u>	<u>57,000</u>	<u>121,000</u>	<u>59,000</u>
Total General Obligation Covenant Bond	<u>265,000</u>	<u>-</u>	<u>99,000</u>	<u>166,000</u>	<u>104,000</u>
Other Debt:					
Compensated Absences	1,058,035	46,162	89,277	1,014,920	78,612
Retiree Insurance Premiums	1,284,266	-	234,345	1,049,921	221,695
Total OPEB Liability*	4,294,082	1,055,275	727,460	4,621,897	-
Net Pension Liability (Asset) - IMRF	(1,006,406)	3,616,434	714,020	1,896,008	-
Net Pension Liability - Police Pension	34,248,015	8,167,883	3,784,398	38,631,500	-
Net Pension Liability - Firefighters' Pension	<u>19,535,737</u>	<u>5,124,361</u>	<u>2,300,248</u>	<u>22,359,850</u>	<u>-</u>
Total Other Debt	<u>59,413,729</u>	<u>18,010,115</u>	<u>7,849,748</u>	<u>69,574,096</u>	<u>300,307</u>
Total Governmental Activities	<u>\$68,324,300</u>	<u>\$22,586,018</u>	<u>\$10,637,564</u>	<u>\$80,272,754</u>	<u>\$3,159,307</u>

*Beginning Balance, as restated. See Note 10.

Long-term obligations outstanding at December 31, 2018 are comprised of the following:

General Obligation Bonds, Series 2008: \$3,800,000 2008 General Obligation Bonds dated April 23, 2008 due December 1, 2018; interest of 3.45% to 4.00% (principal and interest to be serviced by the general revenues of the City). The principal and interest payments will be made from the Debt Service Fund.

General Obligation Bonds, Series 2014: \$4,000,000 2014 General Obligation Bonds dated October 22, 2014 due December 1, 2019; interest of 3.00% (principal and interest to be serviced by the general revenues of the City). The principal and interest payments will be made from the Debt Service Fund.

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7 - LONG-TERM DEBT (Continued)

General Obligation Bonds, Series 2015: \$5,820,000 2015 General Obligation Bonds dated August 20, 2015 due December 1, 2020; interest of 3.00% (first two years) and 4.00% (last two years) (principal and interest to be serviced by the general revenues of the City). The principal and interest payments will be made from the Debt Service Fund.

General Obligation Bonds, Series 2018: \$4,445,000 2018 General Obligation Bonds dated December 20, 2018 due December 1, 2022; interest of 4.00% (principal and interest to be serviced by the general revenues of the City). The principal and interest payments will be made from the Debt Service Fund.

General Obligation Covenant Bonds, Series 2009: \$350,000 2009 General Obligation Covenant Bonds dated June 1, 2009 due December 1, 2019; interest at 5.15% (principal and interest to be serviced by the general revenues of the City). The principal and interest payments will be made from the SSA Debt Service Fund.

General Obligation Covenant Bonds, Series 2010: \$515,000 2010 General Obligation Covenant Bonds dated September 30, 2010 due December 1, 2020; interest at 4.75% (principal and interest to be serviced by the general revenues of the City). The principal and interest payments will be made from the SSA Debt Service Fund.

Debt Service Requirements at December 31, 2018 were as follows:

Year Ended December 31	General Obligation Bonds		General Obligation Covenant Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 2,755,000	\$ 394,366	\$ 104,000	\$ 8,066
2020	2,980,000	297,000	62,000	2,946
2021	3,195,000	177,800	-	-
2022	1,250,000	50,000	-	-
Total	<u>\$ 10,180,000</u>	<u>\$ 919,166</u>	<u>\$ 166,000</u>	<u>\$ 11,012</u>

Conduit Debt Obligations: The City has issued various types of revenue bonds to provide financial assistance to individuals and private-sector entities. These bonds were issued for the acquisition of construction of residential, commercial and industrial facilities deemed to be in the public interest. These bonds are secured solely by the property financed and are payable solely from payments received on the underlying mortgage loans. The City, State of Illinois nor any political subdivision is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the City's financial statements.

City of Burbank Revenue Bonds (The Allendale Association Project), Series 2013: \$2,250,000 bonds issued December 1, 2013, bearing interest of LIBOR plus 275 basis points multiplied by 70%. Principal balance as of December 31, 2018 is \$1,644,000.

Educational Facility Revenue Bonds (East Lake Academy Project), Series 2013: \$2,228,500 bonds issued December 1, 2013, bearing interest of 3.25%. Principal balance as of December 31, 2018 is \$1,680,257.

Cultural Facility Revenue Bonds (The Black Ensemble Theater Cultural Center Project), Series 2014: \$5,190,000 bonds issued February 4, 2014, bearing interest of 3.15%. Principal balance as of December 31, 2018 is \$4,328,356.

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7 - LONG-TERM DEBT (Continued)

Educational Facility Revenue Bonds (Intercultural Montessori Language School Project), Series 2015A: \$15,485,000 bonds issued August 1, 2015, bearing interest of 6.00%-6.25%. Principal balance as of December 31, 2018 is \$15,485,000.

Educational Facility Revenue Bonds (Intercultural Montessori Language School Project), Series 2015B: \$4,180,000 bonds issued August 1, 2015, bearing interest of 5.25%-7.00%. Principal balance as of December 31, 2018 is \$3,950,000.

Educational Facility Revenue Bonds (Science and Arts Academy), Series 2016: \$5,940,356 bonds issued May 26, 2016, bearing interest of LIBOR multiplied by 72% then adding 65% multiplied by 2.25%. Principal balance as of December 31, 2018 is \$5,575,679.

City of Burbank Revenue Bonds (Greater Joliet Area YMCA Project), Series 2017: \$6,500,000 bonds issued November 1, 2017, bearing interest of 2.43% during the initial interest period. Principal balance as of December 31, 2018 is \$6,500,000.

NOTE 8 - PENSION AND RETIREMENT FUND

Illinois Municipal Retirement Fund

Plan Description - The City's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

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

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

(Continued)

CITY OF BURBANK, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

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

- 3% of the original pension amount, or
- ½ of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms: As of December 31, 2018 the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	79
Active Plan Members	<u>45</u>
Total	<u><u>124</u></u>

Contributions: As set by statute, the City's Regular Plan Members are required to contribute 4.50% of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual required contribution rate for calendar year 2018 was 8.23%. For the fiscal year ended December 31, 2018, the City contributed \$202,761 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability: The City's net pension liability for IMRF was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.50%
Salary Increases	3.39% to 14.25%
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

Mortality

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

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2017 Illinois Municipal Retirement Fund annual actuarial valuation. There were no benefit changes during the year.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	37.00%	6.85%
International Equity	18.00%	6.75%
Fixed Income	28.00%	3.00%
Real Estate	9.00%	5.75%
Alternative Investments	7.00%	2.65% - 7.35%
Cash Equivalents	1.00%	2.25%
	<u>100.00%</u>	

Discount rate: A single discount rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine this single discount rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The single discount rates reflects:

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

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 3.71%, and the resulting single discount rate is 7.25% (the municipal bond rate was not used). The discount rate was adjusted from 7.50% in the prior year, a decrease of 0.25%.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset)/Liability (a) - (b)
Primary government:			
Balances at 12/31/17	\$ 16,515,948	\$ 17,522,354	\$ (1,006,406)
Changes for the year:			
Service cost	251,920	-	251,920
Interest	1,212,013	-	1,212,013
Actuarial experience	681,233	-	681,233
Assumption changes	462,495	-	462,495
Contributions - Employer	-	202,761	(202,761)
Contributions - Employee	-	150,117	(150,117)
Net investment income	-	(1,008,773)	1,008,773
Benefit payments, including refunds	(963,465)	(963,465)	-
Other (net transfer)	-	361,142	(361,142)
Net changes	<u>1,644,196</u>	<u>(1,258,218)</u>	<u>2,902,414</u>
Balances at 12/31/18	<u>\$ 18,160,144</u>	<u>\$ 16,264,136</u>	<u>\$ 1,896,008</u>

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability for IMRF plan would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%
City's Net Pension Liability - IMRF Plan	\$ 3,971,144	\$ 1,896,008	\$ 162,294

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended December 31, 2018 the City recognized pension expense of \$518,768 for the IMRF plan. At December 31, 2018, the City reported deferred inflows or resources and deferred outflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	Primary government:	
Differences between expected and actual experience	\$ 672,991	\$ -
Assumption changes	308,016	214,364
Net difference between projected and actual earnings on pension plan investments	<u>1,176,166</u>	<u>-</u>
	<u>\$ 2,157,173</u>	<u>\$ 214,364</u>

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

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

<u>Year ending December 30</u>	<u>Primary Government</u>
2019	\$ 773,444
2020	551,182
2021	155,464
2022	<u>462,719</u>
Total	<u>\$ 1,942,809</u>

Police Pension

Plan Description - 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 (40 ILCS 5/3) and may be amended only by the Illinois legislature.

As of January 1, 2018 (the latest information available), the Police Pension Plan membership consisted of:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	35
Inactive plan Members Entitled to but not yet Receiving Benefits	2
Active Plan Members	<u>47</u>
Total	<u>84</u>

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

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 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 pension 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 8 years but less than 20 years of credited service may retire at or after the age of 60 and receive a reduced benefit of 2.5% of final salary for each year of service. 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.

For Employees hired after January 1, 2011, the Normal Retirement age is attainment of age 55 and completion of 10 years of service; Early Retirement age is attainment of age 50, completion of 10 years of service and the Early Retirement Factor is 6% per year; the Employee's Accrued Benefit is based on the Employee's final 8-year average salary not to exceed \$106,800 (as indexed); Cost-of-living adjustments are simple increases (not compounded) of the lesser of 3% or 50% of CPI beginning the later of the anniversary date and age 60; Surviving Spouse's Benefits are 66 2/3% of the Employee's benefit at the time of death.

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

Contributions: Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary, this includes the costs of administering the plan. Effective January 1, 2011, the City has until the year 2040 to fund 90% of the past service costs for the Police Pension Plan. For the year ended December 31, 2018, the City's contribution was 35.72% of covered payroll. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Basis of Accounting - The accrual basis of accounting is utilized by pension trust funds. Under this method, additions to net plan assets are recorded when earned and deductions from net plan assets are recorded when the time related liabilities are incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Fixed-income securities are reported at fair market value. Short-term investments are reported a cost which approximates market value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value. Gains and losses of investments represent the increase (decrease) of cost over market value.

Net Pension Liability: The City's net pension liability for the Police Pension plan was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2018.

Actuarial assumptions: The total pension liability in the January 1, 2018 actuarial valuation that was updated for 2018 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions (Economic)

Discount rate used for the Total Pension Liability	5.52%
Long-Term Expected Rate of Return on Plan Assets	6.75%
High Quality 20 Year Tax-Exempt G.O. Bond Rate	4.10%
Projected Individual Salary Increases	4.00 - 16.22%
Projected Increase in Total Payroll	3.50%
Consumer Price Index (Urban)	2.50%
Inflation Rate Included	2.50%

Actuarial Assumptions (Demographic)

Mortality table	RP-2014 Adjusted for Plan Status, Collar, and Illinois Public Pension Data, as Appropriate
Retirement rates	120% L&A 2016 Illinois Police Retirement Rates Capped at age 60
Disability rates	75% L&A 2016 Illinois Police Disability Rates
Termination rates	80% L&A 2016 Illinois Police Termination Rates
Percent married	80.00%

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

All rates shown in the economic assumptions are assumed to be annual rates, compounded on an annual basis. Mortality rates are based on the RP-2014 mortality table for blue collar workers. Mortality improvements have been made to 5 years past the valuation date. Other demographic assumption rates are based on a review of assumptions in the L&A 2016 study for Illinois Police Officers.

Assumption changes: The assumed rate on High Quality 20 Year Tax-Exempt General Obligation (G.O.) Bonds was changed from 3.44% to 4.10% for the current year. The underlying index used is The Bond Buyer 20-Bond G.O. Index as discussed in more detail later in this section. The choice of index is unchanged from the prior year. The rate has been updated to the current fiscal year end based on changes in market conditions as reflected in the Index. The discount rate used in the determination of the Total Pension Liability was changed from 5.38% to 5.52%. The discount rate is impacted by a couple of metrics. Any change in the underlying High Quality 20 Year Tax Exempt G.O. Bond Rate will impact the blended discount rate. The long-term Expected Return on Investments assumption was updated from 7.00% to 6.75%. The above stated assumption changes were made to better reflect the future anticipated experience of the Fund. In addition, there are changes that can be made that impact the projection of the Fiduciary Net Position of the Fund. For example, changes in the Formal or Informal Funding Policy can impact the discount rate. Actual changes in the Fiduciary Net Position from one year to the next can impact the projections as well.

Postemployment benefit changes: Eligibility for postemployment benefit increases is determined based on the Illinois Pension code. Tier 1 Police retirees are provided with an annual 3.0% increase in retirement benefits by statute when eligible. Tier 2 Police retirees are provided postemployment benefit increases based on one-half of the Consumer Price Index (Urban) for the prior September. The CPI-U for September, 1985 was 108.3. The CPI-U for September 2015 was 237.9. The average increase in the CPI-U for September, 1985 through September 2015 was 2.66% (on a compounded basis).

Expected return on pension plan investments: The long-term expected rate of return on assets is intended to represent the best estimate of future real rates of return and is shown for each of the major asset classes in the investment policy. The expected rates of return shown below have been provided by the investment professionals that work with the Pension Fund. The best estimate of future real rates of return are developed for each of the major asset classes. The target allocation and best estimates of arithmetic real rate of return, net of assumed inflation rate for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity	24.00%	4.73%
Mid Cap Equity	8.00%	4.92%
Small Cap Equity	8.00%	4.92%
International Equity	14.00%	5.38%
REITS	6.00%	4.02%
Intermediate-Term Bond	33.00%	1.86%
Commodities	5.00%	3.78%
Money Market	2.00%	0.67%
	<u>100.00%</u>	

(Continued)

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

Long-term expected real returns under GASB are expected to reflect the period of time that begins when a plan member begins to provide service to the employer and ends at the point when all benefits to the plan member have been paid. The rates provided above are intended to estimate those figures. The expected inflation rate is 2.00% and is included in the total long-term rate of return on investments. The inflation rate is from the same source as the long-term real rates of return, and is not necessarily reflective of the inflation measures used for other purposes in the report. Geometric rates of return are equal to arithmetic rates of return when the annual returns exhibit no volatility over time. When arithmetic returns are volatile on a year-to-year basis, the actual realized geometric returns over time will be lower. The higher the volatility, the greater the difference. The long-term expected rate of return on assets is projected to fund pension obligations through the year 2052.

Municipal bond rate: The municipal bond rate assumption is based on The Bond Buyer 20-Bond GO Index. The rate shown earlier in the Actuarial Assumption section is the December 27, 2018 rate. The 20-Bond GO Index is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA. The indexes represent theoretical yields rather than actual price or yield quotations. Municipal bond traders are asked to estimate what a current-coupon bond for each issuer in the indexes would yield if the bond was sold at par value. The indexes are simple averages of the average estimated yields of the bonds.

Discount rate: The discount rate used to measure the total pension liability was 5.52%. The discount rate used in the determination of the Total Pension Liability is based on a combination of the Long-Term Expected Rate of Return on Plan investments and the municipal bond rate. Cash flow projections were used to determine the extent to which the Plan's future Fiduciary Net Position will be able to cover future benefit payments. To the extent future benefit payments are covered by the Plan's projected Fiduciary Net Position, the Long-Term Expected Rate of Return on Plan investments is used to determine the portion of the Net Pension Liability associated with those payments. To the extent future benefit payments are not covered by the Plan's projected Fiduciary Net Position, the municipal bond rate is used to determine the portion of the Net Pension Liability associated with those payments. The discount rate has increased from the prior measurement date from 5.38% by 0.14%.

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CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

Changes in the Net Pension Liability for the Police Pension Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2017	\$ 75,547,172	\$ 41,299,157	\$ 34,248,015
Changes for the year:			
Service Cost	1,648,108	-	1,648,108
Interest	3,995,491	-	3,995,491
Actuarial Experience	408,797	-	408,797
Assumption Changes	(1,663,418)	-	(1,663,418)
Contributions - Employer	-	1,691,565	(1,691,565)
Contributions - Employee	-	429,415	(429,415)
Contributions - Other	-	-	-
Net Investment Income	-	(2,049,588)	2,049,588
Benefit payments, including refunds	(2,563,089)	(2,563,089)	-
Administrative Expense	-	(65,899)	65,899
Net Changes	<u>1,825,889</u>	<u>(2,557,596)</u>	<u>4,383,485</u>
Balances at December 31, 2018	<u>\$ 77,373,061</u>	<u>\$ 38,741,561</u>	<u>\$ 38,631,500</u>

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the City, calculated using the discount rate of 5.52%, as well as what the City's net pension liability for Police Pension plan would be if it were calculated using a discount rate that is 1-percentage-point lower (4.52%) or 1-percentage-point higher (6.52%) than the current rate:

	1% Decrease	Current	1% Increase
	4.52%	Discount Rate 5.52%	6.52%
City's Net Pension Liability for Police Pension Plan	\$ 51,802,139	\$ 38,631,500	\$ 28,163,007

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended December 31, 2018 the City recognized pension expense of \$3,583,454 for the Police Pension plan. At December 31, 2018, the City reported deferred inflows or resources and deferred outflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,396,913	\$ 348,431
Changes of Assumptions	4,641,971	7,197,579
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>3,151,360</u>	<u>-</u>
Total	<u>\$ 9,190,244</u>	<u>\$ 7,546,010</u>

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CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

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

Year ended December 31:	
2019	\$ 1,176,532
2020	633,101
2021	568,003
2022	1,054,824
2023	(711,723)
Thereafter	<u>(1,076,503)</u>
Total	<u>\$ 1,644,234</u>

Firefighter's Pension:

Plan Description - Fire sworn personnel are covered by the Firefighters' Pension Plan which is a defined benefit single-employer pension plan. The Firefighters' Pension Plan provides retirement, disability, and death benefits, as well as automatic annual cost of living adjustments, to plan members and their beneficiaries. Plan members are required to contribute 9.91% of their annual covered payroll. The City is required to contribute at an actuarially determined rate. Although this is a single-employer pension plan, the defined benefits and contribution requirements of the plan members and the City are governed by Illinois State Statutes and may only be amended by the Illinois legislatures.

Administrative costs are financed through investment earnings. At January 1, 2018 (the latest information available), the Firefighters' Pension Plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	29
Active Plan Members	<u>28</u>
Total	<u><u>57</u></u>

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

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held at the date of retirement. The pension shall be increased by 1/12 of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75% of such salary. Employee with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit ranging from 15% of final salary for 10 years of service to 45.6% for 19 years of service. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

For Employees hired after January 1, 2011, the Normal Retirement age is attainment of age 55 and completion of 10 years of service; Early Retirement age is attainment of age 50, completion of 10 years of service and the Early Retirement Factor is 6% per year; the Employee's Accrued Benefit is based on the Employee's final 8-year average salary not to exceed \$106,800 (as indexed); Cost-of-living adjustments are simple increases (not compounded) of the lesser of 3% or 50% of CPI beginning the later of the anniversary date and age 60; Surviving Spouse's Benefits are 66 2/3% of the Employee's benefit at the time of death.

Contributions: Covered employees are required to contribute 9.45% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary, this includes the costs of administering the plan. Effective January 1, 2011, the City has until the year 2040 to fund 90% of the past service costs for the Police Pension Plan. For the year ended December 31, 2018, the City's contribution was 34% of covered payroll. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Basis of Accounting: The accrual basis of accounting is utilized by pension trust funds. Under this method, additions to net plan assets are recorded when earned and deductions from net plan assets are recorded when the time related liabilities are incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: Fixed-income securities are reported at fair market values. Short-term investments are reported at cost which approximates market value. Investment income is recognized when earned. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value. Gains and losses of investments represent the increase (decrease) of cost over market value.

Net Pension Liability: The City's net pension liability for the Firefighters' Pension plan was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2018.

Actuarial assumptions: The total pension liability in the January 1, 2018 actuarial valuation that was updated for 2018 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions (Economic)

Discount Rate used for the Total Pension Liability	5.69%
Long-Term Expected Rate Of Return on Plan Assets	7.00%
High Quality 20 Year Tax-Exempt G.O. Bond Rate	4.10%
Projected Individual Salary Increases	2.50 - 11.75%
Projected Increase In Total Payroll	3.25%
Consumer Price Index (Urban)	2.50%
Inflation Rate Included	2.50%

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

Actuarial Assumptions (demographic)

Mortality table	RP-2014 Adjusted for Plan Status, Collar, and Illinois Public Pension Data
Retirement rates	90% L&A 2016 Illinois Firefighters Retirement Rates Capped at age 65
Disability rates	90% L&A 2016 Illinois Firefighters Disability Rates
Termination rates	75% L&A 2016 Illinois Firefighters Termination Rates
Percent married	80.00%

All rates shown in the economic assumptions are assumed to be annual rates, compounded on an annual basis. Mortality rates are based on the RP-2014 mortality table for blue collar workers. Other demographic assumption rates are based on a review of assumptions in the L&A 2016 study for Illinois Firefighters.

Assumption changes: The assumed rate on High Quality 20 Year Tax-Exempt General Obligation (G.O.) Bonds was changed from 3.44% to 4.10% for the current year. The underlying index used is The Bond Buyer 20-Bond G.O. Index as discussed in more detail later in this section. The choice of index is unchanged from the prior year. The rate has been updated to the current fiscal year end based on changes in market conditions as reflected in the Index. The discount rate used in the determination of the Total Pension Liability was changed from 5.52% to 5.69%. The discount rate is impacted by a couple of metrics. Any change in the underlying High Quality 20 Year Tax Exempt G.O. Bond Rate will impact the blended discount rate. In the current valuation, we have updated the individual pay scale assumption to reflect the settled bargaining agreement between the City of Burbank, Illinois and Service Employees' Local No. 73, for the period January 1, 2016 through December 31, 2019. In addition, there are changes that can be made that impact the projection of the Fiduciary Net Position of the Fund. For example, changes in the Formal or Informal Funding Policy can impact the discount rate. Actual changes in the Fiduciary Net Position from one year to the next can impact the projections as well.

Postemployment benefit changes: Eligibility for postemployment benefit increases is determined based on the Illinois Pension code. Tier 1 Firefighter retirees are provided with an annual 3.0% increase in retirement benefits by statute when eligible. Tier 2 Firefighter retirees are provided postemployment benefit increases based on one-half of the Consumer Price Index (Urban) for the prior September. The CPI-U for September 1985 was 108.3. The CPI-U for September 2018 was 252.4. The average increase in the CPI-U for September 1985 through September 2018 was 2.61% (on a compounded basis).

Expected return on pension plan investments: The long-term expected rate of return on assets is intended to represent the best estimate of future real rates of return and is shown for each of the major asset classes in the investment policy. The expected rates of return shown below have been provided by the investment professionals that work with the Pension Fund. The best estimate of future real rates of return are developed for each of the major asset classes. The target allocation and best estimates of arithmetic real rate of return, net of assumed inflation rate for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equity	38.50%	6.60%
Small Cap Domestic Equity	11.00%	8.50%
International Equity	5.50%	6.40%
Fixed Income	45.00%	1.40%
	<u>100.00%</u>	

(Continued)

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

Long-Term Expected Real Rates of Return under GASB are expected to reflect the period of time that begins when a Plan member begins to provide service to the employer and ends at the point when all benefits to the Plan member have been paid. The rates provided above are intended to estimate those figures. The Long-Term Inflation Expectation is 3.00% and is included in the Long-Term Expected Rates of Return. The Long-Term Inflation Expectation is from the same source as the Long-Term Expected Real Rates of Return, and is not necessarily reflective of the inflation measures used for other purposes in the report. Geometric rates of return are equal to arithmetic rates of return when the annual returns exhibit no volatility over time. When arithmetic returns are volatile on a year-to-year basis, the actual realized geometric returns over time will be lower. Higher volatility results in a greater difference.

The long-term expected rate of return on assets is projected to fund pension obligations through the year 2052.

Municipal bond rate: The municipal bond rate assumption is based on The Bond Buyer 20-Bond G.O. Index. The rate shown earlier in this section of the report is the December 27, 2018 rate. The 20-Bond G.O. Index is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA. The 20-Bond G.O. Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA. The indices represent theoretical yields rather than actual price or yield quotations. Municipal bond traders are asked to estimate what a current-coupon bond for each issuer in the indices would yield if the bond was sold at par value. The indices are simple averages of the average estimated yields of the bonds.

Discount rate: The discount rate used in the determination of the Total Pension Liability is based on a combination of the Long-Term Expected Rate of Return on Plan investments and the municipal bond rate. Cash flow projections were used to determine the extent to which the Plan's future Fiduciary Net Position will be able to cover future benefit payments. To the extent future benefit payments are covered by the Plan's projected Fiduciary Net Position, the Long-Term Expected Rate of Return on Plan investments is used to determine the portion of the Net Pension Liability associated with those payments. To the extent future benefit payments are not covered by the Plan's projected Net Position, the municipal bond rate is used to determine the portion of the Net Pension Liability associated with those payments. Projected benefit payments are determined during the actuarial process based on the assumptions. The discount rate has increased from the prior measurement date from 5.52% to 5.69% or 0.17%.

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

Changes in the Net Pension Liability for the Firefighter's Pension Plan

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balances at December 31, 2017	\$ 46,736,342	\$ 27,200,603	\$ 19,535,739
Changes for the year:			
Service Cost	947,454	-	947,454
Interest	2,528,385	-	2,528,385
Actuarial Experience	506,340	-	506,340
Assumptions Changes	(1,201,256)	-	(1,201,256)
Contributions - Employer	-	861,909	(861,909)
Contributions - Employee	-	234,056	(234,056)
Net Investment Income	-	(1,065,191)	1,065,191
Benefit Payments, Including Refunds	(1,864,541)	(1,864,541)	-
Administrative Expense	-	(73,962)	73,962
Net Changes	916,382	(1,907,729)	2,824,111
Balances at December 31, 2018	<u>\$ 47,652,724</u>	<u>\$ 25,292,874</u>	<u>\$ 22,359,850</u>

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the City, calculated using the discount rate of 5.69%, as well as what the City's net pension liability for the Firefighters' Pension plan would be if it were calculated using a discount rate that is 1-percentage-point lower (4.69%) or 1-percentage-point higher (6.69%) than the current rate:

	Current		
	1% Decrease 4.69%	Discount Rate 5.69%	1% Increase 6.69%
City's Net Pension Liability for Firefighters' Pension Plan	\$ 30,157,768	\$ 22,359,850	\$ 16,114,136

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended December 31, 2018 the City recognized pension expense of \$1,967,662 for the Firefighters' Pension plan. At December 31, 2018, the City reported deferred inflows or resources and deferred outflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,923,289	\$ 826,149
Changes of Assumptions	2,593,523	5,875,923
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,002,698	-
Total	<u>\$ 6,519,510</u>	<u>\$ 6,702,072</u>

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

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

Year Ended December 31	Deferred Outflows of Resources
2019	\$ 526,468
2020	249,268
2021	208,391
2022	444,408
2023	(481,630)
Thereafter	(1,129,467)
Total	<u>\$ (182,562)</u>

Summary of Pensions:

	<u>IMRF</u>	<u>Police</u>	<u>Firefighters'</u>	<u>Total</u>
Net Pension Liability	\$ 1,896,008	\$ 38,631,500	\$ 22,359,850	\$ 62,887,358
Deferred Outflows of Resources	2,157,173	9,190,244	6,519,510	17,866,927
Deferred Inflows of Resources	214,364	7,546,010	6,702,072	14,462,446
Pension Expense	518,768	3,583,454	1,967,662	6,069,884

Fiduciary Funds:

Statement of Net Position

	<u>Pension Trust Funds</u>		
	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,844,423	\$ 372,619	\$ 2,217,042
Investments, at Fair Value			
U.S. Government and Agency Obligations	8,562,653	10,012,440	18,575,093
State and Local Obligations	-	1,640,472	1,640,472
Corporate Bonds	4,639,745	5,030	4,644,775
Equity Securities	16,629,946	-	16,629,946
Equity Mutual Funds	6,940,841	13,190,790	20,131,631
Due from the City	31,178	16,306	47,484
Accrued Interest	115,120	74,896	190,016
Prepaid Items	3,998	4,791	8,789
Total Assets	<u>38,767,904</u>	<u>25,317,344</u>	<u>64,085,248</u>
LIABILITIES			
Accounts Payable	26,343	24,470	50,813
Total Liabilities	<u>26,343</u>	<u>24,470</u>	<u>50,813</u>
NET POSITION			
Restricted for Pensions	38,741,561	25,292,874	64,034,435
Total Net Position	<u>\$ 38,741,561</u>	<u>\$ 25,292,874</u>	<u>\$ 64,034,435</u>

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 - PENSION AND RETIREMENT FUND (Continued)

<u>Changes in Net Position</u>	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer	\$ 1,691,565	\$ 861,909	\$ 2,553,474
Plan Members	<u>429,415</u>	<u>234,056</u>	<u>663,471</u>
Total Contributions	<u>2,120,980</u>	<u>1,095,965</u>	<u>3,216,945</u>
Investment Income			
Interest and Dividends	1,082,415	1,124,760	2,207,175
Net Change in Fair Value	(2,950,388)	(2,094,602)	(5,044,990)
Less Investment Expense	<u>(181,615)</u>	<u>(95,349)</u>	<u>(276,964)</u>
Net Investment Income	<u>(2,049,588)</u>	<u>(1,065,191)</u>	<u>(3,114,779)</u>
Total Additions	<u>71,392</u>	<u>30,774</u>	<u>102,166</u>
DEDUCTIONS			
Benefits and Refunds	2,563,089	73,962	2,637,051
Administrative Expenses	<u>65,899</u>	<u>1,864,541</u>	<u>1,930,440</u>
Total Deductions	<u>2,628,988</u>	<u>1,938,503</u>	<u>4,567,491</u>
Change in Net Position	(2,557,596)	(1,907,729)	(4,465,325)
Net Position at Beginning of Year	<u>41,299,157</u>	<u>27,200,603</u>	<u>68,499,760</u>
Net Position at End of Year	<u>\$ 38,741,561</u>	<u>\$ 25,292,874</u>	<u>\$ 64,034,435</u>

NOTE 9 - POST-EMPLOYMENT BENEFITS

City of Burbank, Illinois Postretirement Health Plan Description: The City administers a single employer defined benefit healthcare plan (Health Plan). The Health Plan provides limited health care insurance coverage for its eligible retired employees. Authority under which the obligations of the plan members and City contribute to the Health Plan are established or may be amended by the action of the City Council. The City makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other eligible active employees during the year on a pay-as-you basis. Any full-time employee who retires with 20 or more years of service shall have the option, which must be exercised no later than 30 days after retirement, to convert accrued benefits (sick time, vacation time, and compensatory time) into a health insurance benefit. The City shall establish a retirement health insurance (cash) bank of the employee's accrued benefits, based upon the employee's rate of pay at the time of retirement. The City shall deduct from the employee's retirement health insurance bank the initial retirement health insurance premium. Subsequent years' coverage shall also be deducted from the bank until it is exhausted. The City agrees to pay 50% of any increase in the base year's monthly premium rate, with the remaining portion of the premium increase being deducted from the bank.

If the retiree dies during the receipt of retirement health insurance, the surviving spouse shall be entitled to a refund of the unused portion of the retiree's bank balance. Alternatively, the surviving spouse may elect to continue receipt of health insurance through the use of the bank.

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 9 - POST-EMPLOYMENT BENEFITS (Continued)

The retiree shall have the option to cancel the insurance benefit option and receive the remaining funds in the bank. Once this option is elected, the retiree is not entitled to resume insurance benefits.

Full-time Police and Firefighter employees are that suffer a catastrophic injury or are killed in the line of duty receive health care coverage for the employee and dependents in compliance with the provisions of the Public Safety Employee Benefits Act.

Membership in the Health Plan, which is a single employer plan that does not issue separate financial statements, as of December 31, 2018 consisted of the following:

Active employees	112
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees currently receiving benefits	<u>29</u>
Total	<u><u>141</u></u>

Contributions: The City's plan does not have an actuarially determined contribution as the current total OPEB Liability is an unfunded obligation. The City does not have a trust dedicated to the payment of OPEB benefits. The City did make contributions from other City resources for the year ended December 31, 2018 of \$230,544.

Total OPEB Liability: The City's total OPEB liability was measured as of December 31, 2018 and the total OPEB liability was determined by an actuarial valuation as of the prior year using the following actuarial methods and assumptions:

Actuarial Assumptions (economic)

Discount rate used for the total OPEB liability	3.64%
Long-term expected rate of return on plan assets	0.00%
High quality 20 year tax-exempt G.O. bond rate	3.64%
Projected individual salary increases	4.00%
Inflation rate included	3.00%
Initial Healthcare cost trend rate	6.50%
Ultimate Healthcare cost trend rate	5.00%

Actuarial Assumptions (demographic)

Mortality table	Rates from the December 31, 2018 IMRF Actuarial Valuation report for IMRF Employees. RP-2014 Combined Mortality Table for males and females with Blue Collar Adjustment for Police and Firefighters.
Retirement rates	Rates from the December 31, 2018 IMRF Actuarial Valuation report for IMRF Employees. Rates from the Burbank Police and Firefighters' Pension Fund Actuarial Valuation Repots as January 1, 2018 for Police and Firefighters', respectively.
Withdrawal rates	Rates from the December 31, 2018 IMRF Actuarial Valuation report for IMRF Employees. Rates from the Burbank Police and Firefighters' Pension Fund Actuarial Valuation Repots as January 1, 2018 for Police and Firefighters', respectively.

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 9 - POST-EMPLOYMENT BENEFITS (Continued)

Disability rates	Rates from the December 31, 2018 IMRF Actuarial Valuation report for IMRF Employees. Rates from the Burbank Police and Firefighters' Pension Fund Actuarial Valuation Reports as January 1, 2018 for Police and Firefighters', respectively.
Marriage	60.00% of employees were assumed to elect spousal coverage and Females were assumed to be three years younger than males.
Participation rate	100% of active employees that have a health insurance bank value which will pay for at least one year of medical coverage are assumed to elect postretirement medical coverage.

Discount rate: The City does not have a dedicated trust to pay retiree healthcare benefits. Per GASB Statement No. 75, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). A rate of 3.64% is used, which is the S&P Municipal Bond 20 Year High-Grade Rate Index as of December 31, 2018.

Changes in the Total OPEB Liability:

	Increase (Decrease) Total OPEB Liability
Balances at December 31, 2017	\$ 4,294,082
Changes for the year:	
Service cost	57,762
Interest	139,990
Actuarial experience	(246,837)
Assumptions changes	(250,079)
Benefit payments, including refund:	(230,544)
Other Changes	857,523
Net changes	327,815
Balances at December 31, 2018	\$ 4,621,897

OPEB Expense: For the year ended, December 31, 2018, the City recognized OPEB expense of \$241,409.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At December 31, 2018, the City reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 216,954
Changes of assumptions	767,231	233,328
Total	\$ 767,231	\$ 450,282

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 9 - POST-EMPLOYMENT BENEFITS (Continued)

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

Year Ended June 30	
2019	\$ 43,657
2020	43,657
2021	43,657
2022	43,657
2023	43,657
Thereafter	<u>98,664</u>
Total	<u>\$ 316,949</u>

Rate Sensitivity: The following rate sensitivity analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate.

The table below presents the total OPEB liability of the City calculated using the discount rate of 3.64% as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 2.64%	Current Rate 3.64%	1% Increase 4.64%
Total OPEB Liability	<u>\$ 5,258,040</u>	<u>\$ 4,621,897</u>	<u>\$ 4,110,526</u>

The table below presents the total OPEB liability of the City calculated using the healthcare cost trend rate as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	<u>\$ 4,071,475</u>	<u>\$ 4,621,897</u>	<u>\$ 5,300,994</u>

NOTE 10 – ADOPTION OF NEW ACCOUNTING PRINCIPLE

During the fiscal year ended December 31, 2018, the City implemented the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 is effective for the City's fiscal year ending December 31, 2018 and requires governments providing postemployment benefits other than pensions (OPEB) to recognize their long-term obligation for OPEB as a liability for the first time, and to more comprehensively and comparably measure the annual costs. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

A specific change to the City's financial statements relates to the recognition of the City's OPEB Liabilities that was not previously reported on the financial statements resulted in a decrease to net position of \$3,696,618. Due to the requirements of GASB 75, these amounts are now required to be included on the

(Continued)

CITY OF BURBANK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 10 – ADOPTION OF NEW ACCOUNTING PRINCIPLE (Continued)

City's financial statements and thus were added to the financial statements as an adjustment to governmental activities net position. A reconciliation for net position from the 2017 financial statements to beginning net position as reported on the 2018 financial statements is as follows:

Net Position, January 1, 2018	\$ (14,703,619)
Change in Accounting Principle, GASB Statement No. 75	<u>(3,696,618)</u>
Net Position, January 1, 2018, as restated	<u>\$ (18,400,237)</u>

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The City also purchases its employee health and accident insurance from commercial carriers. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage during the year ended December 31, 2018. During the past three years there have been no settlements that exceed insurance coverage. During the fiscal year, the self-insurance for workman's compensation ended, and only outstanding claims before the fiscal year will be paid through that program.

In prior years, the City began a self-insurance program for worker's compensation claims. The claims liability is based on the requirements of GASB Statement No. 10, *Auditing and Financial Reporting for Risk Financing and Related Issues*, which requires that a liability for claims be reported if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. \$477,243 of this liability is payable with expendable available resources at year end and therefore reported in the General Fund while the entire liability of \$537,865 is reported at the government-wide level of financial reporting. Changes in the claims liability for the past two years are as follows:

Liability December 31, 2016	\$ 924,024
Current year claims and charges in estimates	1,053,454
Claims payments	<u>(568,133)</u>
Liability December 31, 2017	<u>1,409,345</u>
Current year claims and charges in estimates	33,256
Claims payments	<u>(904,736)</u>
Liability December 31, 2018	<u>\$ 537,865</u>

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS

In November 2016, the GASB issued Statement 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). This Statement is effective for the City's fiscal year ended December 31, 2019. Management has not yet determined the impact of this statement on the City's financial statements.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus is on the (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds,

(Continued)

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

(3) private-purpose trust funds, and (4) custodial funds. This Statement is effective for the City's fiscal year ended December 31, 2019. Management has not determined the impact on the City's financial statements.

In June 2017, the GASB issued Statement 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for the City's fiscal year ended December 31, 2020. Management has not determined the impact on the City's financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement also expands disclosure requirements for direct placement debt and direct borrowings. The requirements of this Statement is effective for the City's fiscal year ended December 31, 2019. Management has not yet determined the impact of this statement on the City's financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement is effective for the City's fiscal year ended December 31, 2020. Management has not yet determined the impact of this statement on the City's financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement is effective for the City's fiscal year ended December 31, 2020. Management has not yet determined the impact of this statement on the City's financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement is effective for the City's fiscal year ended December 31, 2021. Management has not yet determined the impact of this statement on the City's financial statements.

CITY OF BURBANK, ILLINOIS

Required Supplementary Information
 Budgetary Comparison Schedule
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual
 General Fund
 Year Ended December 31, 2018

	Original and Final Budget	Actual	Over (Under) Budget
REVENUES			
Property Taxes	\$ 3,230,015	\$ 3,312,378	\$ 82,363
Sales Tax	3,300,000	3,415,475	115,475
Home Rule Tax	1,900,000	1,957,951	57,951
Income Tax	2,650,000	2,790,216	140,216
Other Taxes	3,931,591	4,080,902	149,311
Licenses, Permits and Fees	2,117,105	2,118,915	1,810
Fines	1,662,776	2,852,147	1,189,371
Investment Income	27,500	126,254	98,754
Grants	595,500	957,709	362,209
Other Revenue	586,975	485,680	(101,295)
Total Revenues	<u>20,001,462</u>	<u>22,097,627</u>	<u>2,096,165</u>
EXPENDITURES			
Current:			
Administration	4,073,725	2,856,729	(1,216,996)
Building & Grounds	142,650	44,358	(98,292)
Fire Department	5,353,804	5,934,149	580,345
Police Department	8,222,094	8,379,990	157,896
Civil Defense	58,000	26,196	(31,804)
Public Works Department	1,990,359	1,868,618	(121,741)
Building & License Enforcement	361,951	221,270	(140,681)
Zoning Board of Appeals	57,280	49,953	(7,327)
Liquor Commission	30,758	31,030	272
Police & Fire Commission	66,160	21,650	(44,510)
Debt Service - Interest and Fees	-	122,355	122,355
Total Expenditures	<u>20,356,781</u>	<u>19,556,298</u>	<u>(800,483)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(355,319)</u>	<u>2,541,329</u>	<u>2,896,648</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Bonds	-	4,445,000	4,445,000
Bond Premium	-	130,903	130,903
Transfers Out	-	(4,400,000)	(4,400,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>175,903</u>	<u>175,903</u>
Net Change in Fund Balance	<u>\$ (355,319)</u>	<u>2,717,232</u>	<u>\$ 3,072,551</u>
Fund Balance at Beginning of Year		<u>6,037,443</u>	
Fund Balance at End of Year		<u>\$ 8,754,675</u>	

CITY OF BURBANK, ILLINOIS

Required Supplementary Information
Notes to Required Supplementary Information - Budgetary Comparison Schedule

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

- (A) The City's expenditures are on the Appropriation system according to Illinois law, while City revenues are budgeted.
- (B) The Treasurer submits to the City Council a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- (C) Budget hearings are conducted.
- (D) The budget is legally enacted through passage of an ordinance.
- (E) The budget may be amended by the City Council.
- (F) Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- (G) The budget was not amended during the year. The statements represent the original and final approved budget.
- (H) Expenditures in any fund may not exceed the total appropriations for that fund after transfers. The Treasurer is authorized to transfer appropriations between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- (I) Appropriations not expended (i.e. disbursed or accrued) lapse at year end.

The City establishes a budget for the general fund corporate account only.

CITY OF BURBANK, ILLINOIS

Required Supplementary Information
 Schedule of Changes in the Total Other Post-Employment Benefits Liability and Related Ratios
 Year Ended December 31, 2018

	<u>2018</u>
<u>Total OPEB Liability</u>	
Service Cost	\$ 57,762
Interest on the Total OPEB Liability	139,990
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience of the Total OPEB Liability	(246,837)
Changes of Assumptions	(250,079)
Benefit Payments, Including Refunds of Employee Contributions	(230,544)
Other Changes	<u>857,523</u>
Net Change in Total OPEB Liability	327,815
Total OPEB Liability - Beginning	<u>4,294,082</u>
Total OPEB Liability - Ending	<u>\$ 4,621,897</u>
Covered Payroll	\$ 9,054,424
Total OPEB Liability as a Percentage of Covered Valuation Payroll	51.05%

Notes to Schedule: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There is no actuarially determined contribution or employer contribution in relation to the actuarially determined contribution, as the City does not have a Trust that exists for funding the OPEB liability.

CITY OF BURBANK, ILLINOIS

Required Supplementary Information
 Schedule of Changes in Illinois Municipal Retirement Fund Net Pension Liability and Related Ratios
 Last 5 Fiscal Years

	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 251,920	\$ 288,342	\$ 271,539	\$ 291,518	\$ 315,104
Interest	1,212,013	1,171,992	1,094,234	1,099,405	1,004,494
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	681,233	517,312	451,513	(729,492)	(126,160)
Changes of Assumptions	462,495	(564,290)	-	-	653,513
Benefit Payments and Refunds	(963,465)	(759,602)	(818,211)	(622,575)	(516,784)
Net Change in Total Pension Liability	<u>1,644,196</u>	<u>653,754</u>	<u>999,075</u>	<u>38,856</u>	<u>1,330,167</u>
Total Pension Liability - Beginning	<u>16,515,948</u>	<u>15,862,194</u>	<u>14,863,119</u>	<u>14,824,263</u>	<u>13,494,096</u>
Total Pension Liability - Ending (a)	<u>\$ 18,160,144</u>	<u>\$ 16,515,948</u>	<u>\$ 15,862,194</u>	<u>\$ 14,863,119</u>	<u>\$ 14,824,263</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 202,761	\$ 221,974	\$ 231,253	\$ 227,438	\$ 249,261
Contributions - Employee	150,117	155,855	113,359	111,006	120,633
Net Investment Income	(1,008,773)	2,674,796	995,405	75,720	884,611
Benefit Payments and Refunds	(963,465)	(759,602)	(818,211)	(622,575)	(516,784)
Other	361,142	(283,573)	390,041	(476,616)	(26,901)
Net Change in Plan Fiduciary Net Position	<u>(1,258,218)</u>	<u>2,009,450</u>	<u>911,847</u>	<u>(685,027)</u>	<u>710,820</u>
Plan Fiduciary Net Position - Beginning	<u>17,522,354</u>	<u>15,512,904</u>	<u>14,601,057</u>	<u>15,286,084</u>	<u>14,575,264</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 16,264,136</u>	<u>\$ 17,522,354</u>	<u>\$ 15,512,904</u>	<u>\$ 14,601,057</u>	<u>\$ 15,286,084</u>
City's Net Pension Liability (a-b)	<u>\$ 1,896,008</u>	<u>\$ (1,006,406)</u>	<u>\$ 349,290</u>	<u>\$ 262,062</u>	<u>\$ (461,821)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.56%	106.09%	97.80%	98.24%	103.12%
Covered Payroll	\$ 2,463,679	\$ 2,549,220	\$ 2,519,095	\$ 2,466,800	\$ 2,593,769
City's Net Pension Liability as a Percentage of Covered Payroll	76.96%	-39.48%	13.87%	10.62%	-17.81%

* This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of data will be presented.

Note to the Required Supplementary Information:

There were no assumption changes during the year ending December 31, 2018.

CITY OF BURBANK, ILLINOIS

Required Supplementary Information
 Schedule of Illinois Municipal Retirement Fund Contributions
 Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 202,761	\$ 205,722	\$ 231,253	\$ 227,439	\$ 242,735	\$ 289,009	\$ 259,781	\$ 259,359	\$ 260,739	\$ 159,020
Contributions in relation to the										
actuarially determined contribution	202,761	221,974	231,253	227,438	249,261	289,009	259,781	244,103	221,062	159,020
Contribution deficiency (excess)	\$ -	\$ (16,252)	\$ -	\$ 1	\$ (6,526)	\$ -	\$ -	\$ 15,256	\$ 39,677	\$ -
Covered payroll	\$ 2,463,679	\$ 2,549,220	\$ 2,519,095	\$ 2,466,800	\$ 2,593,769	\$ 2,632,143	\$ 2,581,553	\$ 2,585,833	\$ 2,576,475	\$ 2,516,134
Contributions as a percentage of covered payroll	8.23%	8.71%	9.18%	9.22%	9.61%	10.98%	10.06%	9.44%	8.58%	6.32%

Notes to Schedule

Valuation Date
 Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine 2018 contribution rates:

- Actuarial cost method
 - Amortization method
 - Remaining amortization period
 - Asset valuation method
 - Wage growth
 - Price inflation
 - Salary increases
 - Investment rate of return
 - Retirement age
 - Mortality
- Aggregate entry age normal
 Level percentage of payroll, closed
 26-year closed period.
 5-year smoothed market, 20% corridor
 3.50%
 2.75% - approximate; No explicit price inflation assumption is used in this valuation
 3.75% to 14.50% including inflation
 7.50%
 Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
 For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other information:

Changes
 There were no benefit changes during the year.

The calculation of the 2018 contribution rate is based on valuation assumptions used in the December 31, 2016 actuarial valuation.

CITY OF BURBANK, ILLINOIS

Required Supplementary Information
 Schedule of Changes in Police Pension Fund Net Pension Liability and Related Ratios
 Last 5 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service Cost	\$ 1,648,108	\$ 1,865,028	\$ 1,779,437	\$ 1,772,396	\$ 1,862,061
Interest	3,995,491	3,756,490	3,566,614	3,059,091	3,018,418
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	408,797	753,615	(563,958)	928,137	-
Changes of Assumptions	(1,663,418)	(7,702,094)	1,489,554	7,240,992	-
Benefit Payments and Refunds	(2,563,089)	(2,446,742)	(2,201,494)	(1,908,516)	(1,632,125)
Net Change in Total Pension Liability	<u>1,825,889</u>	<u>(3,773,703)</u>	<u>4,070,153</u>	<u>11,092,100</u>	<u>3,248,354</u>
Total Pension Liability - Beginning	<u>75,547,172</u>	<u>79,320,875</u>	<u>75,250,722</u>	<u>64,158,622</u>	<u>60,910,268</u>
Total Pension Liability - Ending (a)	<u>\$ 77,373,061</u>	<u>\$ 75,547,172</u>	<u>\$ 79,320,875</u>	<u>\$ 75,250,722</u>	<u>\$ 64,158,622</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 1,691,565	\$ 1,640,192	\$ 987,685	\$ 1,019,884	\$ 847,694
Contributions - Employee	429,415	404,977	428,589	446,123	471,244
Net Investment Income	(2,049,588)	4,992,128	2,129,445	(200,960)	1,848,311
Benefit Payments and Refunds	(2,563,089)	(2,446,742)	(2,201,494)	(1,908,516)	(1,753,887)
Administrative Expense	(65,899)	(70,374)	(57,367)	(62,294)	(58,895)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>(2,557,596)</u>	<u>4,520,181</u>	<u>1,286,858</u>	<u>(705,763)</u>	<u>1,354,467</u>
Plan Fiduciary Net Position - Beginning	<u>41,299,157</u>	<u>36,778,976</u>	<u>35,492,118</u>	<u>36,197,881</u>	<u>34,843,414</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 38,741,561</u>	<u>\$ 41,299,157</u>	<u>\$ 36,778,976</u>	<u>\$ 35,492,118</u>	<u>\$ 36,197,881</u>
City's Net Pension Liability (a-b)	<u>\$ 38,631,500</u>	<u>\$ 34,248,015</u>	<u>\$ 42,541,899</u>	<u>\$ 39,758,604</u>	<u>\$ 27,960,741</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	50.07%	54.67%	46.37%	47.17%	56.42%
Covered Payroll	\$ 4,735,566	\$ 4,071,911	\$ 4,742,099	\$ 4,383,238	\$ 3,941,879
City's Net Pension Liability as a Percentage of Covered Payroll	815.77%	841.08%	897.11%	907.06%	709.33%

* This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of data will be presented.

Note to the Required Supplementary Information:

The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 3.78% to 3.44% for the current year. The discount rate used in the determination of the Total Pension Liability was changed from 4.81% to 5.38%. The long-term pay increase assumption was changed from 3.00% to 4.00%.

CITY OF BURBANK, ILLINOIS

Required Supplementary Information
Schedule of Police Pension Fund Contributions
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 2,078,056	\$ 1,853,547	\$ 1,669,307	\$ 1,419,939	\$ 1,325,317	\$ 978,026	\$ 972,208	\$ 793,699	\$ 706,856	\$ 706,856
Contributions in relation to the actuarially determined contribution	1,691,565	1,640,192	987,685	1,019,884	847,694	770,526	734,950	798,619	798,619	774,255
Contribution deficiency (excess)	\$ 386,491	\$ 213,355	\$ 681,622	\$ 400,055	\$ 477,623	\$ 207,500	\$ 237,258	\$ (4,920)	\$ (91,763)	\$ (67,399)
Covered payroll	\$ 4,735,566	\$ 4,071,911	\$ 4,742,099	\$ 4,383,238	\$ 3,941,879	\$ 3,941,879	\$ 3,717,438	\$ 3,621,877	\$ 4,099,953	\$ 3,817,068
Contributions as a percentage of covered payroll	35.72%	40.28%	20.83%	23.27%	21.50%	19.55%	19.77%	22.05%	19.48%	*

* Information not available

Notes to the Required Supplementary Information:

- Actuarial Cost Method: Entry Age Normal
- Amortization Method: Level % Pay (Closed)
- Remaining Amortization Period: 17 Years
- Asset Valuation Method: 5-Year Smoothed Market Value
- Inflation: 2.50%
- Salary Increases: 3.00%-13.75%
- Investment Rate of Return: 7.00%
- Mortality: Mortality rates were based on the RP-2014 Mortality Tables adjusted for plan status, collar, and Illinois public pension data.

CITY OF BURBANK, ILLINOIS

Required Supplementary Information
 Schedule of Changes in Firefighters' Pension Fund Net Pension Liability and Related Ratios
 Last 5 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service Cost	\$ 947,454	\$ 1,228,496	\$ 1,173,348	\$ 1,333,868	\$ 1,247,960
Interest	2,528,385	2,356,789	2,284,289	1,793,156	1,907,167
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	506,340	229,158	(1,298,237)	2,456,378	-
Changes of Assumptions	(1,201,256)	(6,362,067)	1,004,938	3,679,422	-
Benefit Payments and Refunds	(1,864,541)	(1,720,981)	(1,522,583)	(1,306,338)	(987,390)
Net Change in Total Pension Liability	<u>916,382</u>	<u>(4,268,605)</u>	<u>1,641,755</u>	<u>7,956,486</u>	<u>2,167,737</u>
Total Pension Liability - Beginning	<u>46,736,340</u>	<u>51,004,945</u>	<u>49,363,190</u>	<u>41,406,704</u>	<u>39,238,967</u>
Total Pension Liability - Ending (a)	<u>\$ 47,652,722</u>	<u>\$ 46,736,340</u>	<u>\$ 51,004,945</u>	<u>\$ 49,363,190</u>	<u>\$ 41,406,704</u>
Plan Fiduciary Net Position					
Contributions - Employer	861,909	\$ 1,271,611	\$ 573,376	\$ 604,957	\$ 495,377
Contributions - Employee	234,056	235,099	235,707	248,592	242,558
Net Investment Income	(1,065,191)	2,891,373	1,442,550	274,210	1,440,960
Benefit Payments and Refunds	(1,864,541)	(1,720,981)	(1,522,583)	(1,306,338)	(1,127,010)
Administrative Expense	(73,962)	(60,740)	(58,977)	(38,264)	(50,015)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>(1,907,729)</u>	<u>2,616,362</u>	<u>670,073</u>	<u>(216,843)</u>	<u>1,001,870</u>
Plan Fiduciary Net Position - Beginning	<u>27,200,603</u>	<u>24,584,241</u>	<u>23,914,168</u>	<u>24,131,011</u>	<u>23,129,141</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 25,292,874</u>	<u>\$ 27,200,603</u>	<u>\$ 24,584,241</u>	<u>\$ 23,914,168</u>	<u>\$ 24,131,011</u>
City's Net Pension Liability (a-b)	<u>\$ 22,359,848</u>	<u>\$ 19,535,737</u>	<u>\$ 26,420,704</u>	<u>\$ 25,449,022</u>	<u>\$ 17,275,693</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.08%	58.20%	48.20%	48.45%	58.28%
Covered Payroll	2,529,528	\$ 2,650,186	\$ 2,929,791	\$ 2,403,836	\$ 2,673,711
City's Net Pension Liability as a Percentage of Covered Payroll	883.95%	737.15%	901.79%	1058.68%	646.13%

* This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of data will be presented.

Note to the Required Supplementary Information:

The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 3.44% to 4.10% for the current year. The discount rate used in the determination of the Total Pension Liability was changed from 5.52% to 5.69%

CITY OF BURBANK, ILLINOIS

Required Supplementary Information
 Schedule of Firefighters' Pension Fund Contributions
 Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,274,790	\$ 1,136,704	\$ 1,003,856	\$ 855,917	\$ 833,540	\$ 737,106	\$ 699,586	\$ 555,666	\$ 551,295	\$ 551,295
Contributions in relation to the actuarially determined contribution	861,909	1,271,611	573,376	604,957	495,377	513,661	502,084	495,885	461,350	426,847
Contribution deficiency (excess)	<u>\$ 412,881</u>	<u>\$ (134,907)</u>	<u>\$ 430,480</u>	<u>\$ 250,960</u>	<u>\$ 338,163</u>	<u>\$ 223,445</u>	<u>\$ 197,502</u>	<u>\$ 59,781</u>	<u>\$ 89,945</u>	<u>\$ -</u>
Covered payroll	\$ 2,529,528	\$ 2,650,186	\$ 2,929,791	\$ 2,403,836	\$ 2,673,711	\$ 2,673,711	\$ 2,656,261	\$ 2,548,299	\$ 2,426,894	\$ 2,089,147
Contributions as a percentage of covered payroll	34.07%	47.98%	19.57%	25.17%	18.53%	19.21%	18.90%	19.46%	19.01%	*

* Information not available

Notes to the Required Supplementary Information:

- Actuarial Cost Method: Entry Age Normal
- Amortization Method: Level % Pay (Closed)
- Amortization Target: 100% Funded in year 2033
- Asset Valuation Method: 5-Year Smoothed Market Value
- Inflation: 2.50%
- Salary Increases: 3.00%-13.75%
- Investment Rate of Return: 7.00%
- Mortality: Mortality rates were based on the RP-2014 Mortality Tables adjusted for plan status, collar, and Illinois public pension data.

CITY OF BURBANK, ILLINOIS

General Fund
Combining Balance Sheet
December 31, 2018

	Corporate Account	Working Cash Account	Total
ASSETS			
Cash and Investments	\$ 7,143,701	\$ 1,000,901	\$ 8,144,602
Property Taxes Receivable	3,457,021	-	3,457,021
Other Governmental Receivables	2,322,129	-	2,322,129
Prepaid Items	53,546	-	53,546
Due from Fiduciary Funds	21,843	-	21,843
Interfund Advances - Receivable	273,080	-	273,080
Total Assets	<u>\$ 13,271,320</u>	<u>\$ 1,000,901</u>	<u>\$ 14,272,221</u>
LIABILITIES			
Accounts Payable	\$ 392,873	\$ -	\$ 392,873
Accrued Payroll	239,970	-	239,970
Accrued Payroll Taxes	34,292	-	34,292
Claims Payable	477,243	-	477,243
Interfund Advances - Payable	188,478	1,745	190,223
Due to Fiduciary Funds	47,484	-	47,484
Total Liabilities	<u>1,380,340</u>	<u>1,745</u>	<u>1,382,085</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue - Property Taxes	3,453,200	-	3,453,200
Unavailable Revenue - Taxes and Grants	682,261	-	682,261
Total Deferred Inflows of Resources	<u>4,135,461</u>	<u>-</u>	<u>4,135,461</u>
FUND BALANCES			
Nonspendable			
Interfund Loans	273,080	-	273,080
Prepaid Items	53,546	-	53,546
Unassigned	7,428,893	999,156	8,428,049
Total Fund Balances	<u>7,755,519</u>	<u>999,156</u>	<u>8,754,675</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 13,271,320</u>	<u>\$ 1,000,901</u>	<u>\$ 14,272,221</u>

CITY OF BURBANK, ILLINOIS

General Fund
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended December 31, 2018

	Corporate Account	Working Cash Account	Total
REVENUES			
Property Taxes	\$ 3,312,378	\$ -	\$ 3,312,378
Sales Tax	3,415,475	-	3,415,475
Home Rule Tax	1,957,951	-	1,957,951
Income Tax	2,790,216	-	2,790,216
Other Taxes	4,080,902	-	4,080,902
Licenses, Permits and Fees	2,118,915	-	2,118,915
Fines	2,852,147	-	2,852,147
Investment Income	126,254	-	126,254
Grants	957,709	-	957,709
Other Revenue	485,680	-	485,680
Total Revenues	<u>22,097,627</u>	<u>-</u>	<u>22,097,627</u>
EXPENDITURES			
Current:			
Administration	2,856,729	-	2,856,729
Building & Grounds	44,358	-	44,358
Fire Department	5,934,149	-	5,934,149
Police Department	8,379,990	-	8,379,990
Civil Defense	26,196	-	26,196
Public Works Department	1,868,618	-	1,868,618
Building & License Enforcement	221,270	-	221,270
Zoning Board of Appeals	49,953	-	49,953
Liquor Commission	31,030	-	31,030
Police & Fire Commission	21,650	-	21,650
Debt Service - Interest and Fees	122,355	-	122,355
Total Expenditures	<u>19,556,298</u>	<u>-</u>	<u>19,556,298</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,541,329</u>	<u>-</u>	<u>2,541,329</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Bonds	4,445,000	-	4,445,000
Bond Premium	130,903	-	130,903
Transfers Out	(4,400,000)	-	(4,400,000)
Total Other Financing Sources (Uses)	<u>175,903</u>	<u>-</u>	<u>175,903</u>
Net Change in Fund Balances	<u>2,717,232</u>	<u>-</u>	<u>2,717,232</u>
Fund Balances at Beginning of Year	<u>5,038,287</u>	<u>999,156</u>	<u>6,037,443</u>
Fund Balances at End of Year	<u>\$ 7,755,519</u>	<u>\$ 999,156</u>	<u>\$ 8,754,675</u>

CITY OF BURBANK, ILLINOIS

Schedule of Expenditures - Budget (GAAP Basis) and Actual
 General Fund - Corporate Account
 Year Ended December 31, 2018

EXPENDITURES	Original and Final Budget	Actual	Over (Under) Budget
Current:			
Administration			
Personal Services	\$ 1,686,580	\$ 1,573,519	\$ (113,061)
Contractual	2,338,645	1,255,946	(1,082,699)
Commodities	45,500	27,014	(18,486)
Capital Outlay	3,000	250	(2,750)
Total Administration	<u>4,073,725</u>	<u>2,856,729</u>	<u>(1,216,996)</u>
Building & Grounds			
Personal Services	55,000	11,473	(43,527)
Contractual	72,350	26,169	(46,181)
Commodities	6,800	6,656	(144)
Capital Outlay	8,500	60	(8,440)
Total Building & Grounds	<u>142,650</u>	<u>44,358</u>	<u>(98,292)</u>
Fire Department			
Personal Services	3,407,306	3,048,168	(359,138)
Contractual	1,745,200	1,771,910	26,710
Commodities	97,100	82,304	(14,796)
Capital Outlay	104,198	1,031,767	927,569
Total Fire Department	<u>5,353,804</u>	<u>5,934,149</u>	<u>580,345</u>
Police Department			
Personal Services	5,198,227	5,024,207	(174,020)
Contractual	2,610,667	3,010,974	400,307
Commodities	263,200	239,485	(23,715)
Capital Outlay	150,000	105,324	(44,676)
Total Police Department	<u>8,222,094</u>	<u>8,379,990</u>	<u>157,896</u>
Civil Defense			
Personal Services	22,500	11,692	(10,808)
Contractual	19,200	10,385	(8,815)
Commodities	4,800	1,423	(3,377)
Capital Outlay	11,500	2,696	(8,804)
Total Civil Defense	<u>58,000</u>	<u>26,196</u>	<u>(31,804)</u>
Public Works Department			
Personal Services	1,227,372	1,201,680	(25,692)
Contractual	596,887	560,593	(36,294)
Commodities	126,000	73,468	(52,532)
Capital Outlay	40,100	32,877	(7,223)
Total Public Works Department	<u>1,990,359</u>	<u>1,868,618</u>	<u>(121,741)</u>
Building & License Enforcement			
Personal Services	228,249	152,023	(76,226)
Contractual	126,502	66,976	(59,526)
Commodities	7,200	2,271	(4,929)
Total Building & License Enforcement	<u>361,951</u>	<u>221,270</u>	<u>(140,681)</u>
Zoning Board of Appeals			
Personal Services	49,791	43,415	(6,376)

(Continued)

CITY OF BURBANK, ILLINOIS

Schedule of Expenditures - Budget (GAAP Basis) and Actual
 General Fund - Corporate Account
 Year Ended December 31, 2018

	Original and Final Budget	Actual	Over (Under) Budget
Contractual	\$ 6,689	\$ 6,512	\$ (177)
Commodities	800	26	(774)
Total Zoning Board of Appeals	<u>57,280</u>	<u>49,953</u>	<u>(7,327)</u>
Liquor Commission			
Personal Services	26,230	26,429	199
Contractual	<u>4,528</u>	<u>4,601</u>	<u>73</u>
Total Liquor Commission	<u>30,758</u>	<u>31,030</u>	<u>272</u>
Police & Fire Commission			
Personal Services	15,960	14,696	(1,264)
Contractual	44,950	6,682	(38,268)
Commodities	<u>5,250</u>	<u>272</u>	<u>(4,978)</u>
Total Police & Fire Commission	<u>66,160</u>	<u>21,650</u>	<u>(44,510)</u>
Debt Service - Interest and Fees	<u>-</u>	<u>122,355</u>	<u>122,355</u>
Total Expenditures	<u>\$ 20,356,781</u>	<u>\$ 19,556,298</u>	<u>\$ (800,483)</u>

CITY OF BURBANK, ILLINOIS

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2018

	Debt Service Fund <u>SSA Debt Fund</u>	Special Revenue Fund <u>TIF Fund</u>	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ 636,312	\$ 77,666	\$ 713,978
Property Taxes Receivable	<u>112,066</u>	-	<u>112,066</u>
Total Assets	<u>\$ 748,378</u>	<u>\$ 77,666</u>	<u>\$ 826,044</u>
LIABILITIES			
Interfund Advances - Payable	\$ 11,000	\$ -	\$ 11,000
Total Liabilities	<u>11,000</u>	<u>-</u>	<u>11,000</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue - Property Taxes	<u>112,066</u>	-	<u>112,066</u>
Total Deferred Inflows of Resources	<u>112,066</u>	<u>-</u>	<u>112,066</u>
FUND BALANCES			
Restricted:			
Debt Service	166,000	-	166,000
Capital Projects	<u>459,312</u>	<u>77,666</u>	<u>536,978</u>
Total Fund Balances	<u>625,312</u>	<u>77,666</u>	<u>702,978</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 748,378</u>	<u>\$ 77,666</u>	<u>\$ 826,044</u>

CITY OF BURBANK, ILLINOIS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended December 31, 2018

	Debt Service Fund <u>SSA Debt Fund</u>	Special Revenue Fund <u>TIF Fund</u>	Total Nonmajor Governmental Funds <u>Funds</u>
REVENUES			
Property Taxes	\$ 164,518	\$ 77,290	\$ 241,808
Investment Income	<u>4,755</u>	<u>376</u>	<u>5,131</u>
Total Revenues	<u>169,273</u>	<u>77,666</u>	<u>246,939</u>
EXPENDITURES			
Debt Service - Principal Retired	99,000	-	99,000
Debt Service - Interest and Fees	<u>12,897</u>	<u>-</u>	<u>12,897</u>
Total Expenditures	<u>111,897</u>	<u>-</u>	<u>111,897</u>
Net Change in Fund Balances	<u>57,376</u>	<u>77,666</u>	<u>135,042</u>
Fund Balances at Beginning of Year	<u>567,936</u>	<u>-</u>	<u>567,936</u>
Fund Balances at End of Year	<u>\$ 625,312</u>	<u>\$ 77,666</u>	<u>\$ 702,978</u>

CITY OF BURBANK, ILLINOIS

Combining Statement of Net Position
Fiduciary Funds
December 31, 2018

	Pension Trust Funds		Total	Agency Fund
	Police Pension Fund	Firefighters' Pension Fund		Performance Bond Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,844,423	\$ 372,619	\$ 2,217,042	\$ 829,028
Investments, at Fair Value				
U.S. Government and Agency Obligations	8,562,653	10,012,440	18,575,093	-
State and Local Obligations	-	1,640,472	1,640,472	-
Corporate Bonds	4,639,745	5,030	4,644,775	-
Equity Securities	16,629,946	-	16,629,946	-
Equity Mutual Funds	6,940,841	13,190,790	20,131,631	-
Due from the City	31,178	16,306	47,484	-
Accrued Interest	115,120	74,896	190,016	-
Prepaid Items	3,998	4,791	8,789	-
Total Assets	<u>\$ 38,767,904</u>	<u>\$ 25,317,344</u>	<u>\$ 64,085,248</u>	<u>\$ 829,028</u>
LIABILITIES				
Accounts Payable	\$ 26,343	\$ 24,470	\$ 50,813	\$ -
Due to City	-	-	-	21,843
Due to Participants/Bond Holders	-	-	-	807,185
Total Liabilities	<u>26,343</u>	<u>24,470</u>	<u>50,813</u>	<u>\$ 829,028</u>
NET POSITION				
Restricted for Pensions	<u>38,741,561</u>	<u>25,292,874</u>	<u>64,034,435</u>	
Total Net Position	<u>\$ 38,741,561</u>	<u>\$ 25,292,874</u>	<u>\$ 64,034,435</u>	

CITY OF BURBANK, ILLINOIS
Combining Statement of Changes in Net Position
Pension Trust Funds
Year Ended December 31, 2018

	Police Pension Fund	Firefighters' Pension Fund	Total
ADDITIONS			
Contributions			
Employer	\$ 1,691,565	\$ 861,909	\$ 2,553,474
Plan Members	429,415	234,056	663,471
Total Contributions	<u>2,120,980</u>	<u>1,095,965</u>	<u>3,216,945</u>
Investment Income			
Interest and Dividends	1,082,415	1,124,760	2,207,175
Net Change in Fair Value	(2,950,388)	(2,094,602)	(5,044,990)
Less Investment Expense	<u>(181,615)</u>	<u>(95,349)</u>	<u>(276,964)</u>
Net Investment Income	<u>(2,049,588)</u>	<u>(1,065,191)</u>	<u>(3,114,779)</u>
Total Additions	<u>71,392</u>	<u>30,774</u>	<u>102,166</u>
DEDUCTIONS			
Benefits and Refunds	2,563,089	73,962	2,637,051
Administrative Expenses	<u>65,899</u>	<u>1,864,541</u>	<u>1,930,440</u>
Total Deductions	<u>2,628,988</u>	<u>1,938,503</u>	<u>4,567,491</u>
Change in Net Position	(2,557,596)	(1,907,729)	(4,465,325)
Net Position at Beginning of Year	<u>41,299,157</u>	<u>27,200,603</u>	<u>68,499,760</u>
Net Position at End of Year	<u>\$ 38,741,561</u>	<u>\$ 25,292,874</u>	<u>\$ 64,034,435</u>

CITY OF BURBANK, ILLINOIS

Combining Statement of Changes in Assets and Liabilities
 Agency Fund
 Year Ended December 31, 2018

	Balances January 1	Additions	Deletions	Balances December 31
ASSETS				
Cash	\$ 812,678	\$ 58,708	\$ 42,358	\$ 829,028
Total Assets	<u>\$ 812,678</u>	<u>\$ 58,708</u>	<u>\$ 42,358</u>	<u>\$ 829,028</u>
LIABILITIES				
Due to City	\$ 38,843	\$ 58,250	\$ 75,250	\$ 21,843
Due to Participants/Bond Holders	<u>773,835</u>	<u>55,750</u>	<u>22,400</u>	<u>807,185</u>
Total Liabilities	<u>\$ 812,678</u>	<u>\$ 114,000</u>	<u>\$ 97,650</u>	<u>\$ 829,028</u>
