

**Blue Island Public Library
Audit Report
For the Year Ended December 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

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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, 2015, 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.

Basis for Qualified Opinion on Government-Wide Financial Statements

Management has not recorded the net pension liability and changes in total pension liability in the government-wide financial statements in accordance with Governmental Accounting Standards Board No. 68 "Accounting and Financial Reporting for Pensions." Accounting principles generally accepted in the United States of America require that employers report their net pension liability (unfunded liability) in the financial statements as the difference between the total pension liability and the value of assets

set aside in the pension plan to pay benefits. Pension costs and obligations should be recorded as employees earn them, rather than when the entity contributes to a pension plan or when retirees receive benefits. The amount by which this departure would affect the net position or the change in net position has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Government-Wide Financial Statements" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Island Public Library as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the General Fund financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of the Blue Island Public Library as of December 31, 2015, and the respective changes in fund balance 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 and a schedule of funding progress 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, 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. The Library employees are reported with the City in their agent multiple employer defined benefit plan. The schedule of funding progress for this plan is included within the City's annual financial 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 Expenses – 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 Expenses – 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 Expenses – Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

March xx, 2016

BASIC FINANCIAL STATEMENTS

Blue Island Public Library
Statement of Net Position
December 31, 2015

	Governmental Activities
Assets	
Cash and investments	\$ 754,926
Receivables	201,364
Prepaid items	10,168
Capital assets, net of accumulated depreciation	140,177
Total assets	1,106,635
Liabilities	
Accounts payable	17,965
Accrued expenses	12,366
Compensated absences payable	31,889
Total liabilities	62,220
Net Position	
Net investment in capital assets	140,177
Unrestricted	904,238
	\$ 1,044,415

See independent auditor's report and accompanying notes.

Blue Island Public Library
Statement of Activities
For the Year Ended December 31, 2015

			Program Revenues		Net (Expenses) Revenue and Changes in Net Position - Governmental Activities
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities: Culture and recreation	\$ 1,307,800	\$ 53,100	\$ 64,633	\$ -	\$ (1,190,067)
			General revenues:		
			Property taxes		1,267,268
			Replacement taxes		56,953
			Investment income		466
			Other income		32,565
			Total general revenues		1,357,252
			Changes in net position		167,185
			Net position, beginning of the period		877,230
			Net position, end of the period		\$ 1,044,415

See independent auditor's report and accompanying notes.

**Blue Island Public Library
Governmental Fund - General Fund
Balance Sheet
December 31, 2015**

Assets	
Cash and investments	\$ 754,926
Property taxes receivable	144,411
Replacement taxes receivable	56,953
Prepaid items	<u>10,168</u>
Total assets	<u>\$ 966,458</u>
Liabilities and Deferred Inflows	
Liabilities:	
Accounts payable	\$ 17,965
Accrued expenses	<u>12,366</u>
Total liabilities	<u>30,331</u>
Deferred inflows:	
Property taxes	<u>132,875</u>
Total liabilities and deferred inflows	<u>163,206</u>
Fund Balance	
Nonspendable	10,168
Unassigned	<u>793,084</u>
Total fund balance	<u>803,252</u>
Total liabilities and fund balance	<u>\$ 966,458</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, 2015

Total fund balance - governmental fund (page 5)	\$ 803,252
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	140,177
Revenues are recognized for governmental activities when earned, regardless of when collected, and not deferred on the statement of net position.	132,875
Liabilities as defined under modified accrual accounting, not due and payable in the current period, are not reported in the funds.	<u>(31,889)</u>
Net position of governmental activities (page 3)	<u>\$ 1,044,415</u>

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, 2015**

Revenues:	
Property taxes	\$ 1,378,797
Replacement tax	56,953
Grants	64,633
Gifts	437
Desk revenue	53,100
Investment income	466
Other	32,127
	<hr/>
Total revenues	1,586,513
	<hr/>
Expenditures:	
Current:	
Personnel costs	1,053,744
Contractual services	52,956
Repairs and maintenance	109,515
Supplies and materials	102,060
Insurance	15,853
Utilities	14,656
Miscellaneous	62
Capital outlay	14,306
	<hr/>
Total expenditures	1,363,152
	<hr/>
Net changes in fund balance	223,361
	<hr/>
Fund balance, beginning of the period	579,891
	<hr/>
Fund balance, end of the period	\$ 803,252
	<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, 2015**

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)	\$ 223,361
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	60,857
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund.	(111,528)
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.	<u>(5,505)</u>
Change in net assets of governmental activities (page 4)	<u>\$ 167,185</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
For the Year Ended December 31, 2015**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes	\$ 1,220,300	\$ 1,378,797	\$ 158,497
Replacement tax	55,000	56,953	1,953
Grants	27,500	64,633	37,133
Gifts	300	437	137
Desk revenue	57,100	53,100	(4,000)
Investment income	500	466	(34)
Other	2,600	32,127	29,527
Total revenues	1,363,300	1,586,513	223,213
Expenditures:			
Current:			
Personnel costs	1,085,200	1,053,744	31,456
Contractual services	55,900	52,956	2,944
Repairs and maintenance	53,500	109,515	(56,015)
Supplies and materials	108,700	102,060	6,640
Insurance	21,000	15,853	5,147
Utilities	15,600	14,656	944
Miscellaneous	400	62	338
Capital outlay	23,000	14,306	8,694
Total expenditures	1,363,300	1,363,152	148
Net changes in fund balance	\$ -	223,361	\$ 223,361
Fund balance, beginning of the period		579,891	
Fund balance, end of the period		\$ 803,252	

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.

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.

**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

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.

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.

**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)

- 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.
- 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 \$201,553,201 for the calendar year 2014.

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

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.

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:

Land improvements	15 – 20 years
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.

**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

On the governmental fund financial statements, the Library reports as a deferred inflow of resources property taxes due from the County for the 2014 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.

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.

**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)

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.

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 \$748,896, and the bank balance was \$762,312, of which \$500,000 was covered by federal depository insurance and \$262,312 was uninsured and uncollateralized. Cash on hand totaled \$413.

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 – 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 (\$5,617 at December 31, 2015).

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

Carrying amount of deposits	\$ 748,896
Carrying amount of certificate of deposit	5,617
Cash on hand	<u>413</u>
Total	<u>\$ 754,926</u>
 Cash and investments per statement of net position	 <u>\$ 754,926</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 does not specifically address interest rate risk in its investment policy, but does not have any long-term investments at December 31, 2015.

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.

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)

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, 2015, deposits totaling \$262,312 were uninsured and uncollateralized. 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, 2015 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	132,865	73,084	-	205,949
	<u>170,355</u>	<u>73,084</u>	<u>-</u>	<u>243,439</u>
Less accumulated depreciation for:				
Buildings and building improvements	8,484	1,249	-	9,733
Furniture and equipment	82,552	10,977	-	93,529
	<u>91,036</u>	<u>12,226</u>	<u>-</u>	<u>103,262</u>
Total capital assets being depreciated, net	<u>79,319</u>	<u>60,858</u>	<u>-</u>	<u>140,177</u>
Governmental activities, capital assets, net	<u>\$ 79,319</u>	<u>\$ 60,858</u>	<u>\$ -</u>	<u>\$ 140,177</u>

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

IV. 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.

B. Defined Benefit Pension Plan

Plan Description – The Library's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. IMRF is an agent multiple-employer pension plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy – As set by statute, the Library's regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2015 was 14.18 percent. 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 death and disability benefits are set by the IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost – For the year ended December 31, 2015, the Library's annual pension cost of \$92,788 was equal to the Library's required and actual contributions. Detailed pension plan accounting and disclosures for the Library are not available, because as a component unit, the Library is included within the City of Blue Island's actuarial valuation. However, the Library's payroll is processed independently of the City of Blue Island and reported and paid separately to IMRF. The required contribution was determined as part of the December 31, 2013 actuarial valuation, using the entry age normal actuarial cost method. The actuarial assumptions a December 31, 2013 included: (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually.

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

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Annual Pension Cost (cont'd)

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 payroll on an open basis. The remaining amortization period at December 31, 2015 was 28 years.

The Library is a component unit of the City of Blue Island, and is included in the City's actuarial valuation under Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions." The Library's portion of the City's net pension liability has not yet been determined by City management, and the Library has not reported a net pension asset or liability at December 31, 2015. Consequently, the Library has not reported the changes in net pension liability in accordance with the requirements of the pension standards.

C. Intergovernmental Agreement

The Library entered into an agreement with the City of Blue Island to compensate the Library for the City reduction of the Library's tax levy request in the City's filing of its 2013 tax levy ordinance. Under terms of the agreement, the City will remit to the Library 11% of the property taxes received from the County for the 2013 levy up to \$451,932, the difference between the maximum allowable levy for the Library's General Fund of \$1,197,364 and the actual levy for the library filed by the City of \$745,432. The City remitted \$256,409 in 2015 (\$152,091 in 2014). The balance due of \$299,841 at December 31, 2014 was recorded as property taxes receivable on the statement of net position net of an allowance for uncollectible taxes of \$50,000 and the governmental fund balance sheet. The Library recognized the full amount due from the City as revenue in the statement of activities in the prior year, but deferred \$244,404 on the governmental fund balance sheet at December 31, 2014 in accordance with its revenue recognition policy under the modified accrual basis of accounting. In the current year, the receivable balance at December 31, 2014 was collected and the deferred balance was recognized in the governmental fund financial statement. The difference between the amount collected and the deferred balance at December 31, 2014 was recognized as revenue in both the government-wide and governmental fund financial statements in the current year.

SUPPLEMENTARY INFORMATION

**Blue Island Public Library
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2015**

	Original and Final Budget	Actual	Variance Positive (Negative)
Current:			
Personnel costs:			
Salaries and wages	\$ 849,600	\$ 817,575	\$ 32,025
Payroll taxes	62,600	61,190	1,410
Illinois Municipal Retirement	98,600	92,788	5,812
Health insurance	62,600	77,671	(15,071)
Unemployment insurance	2,000	(1,516)	3,516
Board/staff development	6,800	4,277	2,523
Dues and memberships	2,200	971	1,229
Mileage reimbursement	800	788	12
Total personnel costs	1,085,200	1,053,744	31,456
Contractual services:			
Accounting services	4,000	3,600	400
Advertising	300	381	(81)
Audit services	5,000	6,189	(1,189)
Bank service charges	1,100	308	792
Computer services	2,500	3,155	(655)
Consultant services	200	199	1
Equipment rental/leases	10,000	9,479	521
Legal services	3,000	6,143	(3,143)
Payroll processing	5,000	3,974	1,026
Programs and public information	9,300	8,357	943
SWAN	15,500	11,171	4,329
Total contractual services	55,900	52,956	2,944
Repairs and maintenance:			
Contractual maintenance	42,000	36,013	5,987
Maintenance equipment	1,500	418	1,082
Remodeling and repairs	10,000	73,084	(63,084)
Total repairs and maintenance	53,500	109,515	(56,015)

(cont'd)

Blue Island Public Library
General Fund
Schedule of Expenditures - Budget and Actual (cont'd)
For the Year Ended December 31, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
Current (cont'd):			
Supplies and materials:			
Library materials:			
Adult fiction	\$ 21,000	\$ 18,995	\$ 2,005
Juvenile	21,700	19,449	2,251
Reference and adult non-fiction	39,900	40,154	(254)
Copy costs	5,000	6,292	(1,292)
Lost/damaged materials	1,500	1,695	(195)
Maintenance supplies	5,000	4,836	164
Office supplies	11,000	8,771	2,229
Postage and delivery	3,100	1,488	1,612
Printing and reproduction	500	380	120
Total supplies and materials	108,700	102,060	6,640
Insurance:			
General/liability	12,000	10,573	1,427
Professional	2,000	1,853	147
Workers compensation	7,000	3,427	3,573
	21,000	15,853	5,147
Utilities:			
Gas and electric	6,200	6,348	(148)
Telephone/internet	8,000	6,822	1,178
Water	1,400	1,486	(86)
Total utilities	15,600	14,656	944
Miscellaneous	400	62	338
Capital outlay	23,000	14,306	8,694
Total expenditures	\$ 1,363,300	\$ 1,363,152	\$ 148

See independent auditor's report.