



# Blue Island Public Library

AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2016

**Blue Island Public Library  
Audit Report  
For the Year Ended December 31, 2016**

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**Table of Contents**

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<b>Independent Auditor's Report</b>	1 - 2
<b>Basic Financial Statements:</b>	
Library-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet - Governmental Fund - General Fund	5
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund - General Fund	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	8
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	9
Notes to the Financial Statements	10 - 25
<b>Required Supplementary Information:</b>	
Multiyear Schedule of Changes in the Net Pension Liability and Related Ratios - Illinois Municipal Retirement Fund	26
Multiyear Schedule of Contributions - Illinois Municipal Retirement Fund	27
<b>Supplementary Information:</b>	
Schedule of Expenditures - Budget and Actual - General Fund	28 - 29

# **INDEPENDENT AUDITOR'S REPORT**

# Selden Fox

Accounting for your future

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Blue Island Public Library  
Blue Island, Illinois

We have audited the accompanying financial statements of the governmental activities and the major fund of the **Blue Island Public Library** (Library) as of and for the year ended December 31, 2016, and the statement of revenues, expenditures and changes in fund balance – budget and actual for the General Fund and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 entity'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and the General Fund of the Blue Island Public Library as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* in the prior year, but no allocation was made to the Library until the current year. Our opinions are not modified with respect to these matters.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Library include a management's discussion and analysis be presented to supplement the basic financial statements. The Blue Island Public Library is a discretely presented component unit of the City of Blue Island, Illinois, and its financial statements are included within the annual financial report. The City's Management's Discussion and Analysis makes reference where appropriate to the Library. Consequently, the Library's management has elected to refrain from presenting a Management's Discussion and Analysis within its audit report. Our opinion is not affected by this missing information.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The General Fund Schedule of Expenditures – Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The General Fund Schedule of Expenditures – Budget and Actual is the responsibility of management and was derived from and relates 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 General Fund Schedule of Expenditures – Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Selden Fox, Ltd.*

July 5, 2017

## **BASIC FINANCIAL STATEMENTS**

**Blue Island Public Library  
Statement of Net Position  
December 31, 2016**

	<b>Governmental Activities</b>
<b>Assets and Deferred Outflows</b>	
Cash and investments	\$ 671,024
Receivables	137,335
Prepaid items	9,315
Capital assets, net of accumulated depreciation	123,628
<b>Total assets</b>	<b>941,302</b>
Deferred outflows - pension	180,745
<b>Total assets and deferred outflows</b>	<b>1,122,047</b>
<b>Liabilities and Deferred Inflows</b>	
Accounts payable	33,782
Accrued expenses	17,204
Compensated absences payable	29,711
Noncurrent liabilities - net pension liability	449,646
<b>Total liabilities</b>	<b>530,343</b>
Deferred inflows - pension	68,097
<b>Total liabilities and deferred inflows</b>	<b>598,440</b>
<b>Net Position</b>	
Net investment in capital assets	123,628
Unrestricted	399,979
	<b>\$ 523,607</b>

See independent auditor's report and accompanying notes.

**Blue Island Public Library  
Statement of Activities  
For the Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position - Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Culture and recreation	\$ 1,294,407	\$ 50,910	\$ 18,274	\$ -	\$ (1,225,223)
			General revenues:		
			Property taxes	997,907	
			Replacement taxes	50,883	
			Investment income	1,327	
			Other income	2,217	
			<b>Total general revenues</b>	<b>1,052,334</b>	
			<b>Changes in net position</b>	<b>(172,889)</b>	
			Net position, beginning of the period as previously reported	1,044,415	
			Prior period restatement	(347,919)	
			Net position, beginning of the period as restated	696,496	
			Net position, end of the period	\$ 523,607	

See independent auditor's report and accompanying notes.



**Blue Island Public Library  
Governmental Fund - General Fund  
Balance Sheet  
December 31, 2016**

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**Assets**

Cash and investments	\$ 671,024
Property taxes receivable	86,452
Replacement taxes receivable	50,883
Prepaid items	<u>9,315</u>
<b>Total assets</b>	<b>\$ 817,674</b>

**Liabilities and Deferred Inflows**

Liabilities:	
Accounts payable	\$ 33,782
Accrued expenses	<u>17,204</u>
<b>Total liabilities</b>	<b><u>50,986</u></b>
Deferred inflows:	
Property taxes	<u>99,705</u>
<b>Total liabilities and deferred inflows</b>	<b><u>150,691</u></b>

**Fund Balance**

Nonspendable	9,315
Unassigned	<u>657,668</u>
<b>Total fund balance</b>	<b><u>666,983</u></b>
<b>Total liabilities, deferred inflows and fund balance</b>	<b>\$ 817,674</b>

See accompanying notes and independent auditor's report.

**Blue Island Public Library  
 Reconciliation of the Governmental Fund Balance Sheet  
 to the Statement of Net Position  
 December 31, 2016**

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Total fund balance - governmental fund (page 5)	\$	<b>666,983</b>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.</p>		<b>123,628</b>
<p>Revenues are recognized for governmental activities when earned, regardless of when collected, and not deferred on the statement of net position.</p>		<b>99,705</b>
<p>Liabilities as defined under modified accrual accounting, not due and payable in the current period, are not reported in the funds.</p>		
Compensated absences payable		<b>(29,711)</b>
Net pension liability		<b>(449,646)</b>
Difference in pension-related items on deferred outflows		<b>180,745</b>
Difference in pension-related items on deferred inflows		<b>(68,097)</b>
		<hr/>
Net position of governmental activities (page 3)	\$	<b>523,607</b>

See independent auditor's report and accompanying notes.

**Blue Island Public Library  
Governmental Fund - General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended December 31, 2016**

<hr/>	
Revenues:	
Property taxes	\$ 1,031,077
Replacement tax	50,883
Grants	18,274
Gifts	100
Desk revenue	50,910
Investment income	1,327
Other	2,116
	<hr/>
<b>Total revenues</b>	<b>1,154,687</b>
	<hr/>
Expenditures:	
Current:	
Personnel costs	1,037,345
Contractual services	62,767
Repairs and maintenance	43,147
Supplies and materials	107,737
Insurance	15,385
Utilities	10,978
Miscellaneous	172
Capital outlay	13,425
	<hr/>
<b>Total expenditures</b>	<b>1,290,956</b>
	<hr/>
<b>Net changes in fund balance</b>	<b>(136,269)</b>
	<hr/>
Fund balance, beginning of the period	803,252
	<hr/>
Fund balance, end of the period	<b>\$ 666,983</b>
	<hr/>

See accompanying notes and independent auditor's report.

**Blue Island Public Library  
Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balance of  
Governmental Fund to the Statement of Activities  
For the Year Ended December 31, 2016**

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Amounts reported for governmental activities in the statement of activities (page 4) are different because:

Net changes in fund balances - total governmental fund (page 7)	<b>\$ (136,269)</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The current year difference represents depreciation expense, as there were no additions to capital assets in the current year.	
	<b>(16,549)</b>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund.	
	<b>(33,170)</b>
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental fund.	
	<b>2,178</b>
The net effect of changes in the net pension liability is reported as an expense in the statement of activities.	
	<b><u>10,921</u></b>
Change in net assets of governmental activities (page 4)	<b><u>\$ (172,889)</u></b>

See independent auditor's report and accompanying notes.

**Blue Island Public Library  
General Fund  
Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended December 31, 2016**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$ 1,262,750	<b>\$ 1,031,077</b>	\$ (231,673)
Replacement tax	54,000	<b>50,883</b>	(3,117)
Grants	27,000	<b>18,274</b>	(8,726)
Gifts	300	<b>100</b>	(200)
Desk revenue	54,800	<b>50,910</b>	(3,890)
Investment income	300	<b>1,327</b>	1,027
Other	2,600	<b>2,116</b>	(484)
<b>Total revenues</b>	<b>1,401,750</b>	<b>1,154,687</b>	<b>(247,063)</b>
<b>Expenditures:</b>			
Current:			
Personnel costs	1,102,750	<b>1,037,345</b>	65,405
Contractual services	61,400	<b>62,767</b>	(1,367)
Repairs and maintenance	76,800	<b>43,147</b>	33,653
Supplies and materials	110,800	<b>107,737</b>	3,063
Insurance	16,200	<b>15,385</b>	815
Utilities	17,050	<b>10,978</b>	6,072
Miscellaneous	250	<b>172</b>	78
Capital outlay	16,500	<b>13,425</b>	3,075
<b>Total expenditures</b>	<b>1,401,750</b>	<b>1,290,956</b>	<b>110,794</b>
<b>Net changes in fund balance</b>	<b>\$ -</b>	<b>(136,269)</b>	<b>\$ (136,269)</b>
Fund balance, beginning of the period		<b>803,252</b>	
Fund balance, end of the period		<b>\$ 666,983</b>	

See accompanying notes and independent auditor's report.

**Blue Island Public Library**  
**Notes to the Financial Statements**

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**I. Summary of Significant Accounting Policies**

**A. The Reporting Entity**

The Blue Island Public Library (Library) was established for the use and benefit of the residents of the City of Blue Island, Illinois. The Library operates under the trustee-administrator form of government, and provides a variety of library related services. The Library's Trustees are appointed by the Mayor and approved by the City Council. The Library's tax levy is attached to the City's levy and filed with the County. The Library is considered a discretely presented component unit of the City of Blue Island, Illinois.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities. The effect of material interfund activity has been eliminated 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 Library has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

A separate financial statement is provided for the General Fund, which is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund. The Library has no other governmental funds.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

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**I. Summary of Significant Accounting Policies (cont'd)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (cont'd)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers all revenues available if they are collected within 60 days after year end. Expenditures are generally recorded when the related fund liability is incurred. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and replacement taxes associated with the current fiscal period are all considered to be susceptible to accrual, and have therefore been recognized as revenues of the current fiscal period. Other receipts become measurable and available when cash is received by the Library, and are recognized as revenue at that time.

**D. Assets/Deferred Outflows, Liabilities/Deferred Inflows and Net Position or Equity**

**1. Deposits and Investments**

Statutes authorize the Library to invest in the following:

- Obligations of the U.S. Treasury, including Treasury notes, bills, certificates and other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
- Interest bearing savings accounts, certificates of deposit, time accounts, or any other investment constituting direct obligations of a bank as defined by the Illinois Banking Act.
- Short-term obligations (maturing within 180 days of the date of purchase) of corporations with assets exceeding five hundred million dollars (\$500,000,000). Such obligations must be rated, at the time of purchase, within the three highest classifications established by at least two rating services. This type of obligation is limited to one-third of the Library's total average balance from all funds available for investment, and cannot exceed 10% of the corporation's outstanding obligation.

**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

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**I. Summary of Significant Accounting Policies (cont'd)**

**D. Assets/Deferred Outflows, Liabilities/Deferred Inflows and Net Position or Equity (cont'd)**

**1. Deposits and Investments (cont'd)**

- Money market mutual funds registered under the Investment Company Act of 1940 which invest only in bonds, notes, certificates of indebtedness, Treasury bills, or other securities which are guaranteed by the full faith and credit of the United States as to principal and interest and agrees to repurchase such obligations. In addition, the Library may also invest in a fund managed, operated and administered by a bank.
- Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the state to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Funds' share price, which is the price for which the investment could be sold.

**2. Receivables and Payables**

The Library's Board of Trustees adopts a resolution setting forth its financial requirements for the fiscal year, and submits this resolution for inclusion in the Appropriations Ordinance and Tax Levy Ordinance of the City of Blue Island. The City files its tax levy ordinance by the last Tuesday of December. Property taxes are levied each calendar year on all taxable real property located in the City of Blue Island. Taxes levied in one year are due and collectible on March 1 and September 1 of the following year. Property taxes attach as an enforceable lien on property as of January 1 of the year following the levy.

Property taxes are based on the assessed valuation of the Library's real property as equalized by the State of Illinois. The estimated equalized assessed valuation of real property for the City totaled \$197,423,852 for the calendar year 2015.

**3. Capital Assets**

Capital assets, which include buildings and building improvements, and furniture and equipment, are reported in the government-wide financial statements. The Library defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at cost where historical records are available or at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.



**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

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**I. Summary of Significant Accounting Policies (cont'd)**

**D. Assets/Deferred Outflows, Liabilities/Deferred Inflows and Net Position or Equity (cont'd)**

**3. Capital Assets (cont'd)**

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets in governmental activities is not capitalized.

Property and equipment are depreciated using the straight-line method, using the following estimated useful lives:

Buildings and building improvements	20 – 40 years
Furniture and equipment	5 – 20 years

**4. Compensated Absences**

Paid vacation leave is earned by all Library employees working a minimum of twenty hours per week. Vacation leave starts accruing from the first day of employment and is calculated per pay period. The Director, managers and professional librarians receive 20 vacation days per year. Other full-time employees, and part-time employees working a minimum of twenty hours per week, earn ten vacation days per year, increasing to 15 and 20 days after five and ten consecutive years of service, respectively. Employees carry unused vacation time forward to the next year, but further vacation accrual stops when the unused vacation time reaches a cap equal to the annual vacation amount. Upon termination of employment, employees will be paid for unused vacation time earned through the last day of work.

Full-time staff members receive four paid personal days per year (part-time staff members receive two paid personal days) that must be used within the calendar year. Full-time staff members receive twelve days of paid sick leave per year (part-time staff members receive six days). There is no payment for unused sick leave upon termination of employment.

**5. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period; they increase net position, similar to assets. Note IV provides further detail on the components of deferred outflows of resources in the statement of net position.

**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

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**I. Summary of Significant Accounting Policies (cont'd)**

**D. Assets/Deferred Outflows, Liabilities/Deferred Inflows and Net Position or Equity (cont'd)**

**5. Deferred Outflows and Inflows of Resources (cont'd)**

Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period; they decrease net position, similar to liabilities. Note IV provides further detail on the components of deferred inflows of resources in the statement of net position.

On the governmental fund financial statements, the Library reports as a deferred inflow of resources attributable to property taxes due from the County for the 2015 levy that had not been received within 60 days of the fiscal year end.

**6. Fund Equity and Net Position**

Equity in the government-wide statements is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on its use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Remaining net position that does not meet the definitions of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the Library’s policy to use restricted resources first, then unrestricted resources as they are needed.

In the governmental fund financial statements, governmental funds report fund balance as either nonspendable or spendable. Spendable fund balance is further classified as restricted, committed, assigned or unassigned, based on the relative strength of the constraints that control how specific amounts can be spent.

Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose or externally imposed by outside entities. The Library’s General Fund does not include any restrictions.

**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

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**I. Summary of Significant Accounting Policies (cont'd)**

**D. Assets/Deferred Outflows, Liabilities/Deferred Inflows and Net Position or Equity (cont'd)**

**6. Fund Equity and Net Position (cont'd)**

Committed fund balance is constrained by formal actions of the Library's Board of Trustees, which is considered the Library's highest level of decision making authority. Formal action is in the form of an ordinance approved at a Board meeting. The Library has no committed fund balance.

Assigned fund balance represents amounts constrained by the Library's intent to use them for a specific purpose. The authority to assign fund balance is at the Board level. Assignment of fund balance does not require passage of an ordinance. The Library has no assigned fund balance. The residual fund balance in the General Fund is reported as unassigned.

The Library assumes that funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Unrestricted funds are considered spent in the following order as available - committed funds, assigned funds, and then unassigned funds.

**7. Change in Accounting Principle**

The Library participates in a multiple-employer defined benefit plan and is included within the City's calculation of the net pension liability under Government Accounting Standards Board Statement No. 68, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The City adopted GASB 68 and GASB 71 in 2015 but made no allocation to the Library until the current year. The Library recorded a restatement of beginning net position of the governmental activities in the current year for the recognition of a net pension liability under GASB 68 and GASB 71. The beginning net position of governmental activities was restated by \$347,919.

**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

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**II. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Prior to or shortly after the beginning of the fiscal year, the Library's Board of Trustees adopts a resolution setting forth the financial requirements for the year pursuant to Article 5, Sec 4-10 of Chapter 75 of the Illinois Compiled Statutes. This resolution is incorporated in the Appropriation Ordinance of the City of Blue Island, Illinois. The budget is prepared on a basis consistent with generally accepted accounting principles.

All appropriations lapse at year end. Expenditures may not exceed appropriations at the fund level.

**III. Detailed Notes For All Fund Types and Account Groups**

**A. Deposits and Investments**

**Deposits** – At year end, the carrying amount of the Library's deposits was \$665,020, and the bank balance was \$668,382, of which \$438,702 was covered by federal depository insurance and \$229,680 was collateralized by securities pledged in the Library's name with The Bank of New York Mellon as custodian. Cash on hand totaled \$315.

**Investments** – Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Library or its agent in the Library's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Library's name.
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the Library's name.

At year end, the Library's investment balances consisted of a certificate of deposit, fully insured, with original maturity of one year which is carried at cost (\$5,689 at December 31, 2016).

**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

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**III. Detailed Notes For All Fund Types and Account Groups (cont'd)**

**A. Deposits and Investments (cont'd)**

**Investments (cont'd)**

A reconciliation of cash and investments, as shown on the balance sheet for the Library, follows:

Carrying amount of deposits	\$	665,020
Carrying amount of certificate of deposit		5,689
Cash on hand		315
<b>Total</b>	<b>\$</b>	<b>671,024</b>
Cash and investments per statement of net position	\$	671,024

**Interest Rate Risk** – This is the risk that changes in the market interest rates will adversely affect the fair value of an investment; generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Library addresses interest rate risk, as stated in its investment policy, by structuring the investment portfolio so that securities mature to meet cash requirement for ongoing operations, and by investing primarily in shorter-term securities, money-market mutual funds, or similar investment pools.

**Credit Risk** – Generally, credit risk is the risk that an issuer of a debt type instrument will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. The Library's certificate of deposit is unrated. The Library addresses credit risk, as stated in its investment policy, by limiting the types of investments, pre-qualifying financial institutions, and diversifying the investment portfolio.

**Custodial Credit Risk** – For deposits, this is the risk that, in the event of a bank failure, a government will not be able to recover its deposits. At December 31, 2016, in accordance with its investment policy, all Library deposits are fully insured or collateralized. For investments, this is the risk that in the event of the failure of the counterparty, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The certificate of deposit is fully insured.

**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

**III. Detailed Notes For All Fund Types and Account Groups (cont'd)**

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balances January 1	Additions	Retirements	Balances December 31
Capital assets being depreciated:				
Buildings and building improvements	\$ 37,490	\$ -	\$ -	\$ 37,490
Furniture and equipment	205,949	-	-	205,949
	<u>243,439</u>	<u>-</u>	<u>-</u>	<u>243,439</u>
Less accumulated depreciation for:				
Buildings and building improvements	9,733	1,250	-	10,983
Furniture and equipment	93,529	15,299	-	108,828
	<u>103,262</u>	<u>16,549</u>	<u>-</u>	<u>119,811</u>
<b>Total capital assets being depreciated, net</b>	<u>140,177</u>	<u>16,549</u>	<u>-</u>	<u>123,628</u>
Governmental activities, capital assets, net	<u>\$ 140,177</u>	<u>\$ 16,549</u>	<u>\$ -</u>	<u>\$ 123,628</u>

**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

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**IV. Deferred Outflows of Resources and Deferred Inflows of Resources**

The following table provides additional detail regarding deferred outflows of resources and deferred inflows of resources on the government-wide statement of net position:

	<b>Total</b>
Deferred outflow of resources:	
Pension related:	
Change in assumptions	\$     2,509
Net difference between projected and actual earnings on pension plan investments	178,236
<b>Total deferred outflows of resources</b>	<b>\$   180,745</b>
Deferred inflow of resources:	
Pension related:	
Difference between expected and actual experience	\$     64,431
Change in assumptions	3,666
<b>Total deferred inflows of resources</b>	<b>\$     68,097</b>

**V. Other Information**

**A. Risk Management**

The Library is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Library is a member of the Library Insurance Management and Risk Control Combination (LIMRCC), an intergovernmental agreement providing for risk management. LIMRCC purchases commercial insurance coverage to cover possible liabilities related to these risks. These commercial policies involve immaterial deductibles, and provide sufficient coverage to reduce the risk of any material loss. Settlements have not exceeded insurance coverage in each of the past three years.

**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

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V. **Other Information** (cont'd)

B. **Defined Benefit Pension Plan**

**General Information About the Pension Plan**

**Plan Description** – The Library’s defined benefit pension plan, the Illinois Municipal Retirement Fund (IMRF), provides pensions for all full-time employees of the Library. IMRF is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. A summary of IMRF’s pension benefits is provided in the following “Benefits Provided” section. Benefit provisions are established by statute and may only be amended by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements, detailed information about the pension plan’s fiduciary net position and required supplementary information (RSI). That report may be obtained on-line at [www.imrf.org](http://www.imrf.org). The Library participates in IMRF through the City of Blue Island, Illinois.

**Benefits Provided** – IMRF provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. 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.

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



**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

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V. **Other Information** (cont'd)

B. **Defined Benefit Pension Plan** (cont'd)

**General Information About the Pension Plan** (cont'd)

**Contributions** – Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is established by State statute. The Library is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute. The employer contribution and annual required contribution rate for calendar year 2016 was 14.70 percent. The Library's contribution to the Plan in 2016 totaled \$98,781, which was equal to its annual required contribution. The Library 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**Net Pension Liability**

The Library is a component unit of the City of Blue Island, Illinois. City management has allocated approximately 16% of the City's pension responsibility to the Library. The City of Blue Island's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Valuation and Assumptions** – The actuarial assumptions used in the December 31, 2016, valuation were based on an actuarial experience study of the period 2011-2013, using the entry age normal actuarial cost method. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

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V. **Other Information** (cont'd)

B. **Defined Benefit Pension Plan** (cont'd)

**Net Pension Liability** (cont'd)

Inflation	2.75%
Salary increases	3.75% to 14.5%
Investment rate of return	7.50%
Post-retirement benefit increase:	
Tier 1	3.0%-simple
Tier 2	lesser of 3.0%-simple or ½ increase in CPI

The actuarial value of IMRF assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2016, was 27 years.

**Mortality Rates** – For non-disabled lives, 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 table was used with fully generational 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 was applied for 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.

**Long-term Expected Rate of Return** – The long-term expected rate of return was determined using a building-block method in which best-estimate ranges for 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 weighing 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:

**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

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V. **Other Information** (cont'd)

B. **Defined Benefit Pension Plan** (cont'd)

**Net Pension Liability** (cont'd)

**Long-term Expected Rate of Return** (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equities	38%	6.85%
International equities	17%	6.75%
Fixed income	27%	3.00%
Real estate	8%	5.75%
Alternatives:	9%	
Private equity		7.35%
Hedge funds		5.25%
Commodities		2.65%
Cash equivalents	1%	2.25%

**Discount Rate** – The discount rate used to measure the total pension liability, computed for the City of Blue Island, Illinois, as a whole, was 7.50%. 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 Library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees for the next 99 years. Therefore, the long-term expected rate of return on pension plan investments (7.50%) was applied to the next 99 periods of projected benefit payments, and then the municipal bond rate (3.78%) (based on the weekly rate closest to, but not later than, the measurement date of the "20-Bond Go Index", the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality), was utilized, resulting in a single discount rate of 7.50 being used to determine the total pension liability.

**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

V. **Other Information** (cont'd)

B. **Defined Benefit Pension Plan** (cont'd)

**Net Pension Liability** (cont'd)

**Changes in Net Pension Liability – City of Blue Island**

The change in the net pension liability for the City of Blue Island, Illinois, is shown below. **The Library's percentage of the liability is approximately 16%.**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balances 12/31/15	\$ 26,944,563	\$ 23,622,223	\$ 3,322,340
Changes for the year:			
Service cost	434,534	-	434,534
Interest	1,970,691	-	1,970,691
Differences between expected and actual experience	(344,654)	-	(344,654)
Changes in assumptions	(30,866)	-	(30,866)
Contributions - employer	-	600,448	(600,448)
Contributions - employee	-	183,811	(183,811)
Net investment income	-	1,609,690	(1,609,690)
Benefit payments, including refunds of employee contributions	(1,701,750)	(1,701,750)	-
Other changes	-	147,811	(147,811)
Balances 12/31/16	<u>\$ 27,272,518</u>	<u>\$ 24,462,233</u>	<u>\$ 2,810,285</u>

**Discount Rate Sensitivity** – The following presents the net pension liability of the Village as a whole, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point higher or lower than the current rate. **The Library's portion is approximately 16%:**

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City of Blue Island net pension liability	<u>\$ 6,144,506</u>	<u>\$ 2,810,285</u>	<u>\$ 64,317</u>

**Blue Island Public Library**  
**Notes to the Financial Statements (cont'd)**

V. **Other Information** (cont'd)

B. **Defined Benefit Pension Plan** (cont'd)

**Net Pension Liability** (cont'd)

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IMRF financial report.

**Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Library**

At December 31, 2016, the Library’s portion of the City of Blue Island’s net pension liability is \$449,646. For the year ended December 31, 2016, the Library recognized pension expense of \$87,860 in the government-wide financial statements. At December 31, 2016, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 64,431	\$ (64,431)
Changes in assumptions	2,509	3,666	(1,157)
Net difference between projected and actual earnings on pension plan investments	<u>178,236</u>	<u>-</u>	<u>178,236</u>
Total	<u>\$ 180,745</u>	<u>\$ 68,097</u>	<u>\$ 112,648</u>

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 31,</u>	
2017	\$ 32,217
2018	32,217
2019	43,956
2020	<u>4,258</u>
Total	<u>\$ 112,648</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**Blue Island Public Library  
City of Blue Island (see Note below)  
Illinois Municipal Retirement Fund  
Multiyear Schedule of Changes in Net Pension Liability and Related Ratios  
Last Ten Calendar Years**

	<u>2016</u>	<u>2015</u>
<b>Total pension liability:</b>		
Service cost	\$ 434,534	\$ 444,650
Interest on the total pension liability	1,970,691	1,939,318
Benefit changes	-	-
Difference between expected and actual changes	(344,654)	(290,772)
Assumption changes	(30,866)	31,044
Benefit payments and refunds	<u>(1,701,750)</u>	<u>(1,629,851)</u>
<b>Net change in total pension liability</b>	<b>327,955</b>	<b>494,389</b>
<b>Total pension liability - beginning</b>	<b><u>26,944,563</u></b>	<b><u>26,450,174</u></b>
<b>Total pension liability - ending</b>	<b><u>\$ 27,272,518</u></b>	<b><u>\$ 26,944,563</u></b>
<b>Plan fiduciary net position:</b>		
Employer contributions	\$ 600,448	\$ 597,843
Employee contributions	183,811	232,918
Pension plan net investment income	1,609,690	120,436
Benefit payments and refunds	(1,701,750)	(1,629,851)
Other	<u>147,811</u>	<u>(185,890)</u>
<b>Net change in plan fiduciary net position</b>	<b>840,010</b>	<b>(864,544)</b>
<b>Plan fiduciary net position - beginning</b>	<b><u>23,622,223</u></b>	<b><u>24,486,767</u></b>
<b>Plan fiduciary net position - ending</b>	<b><u>\$ 24,462,233</u></b>	<b><u>\$ 23,622,223</u></b>
<b>Net pension liability</b>	<b><u>\$ 2,810,285</u></b>	<b><u>\$ 3,322,340</u></b>
Plan fiduciary net position as a percentage of total pension liability	<u>89.70%</u>	<u>87.67%</u>
Covered valuation payroll	<u>\$ 4,084,680</u>	<u>\$ 4,177,805</u>
Net pension liability as a percentage of covered valuation payroll	<u>68.80%</u>	<u>79.52%</u>

Note - The Blue Island Public Library participates in IMRF through the City of Blue Island, Illinois. It is not possible to present this schedule for the Library alone; however, the Library's portion of the above would approximate 16% of the totals. As such, the schedule reflects the City, inclusive of the Library. GASB 68 was adopted in the prior year; this schedule will build a ten-year history prospectively.

See independent auditor's report.

**Blue Island Public Library  
Illinois Municipal Retirement Fund  
Required Supplementary Information -  
Multiyear Schedule of Contributions  
Last 10 Fiscal Years**

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2016	\$ 98,781	\$ 98,781	\$ -	\$ 666,243	14.83 %

Notes to Required Supplementary Information:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level % of Pay (Closed)
Remaining Amortization Period	27 Years
Asset Valuation Method	5 Year Smoothed Market; 20% Corridor
Inflation	3.50%
Salary Increases	3.75% to 14.50% Including Inflation
Investment Rate of Return	7.5%
Retirement Age	See the Notes to the Financial Statements
Mortality	See the Notes to the Financial Statements

Note: The Library adopted GASB 68 in the current year and will build ten-year history prospectively.

See independent auditor's report.



**SUPPLEMENTARY INFORMATION**

**Blue Island Public Library  
General Fund  
Schedule of Expenditures - Budget and Actual  
For the Year Ended December 31, 2016**

	Original and Final Budget	Actual	Variance Positive (Negative)
Current:			
Personnel costs:			
Salaries and wages	\$ 856,000	\$ 813,194	\$ 42,806
Payroll taxes	63,450	60,606	2,844
Illinois Municipal Retirement	97,000	98,781	(1,781)
Health insurance	73,500	56,519	16,981
Unemployment insurance	3,000	2,485	515
Board/staff development	6,800	3,121	3,679
Dues and memberships	2,200	1,991	209
Mileage reimbursement	800	648	152
<b>Total personnel costs</b>	<b>1,102,750</b>	<b>1,037,345</b>	<b>65,405</b>
Contractual services:			
Accounting services	3,600	3,600	-
Advertising	600	460	140
Audit services	6,200	5,579	621
Bank service charges	500	97	403
Computer services	2,500	2,817	(317)
Consultant services	200	110	90
Equipment rental/leases	10,000	8,414	1,586
Legal services	3,500	3,713	(213)
Payroll processing	4,600	4,423	177
Programs and public information	10,200	11,272	(1,072)
SWAN	19,500	22,282	(2,782)
<b>Total contractual services</b>	<b>61,400</b>	<b>62,767</b>	<b>(1,367)</b>
Repairs and maintenance:			
Contractual maintenance	42,000	39,047	2,953
Maintenance equipment	1,500	-	1,500
Remodeling and repairs	33,300	4,100	29,200
<b>Total repairs and maintenance</b>	<b>76,800</b>	<b>43,147</b>	<b>33,653</b>

(cont'd)

**Blue Island Public Library**  
**General Fund**  
**Schedule of Expenditures - Budget and Actual (cont'd)**  
**For the Year Ended December 31, 2016**

	Original and Final Budget	Actual	Variance Positive (Negative)
Current (cont'd):			
Supplies and materials:			
Library materials:			
Adult fiction	\$ 21,000	\$ 20,140	\$ 860
Juvenile	21,700	23,768	(2,068)
Reference and adult non-fiction	39,900	39,853	47
Copy costs	5,000	5,088	(88)
Lost/damaged materials	1,700	890	810
Maintenance supplies	5,000	4,545	455
Office supplies	13,500	11,789	1,711
Postage and delivery	2,100	1,293	807
Printing and reproduction	900	371	529
<b>Total supplies and materials</b>	<b>110,800</b>	<b>107,737</b>	<b>3,063</b>
Insurance:			
General/liability	11,000	10,517	483
Professional	1,700	1,916	(216)
Workers compensation	3,500	2,952	548
	16,200	15,385	815
Utilities:			
Gas and electric	6,800	2,027	4,773
Telephone/internet	8,500	7,465	1,035
Water	1,750	1,486	264
<b>Total utilities</b>	<b>17,050</b>	<b>10,978</b>	<b>6,072</b>
Miscellaneous	250	172	78
Capital outlay	16,500	13,425	3,075
<b>Total expenditures</b>	<b>\$ 1,401,750</b>	<b>\$ 1,290,956</b>	<b>\$ 110,794</b>

See independent auditor's report.