



Blue Island Public Library

AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

**Blue Island Public Library
Audit Report
For the Year Ended December 31, 2017**

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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, 2017, 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, 2017, 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.

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.

May 17, 2018

BASIC FINANCIAL STATEMENTS

**Blue Island Public Library
Statement of Net Position
December 31, 2017**

	Governmental Activities
Assets and Deferred Outflows	
Cash and investments	\$ 488,596
Receivables	150,374
Prepaid items	9,525
Net pension asset	120,398
Capital assets, net of accumulated depreciation	125,692
Total assets	894,585
Deferred outflows - pension	121,524
Total assets and deferred outflows	1,016,109
Liabilities and Deferred Inflows	
Accounts payable	31,885
Accrued expenses	19,838
Compensated absences payable	33,624
Total liabilities	85,347
Deferred inflows - pension	541,322
Total liabilities and deferred inflows	626,669
Net Position	
Net investment in capital assets	125,692
Unrestricted	263,748
	\$ 389,440

See independent auditor's report and accompanying notes.

**Blue Island Public Library
Statement of Activities
For the Year Ended December 31, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expenses) Revenue and Changes in Net Position - Governmental Activities
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Culture and recreation	<u>\$ 1,285,235</u>	<u>\$ 45,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,239,999)</u>
			General revenues:		
			Property taxes	1,046,567	
			Replacement taxes	53,732	
			Investment income	2,161	
			Other income	<u>3,372</u>	
			Total general revenues	<u>1,105,832</u>	
			Changes in net position		(134,167)
			Net position, beginning of the period		<u>523,607</u>
			Net position, end of the period		<u>\$ 389,440</u>

See independent auditor's report and accompanying notes.

**Blue Island Public Library
Governmental Fund - General Fund
Balance Sheet
December 31, 2017**

Assets

Cash and investments	\$ 488,596
Property taxes receivable	96,642
Replacement taxes receivable	53,732
Prepaid items	<u>9,525</u>
Total assets	\$ 648,495

Liabilities and Deferred Inflows

Liabilities:	
Accounts payable	\$ 31,885
Accrued expenses	<u>19,838</u>
Total liabilities	<u>51,723</u>

Deferred inflows:	
Property taxes	<u>96,642</u>
Total liabilities and deferred inflows	<u>148,365</u>

Fund Balance

Nonspendable	9,525
Unassigned	<u>490,605</u>
Total fund balance	<u>500,130</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 648,495</u>

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, 2017**

Total fund balance - governmental fund (page 5)	\$	500,130
<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>		125,692
<p>Revenues are recognized for governmental activities when earned, regardless of when collected, and not deferred on the statement of net position.</p>		96,642
<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		(33,624)
Net pension asset		120,398
Difference in pension-related items on deferred outflows		121,524
Difference in pension-related items on deferred inflows		(541,322)
		<hr/>
Net position of governmental activities (page 3)	\$	389,440

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, 2017**

<hr/>	
Revenues:	
Property taxes	\$ 1,049,630
Replacement tax	53,732
Gifts	2,100
Desk revenue	45,236
Investment income	2,161
Other	1,272
	<hr/>
Total revenues	1,154,131
	<hr/>
Expenditures:	
Current:	
Personnel costs	1,060,997
Contractual services	63,100
Repairs and maintenance	54,031
Supplies and materials	90,529
Insurance	15,222
Utilities	9,465
Miscellaneous	322
Capital outlay	27,318
	<hr/>
Total expenditures	1,320,984
	<hr/>
Net changes in fund balance	(166,853)
	<hr/>
Fund balance, beginning of the period	666,983
	<hr/>
Fund balance, end of the period	\$ 500,130
	<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, 2017**

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)	\$ (166,853)
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.	
Current year additions to capital assets	19,422
Depreciation expense	(17,358)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund.	(3,063)
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.	(3,913)
The net effect of changes in the net pension asset is reported as an expense in the statement of activities.	<u>37,598</u>
Change in net assets of governmental activities (page 4)	<u>\$ (134,167)</u>

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**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes	\$ 1,231,800	\$ 1,049,630	\$ (182,170)
Replacement tax	55,000	53,732	(1,268)
Grants	27,000	-	(27,000)
Gifts	100	2,100	2,000
Desk revenue	49,700	45,236	(4,464)
Investment income	600	2,161	1,561
Other	1,600	1,272	(328)
Total revenues	1,365,800	1,154,131	(211,669)
Expenditures:			
Current:			
Personnel costs	1,076,000	1,060,997	15,003
Contractual services	63,400	63,100	300
Repairs and maintenance	54,500	54,031	469
Supplies and materials	103,000	90,529	12,471
Insurance	21,200	15,222	5,978
Utilities	15,800	9,465	6,335
Miscellaneous	400	322	78
Capital outlay	31,500	27,318	4,182
Total expenditures	1,365,800	1,320,984	44,816
Net changes in fund balance	\$ -	(166,853)	\$ (166,853)
Fund balance, beginning of the period		666,983	
Fund balance, end of the period		\$ 500,130	

See accompanying notes and independent auditor's report.

Blue Island Public Library Notes to the Financial Statements

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)

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)

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 of Blue Island totaled \$204,634,824 for the calendar year 2016.

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)

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)

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 2016 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.

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

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)

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.

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.

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.

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

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 \$482,322, and the bank balance was \$493,881 of which \$434,266 was covered by federal depository insurance and \$59,615 was collateralized by securities pledged in the Library’s name with The Bank of New York Mellon as custodian. Cash on hand totaled \$486.

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 (\$5,788 at December 31, 2017).

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

Carrying amount of deposits	\$ 482,322
Carrying amount of certificate of deposit	5,788
Cash on hand	<u>486</u>
Total	<u>\$ 488,596</u>
Cash and investments per statement of net position	<u>\$ 488,596</u>

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.

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

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

A. Deposits and Investments (cont'd)

Investments (cont'd)

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, 2017, 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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2017, 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	19,422	-	225,371
	243,439	19,422	-	262,861
Less accumulated depreciation for:				
Buildings and building improvements	10,983	1,250	-	12,233
Furniture and equipment	108,828	16,108	-	124,936
	119,811	17,358	-	137,169
Total capital assets being depreciated, net	123,628	2,064	-	125,692
Governmental activities, capital assets, net	\$ 123,628	\$ 2,064	\$ -	\$ 125,692

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

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:

	Total
Deferred outflow of resources:	
Pension related:	
Change in assumptions	\$ 1,280
Net difference between projected and actual earnings on pension plan investments	120,244
Total deferred outflows of resources	\$ 121,524
Deferred inflow of resources:	
Pension related:	
Difference between expected and actual experience	\$ 94,129
Change in assumptions	97,131
Net difference between projected and actual earnings on pension plan investments	350,062
Total deferred inflows of resources	\$ 541,322

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)

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. 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)

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 2017 was 14.35 percent. The Library's contribution to the Plan in 2017 totaled \$94,251, and its annual required contribution was \$93,455. 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, 2017, 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, 2017, valuation were based on an actuarial experience study of the period 2014-2016, using the entry age normal actuarial cost method. The total pension liability in the December 31, 2017, 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)

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

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

Net Pension Liability (cont'd)

Inflation	2.50%
Salary increases	3.39% to 14.25%
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, 2017, was 25 years.

Mortality Rates – For non-disabled lives, 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 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 was applied for 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.

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)

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 tax-exempt municipal bond rate (3.31%) (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 12/31/16	\$ 27,272,518	\$ 24,462,233	\$ 2,810,285
Changes for the year:			
Service cost	446,907	-	446,907
Interest	2,000,154	-	2,000,154
Differences between expected and actual experience	(475,962)	-	(475,962)
Changes in assumptions	(813,574)	-	(813,574)
Contributions - employer	-	567,359	(567,359)
Contributions - employee	-	177,917	(177,917)
Net investment income	-	4,515,172	(4,515,172)
Benefit payments, including refunds of employee contributions	(1,654,494)	(1,654,494)	-
Other changes	-	(540,150)	540,150
Balances 12/31/17	<u>\$ 26,775,549</u>	<u>\$ 27,528,037</u>	<u>\$ (752,488)</u>

Discount Rate Sensitivity – The following presents the net pension liability of the City of Blue Island 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>\$ 2,238,587</u>	<u>\$ (752,488)</u>	<u>\$ (3,202,883)</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, 2017, the Library’s portion of the City of Blue Island’s net pension asset is \$120,398. For the year ended December 31, 2017, the Library recognized pension expense of \$55,220 in the government-wide financial statements. At December 31, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 94,129	\$ (94,129)
Changes in assumptions	1,280	97,131	(95,851)
Net difference between projected and actual earnings on pension plan investments	120,244	350,062	(229,818)
Total	\$ 121,524	\$ 541,322	\$ (419,798)

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

Year Ending December 31,

2018	\$ (111,456)
2019	(99,744)
2020	(121,111)
2021	(87,487)
Total	\$ (419,798)

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>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:			
Service cost	\$ 446,907	\$ 434,534	\$ 444,650
Interest on the total pension liability	2,000,154	1,970,691	1,939,318
Benefit changes	-	-	-
Difference between expected and actual changes	(475,962)	(344,654)	(290,772)
Assumption changes	(813,574)	(30,866)	31,044
Benefit payments and refunds	<u>(1,654,494)</u>	<u>(1,701,750)</u>	<u>(1,629,851)</u>
Net change in total pension liability	(496,969)	327,955	494,389
Total pension liability - beginning	<u>27,272,518</u>	<u>26,944,563</u>	<u>26,450,174</u>
Total pension liability - ending	\$ <u>26,775,549</u>	\$ <u>27,272,518</u>	\$ <u>26,944,563</u>
Plan fiduciary net position:			
Employer contributions	\$ 567,359	\$ 600,448	\$ 597,843
Employee contributions	177,917	183,811	232,918
Pension plan net investment income	4,515,172	1,609,690	120,436
Benefit payments and refunds	(1,654,494)	(1,701,750)	(1,629,851)
Other	<u>(540,150)</u>	<u>147,811</u>	<u>(185,890)</u>
Net change in plan fiduciary net position	3,065,804	840,010	(864,544)
Plan fiduciary net position - beginning	<u>24,462,233</u>	<u>23,622,223</u>	<u>24,486,767</u>
Plan fiduciary net position - ending	\$ <u>27,528,037</u>	\$ <u>24,462,233</u>	\$ <u>23,622,223</u>
Net pension (asset) liability	\$ <u>(752,488)</u>	\$ <u>2,810,285</u>	\$ <u>3,322,340</u>
Plan fiduciary net position as a percentage of total pension liability	<u>102.81%</u>	<u>89.70%</u>	<u>87.67%</u>
Covered valuation payroll	<u>\$ 3,953,724</u>	<u>\$ 4,084,680</u>	<u>\$ 4,177,805</u>
Net pension liability as a percentage of covered valuation payroll	<u>-19.03%</u>	<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 %
2017	93,455	94,251	(796)	651,251	14.47

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, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
Current:			
Personnel costs:			
Salaries and wages	\$ 850,000	\$ 820,227	\$ 29,773
Payroll taxes	60,000	61,129	(1,129)
Illinois Municipal Retirement	90,000	92,818	(2,818)
Health insurance	65,000	78,021	(13,021)
Unemployment insurance	3,000	3,939	(939)
Board/staff development	5,100	3,120	1,980
Dues and memberships	2,100	1,286	814
Mileage reimbursement	800	457	343
Total personnel costs	1,076,000	1,060,997	15,003
Contractual services:			
Accounting services	3,600	3,600	-
Advertising	850	734	116
Audit services	6,200	6,249	(49)
Bank service charges	400	263	137
Computer services	2,750	2,682	68
Consultant services	200	80	120
Equipment rental/leases	10,000	9,951	49
Legal services	3,500	3,990	(490)
Payroll processing	4,300	4,471	(171)
Programs and public information	10,600	8,763	1,837
SWAN	21,000	22,317	(1,317)
Total contractual services	63,400	63,100	300
Repairs and maintenance:			
Contractual maintenance	39,000	38,981	19
Maintenance equipment	500	375	125
Remodeling and repairs	15,000	14,675	325
Total repairs and maintenance	54,500	54,031	469

(cont'd)

Blue Island Public Library
General Fund
Schedule of Expenditures - Budget and Actual (cont'd)
For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
Current (cont'd):			
Supplies and materials:			
Library materials:			
Adult fiction	\$ 20,750	\$ 19,661	\$ 1,089
Juvenile	23,650	15,889	7,761
Reference and adult non-fiction	34,600	34,094	506
Copy costs	6,000	5,991	9
Lost/damaged materials	1,200	1,749	(549)
Maintenance supplies	4,000	3,903	97
Office supplies	10,300	7,846	2,454
Postage and delivery	1,600	757	843
Printing and reproduction	900	639	261
Total supplies and materials	103,000	90,529	12,471
Insurance:			
General/liability	16,000	10,605	5,395
Professional	1,700	1,625	75
Workers' compensation	3,500	2,992	508
	21,200	15,222	5,978
Utilities:			
Gas and electric	5,500	2,400	3,100
Telephone/internet	8,700	5,579	3,121
Water	1,600	1,486	114
Total utilities	15,800	9,465	6,335
Miscellaneous	400	322	78
Capital outlay	31,500	27,318	4,182
Total expenditures	\$ 1,365,800	\$ 1,320,984	\$ 44,816

See independent auditor's report.