



Phillips, Salmi & Associates, LLC  
Certified Public Accountants

PARLIN-INGERSOLL PUBLIC LIBRARY  
CANTON, ILLINOIS

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2016

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Parlin-Ingersoll Public Library  
Canton, Illinois

We have audited the accompanying financial statements of the governmental activities of Parlin-Ingersoll Public Library (the "Library") as of and for the year ended May 31, 2016, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion 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 of 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 Library'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 Library'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 opinion.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities of the Parlin-Ingersoll Public Library as of May 31, 2016, and the respective changes in financial position for the year then ended in conformity with the basis of accounting described in Note 1.

## Basis of Accounting

We draw attention to Note 1 of the financial statements which describes the basis of accounting. As discussed in Note 1, Parlin-Ingersoll Public Library prepares its financial statements on the modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Other Matters

### *Report on Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole that collectively comprise the Parlin-Ingersoll Public Library's basic financial statements. The management's discussion and analysis, budgetary comparison information, Schedule of Disbursement > \$2,500, and Schedule of Compensation on pages 3-7, 21, and 25, which are the responsibility of management, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Parlin-Ingersoll Public Library's basic financial statements as a whole. The Comparative Statement of Revenues Received and Expenditures Disbursed and the Schedule of Investments, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Comparative Statement of Revenues Received and Expenditures Disbursed and the Schedule of Investments are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited in accordance with auditing standards generally accepted in the United States of America, the financial statements of Parlin-Ingersoll Public Library as of and for the year ended May 31, 2015 not presented herein, and our report thereon dated September 15, 2015 expressed an unmodified cash basis opinion on those financial statements. That audit was conducted for purposes of forming an opinion on the financial statements as a whole. The 2015 Statement of Revenues Received and Expenditures Disbursed on page 22 is presented for purposes of additional analysis. Such information is the responsibility of management as was derived from and related directly to the underlying accounting and other records used to prepare the 2015 financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements from which it has been derived

*Phillips, Salami & Associates, LLC*

Washington, IL  
September 1, 2016

- **State Grant:** The Library received an Illinois state per capita grant for FY16, administered by the Illinois State Library, in the amount of \$18,380. The state per capita grant monies are drawn from the State of Illinois' general tax fund and the Secretary of State's Live and Learn fees. These tax and fee monies are collected from all taxpayers in Illinois. Library participation in the per capita grant program recaptures tax and fee monies collected from Canton-area citizens. There are no local property taxes collected for library services at this time. Income from Ingersoll Trust disbursements and accumulated savings represents a per capita value of \$43.26. We would need to levy a property tax averaging \$117.67 per household to replace Ingersoll revenue.
- **Other Income:** The Library earned a total of \$42,584 in miscellaneous receipts. The largest portion of this amount is \$16,040 in memorial donations to the Elson Project. A committee is still planning the expenditure of those funds. Overdue fees accounted for \$9548 and replacement charges for lost or damaged materials recovered \$1,954. The rest of the revenue was generated primarily from cost-recovery assessments, such as photocopies, computer prints, proctoring fees, book sales, donations, etc. We continue to see a decline in overdue fees which may be attributed to our Polaris system generating pre-overdue reminders via e-mail or text to patrons requesting this service.

### OVERVIEW OF ASSETS

- **Changes in Savings and Investments:** The Library ended the fiscal year with \$955,822 in capital reserves at MidAmerica Bank compared to \$834,960 in fiscal year 2015. Due to reduced revenues, our capital reserves have declined from \$1,245,692 at the end of fiscal year 2008. We ended with a balance in our MidAmerica National Bank checking account of \$131,523.
- **Capital Asset Investment:** The major capital addition was for the Roof replacement and the new security camera system treated as a property or equipment investment.
- **Debt:** The Library has no short-term or long-term debt to service.

### FY17 Budget Forecast

The library has a tentative FY17 budget that has operating expenses (\$649,109) over projected income (\$644,403) by \$4,706. In addition, we have some capital projects that are estimated to increase expenditures to \$691,109 resulting in a deficit of \$46,706.

We have a section of a parking lot retaining wall on the west side that needs repaired. We have some parking lot crack repairs planned as well. In addition, we also plan to upgrade our computer firewall and network to fully utilize Comcast cable for internet to eliminate a T-1 line in an existing contract. The savings in monthly telecommunication costs is expected to offset the installation network costs long term.

Our income for FY16 was \$683,311 compared to \$675,921 for FY 2015. After deducting the Elson memorial donations (\$16,040), the decrease is about \$8,650. Total income has fallen from a historic high of \$767,391 in FY08 to \$683,311 in FY16, a decline of \$84,080, or 10.9 percent.

When looking at the 3-year rolling average of the Charles D. Ingersoll Trust used to calculate our income, we may have a considerable drop in income for FY17. In addition, while we have been awarded a Per Capita Grant for 2016 (FY17) of \$11,335 (\$18,380 in FY16), due to the current budget impasse we were told not to count on those revenues. Thus, our estimated income for FY17 is much lower at \$644,403.

## 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 non-fiduciary activities of the Library.

The statement of activities demonstrates the degree to which the direct expenses of a given function of segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to patrons or the general public 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. Other items not properly included among program revenues are reported instead as *general revenues*.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. Fund financial statements reported in these sections tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide statements by providing information about the Library's most financially significant funds.

The Parlin-Ingersoll Public Library, being an independent governing and non-tax levying body, only has governmental funds. *Governmental Funds*: The Library's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified cash basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Library's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. We described the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included in Notes 1, 2, and 3 in the Notes to Financial Statements.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found in a following section.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules for the major fund. A comparison of revenues received and expenditures disbursed for the years ended May 31, 2015, and 2016 can be found in the section titles "Comparative Statement of Revenues and Expenditures Disbursed." A "Schedule of Investments", "Schedule of Disbursements => \$2,500" and "Schedule of Compensation" can also be found.

PARLIN-INGERSOLL PUBLIC LIBRARY  
For Year Ended May 31, 2016

**Financial Analysis of the Library**

<b>ASSETS:</b>	<b>2016</b>	<b>2015</b>
Cash	\$ 385,676	\$ 252,076
Investments, at cost	702,158	834,960
Property and equipment, net of accumulated depreciation	1,091,430	1,083,495
<b>Total assets</b>	<u>2,179,264</u>	<u>2,170,531</u>
 Net position:		
Invested in capital assets	1,091,430	1,083,495
Restricted	16,040	-
Unrestricted	1,071,794	1,087,036
<b>Total net position</b>	<u>\$ 2,179,264</u>	<u>\$ 2,170,531</u>
 Program revenues:		
Charges for services	\$ 26,184	\$ 25,873
Grants	18,380	18,380
General revenue:		
Charles D. Ingersoll Trust	621,796	616,256
Investment Earnings & Interest	551	15,072
Donations	16,400	415
<b>Total revenues</b>	<u>683,311</u>	<u>675,996</u>
 Program expenses:		
Cultural and recreational	674,578	666,433
<b>Total expenses</b>	<u>674,578</u>	<u>666,433</u>
 <b>Increase in net position</b>	<u>\$ 8,733</u>	<u>\$ 9,563</u>

**CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT**

This financial report provides our citizens, taxpayers, patrons and creditors with a general overview of the Library's finances and addresses the Library's accountability for the money it receives. If there are any questions about this report or additional information that is needed please feel free to contact the Parlin-Ingersoll Public Library between 9 a.m. and 5 p.m. Monday through Friday.

Respectfully submitted,

*Kimberly S. Bunner*

Kimberly S. Bunner, Director

9-1-2016

Date



**PARLIN-INGERSOLL PUBLIC LIBRARY**  
**STATEMENT OF NET POSITION AND GOVERNMENTAL FUND STATEMENT OF ASSETS,**  
**LIABILITIES AND FUND BALANCE - MODIFIED CASH BASIS**  
**MAY 31, 2016**

	Governmental Fund	Adjustments (Note 2)	Statement of Net Position
<b>ASSETS</b>			
Current Assets			
Unrestricted cash and cash equivalents	\$ 385,676	\$ -	\$ 385,676
Investments, at cost	702,158	-	702,158
Capital Assets			
Non-depreciable	-	205,328	205,328
Depreciable, net	-	886,102	886,102
	<u>\$ 1,087,834</u>	<u>\$ 1,091,430</u>	<u>\$ 2,179,264</u>
<b>LIABILITIES</b>			
Current liabilities			
Payroll taxes payable	\$ 1	\$ -	\$ 1
<b>FUND BALANCE / NET POSITION</b>			
Net investment in capital assets	-	1,091,430	1,091,430
Restricted	16,040	-	16,040
Unrestricted	1,071,793	-	1,071,793
	<u>1,087,833</u>	<u>1,091,430</u>	<u>2,179,263</u>
<b>Total Fund Balance / Net Position</b>	<u>\$ 1,087,834</u>	<u>\$ 1,091,430</u>	<u>\$ 2,179,264</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 1,087,834</u>	<u>\$ 1,091,430</u>	<u>\$ 2,179,264</u>

See accompanying notes.

**PARLIN-INGERSOLL PUBLIC LIBRARY  
STATEMENT OF ACTIVITIES -  
MODIFIED CASH BASIS - GOVERNMENTAL FUND  
FOR THE YEAR ENDED MAY 31, 2016**

	Governmental Fund	Adjustments (Note 3)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
Current cultural and recreation	\$ 601,199	\$ 73,379	\$ 674,578
Capital outlay	81,314	(81,314)	-
<b>Total expenditures/expenses</b>	<b>682,513</b>	<b>(7,935)</b>	<b>674,578</b>
<b>PROGRAM REVENUES</b>			
Charges for services	26,184	-	26,184
Grants	18,380	-	18,380
<b>Total program revenues</b>	<b>44,564</b>	<b>-</b>	<b>44,564</b>
<b>Net program expense</b>			<b>(630,014)</b>
<b>GENERAL REVENUES</b>			
Charles D. Ingersoll Trust	621,796	-	621,796
Investment earnings & interest	551	-	551
Donations & Other	16,400	-	16,400
<b>Total general revenues</b>	<b>638,747</b>	<b>-</b>	<b>638,747</b>
<b>Change in fund balance / net position</b>	<b>798</b>	<b>7,935</b>	<b>8,733</b>
<b>Fund Balance / Net Position - Beginning</b>	<b>1,087,035</b>	<b>1,083,495</b>	<b>2,170,530</b>
<b>Fund Balance / Net Position - Ending</b>	<b>\$ 1,087,833</b>	<b>\$ 1,091,430</b>	<b>\$ 2,179,263</b>

See accompanying notes.

**PARLIN-INGERSOLL PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. NATURE OF OPERATIONS, REPORTING ENTITY, DESCRIPTION OF FUNDS AND ACCOUNT GROUPS, AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Parlin-Ingersoll Public Library is an information center which offers to its patrons, of all ages, a broad range of books, materials and services. These include books for leisure reading and education, professional reference assistance in person or over the telephone, audiovisual materials, computer and internet access, DVD media and magazines. The Library supplements and enhances its services through membership in the RAILS Library System that provides inter-library loan delivery and other services.

**Reporting Entity**

The criteria of oversight responsibility, special financing relationships and scope of public service was used in determining if any agencies or entities should be included as component units within the Library's reporting entity. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations and accountability for fiscal matters. Based on these criteria, the Library has no component units.

**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 non-fiduciary activities of the Library.

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 patrons or the general public 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. Other items not properly included among program revenues are reported instead as *general revenues*.

**Equity Classification**

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

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributed to capital assets and related debt.
- b. Restricted – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of “restricted” or “invested in capital assets, net of related debt components of net position.”

Government fund equity is classified as fund balance in the fund financial statements.

### **Fund Balances**

In the government fund financial statements the fund balance is reported in five classifications:

1. Non-spendable includes amounts that are required to be maintained intact. The Library does not have any non-spendable fund balances this fiscal year.
2. Restricted includes amounts constrained to specific purposes by their providers (such as grantors, donors, and higher level of government), through constitutional provisions or by enabling legislation.
3. Committed is that portion of the fund balance that can only be used for specific purposes as determined by a formal action that has been approved by the highest level of authority (i.e. the Library's Board of Trustees). The Library does not have any committed fund balance this fiscal year.
4. Assigned includes amount the government *intends* to use for a specific purpose; intent can be expressed by the Board of Trustees or by an official or body to which the Board delegates the authority. The Library does not have assigned fund balance this fiscal year.
5. Unassigned includes amounts that are available for any purposes. These amounts are reported in the General Fund.

For purposes of fund balance classification, expenditures are to be from restricted fund balances first, followed in order by committed fund balances, assigned fund balance and lastly unassigned fund balance.

### **Description of Funds**

The accounts of the Library are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenue and expenditures. The Library has only one fund as follows:

#### **Governmental Fund Types**

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds or account groups. Certain resources obtained from state grants and used to support general library activities are accounted for in the General Fund.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government wide financial statements are reported using the *modified cash basis of accounting*. Revenues are recorded when received and expenses are recorded when paid. In addition, fixed assets are capitalized and depreciated over their estimated lives.

Governmental fund financial statements are reported using the *cash basis of accounting*. Revenues are recognized when received. Expenditures are recorded when paid.

#### **Significant Accounting Policies**

Significant accounting policies followed by the Library are as follows:

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition or management's discussion and analysis, library-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that library-wide financial statements are needed to allow users of financial reports to assess a government's operational accountability. The GASB model integrates fund-based financial reporting and library-wide financial reporting as complementary components of a single comprehensive financial reporting model.

**Investments** - Investments are accounted for as cost which approximates market or fair value. Gains and losses on investments are recorded at disposal.

**Books and other library materials** - are accounted for as expenditures in the year of purchase. The Library has elected not to capitalize books and other library materials.

**Budget** - The Board adopts a budget during the last quarter of the prior fiscal year. The budget for fiscal year 2016 was approved May 27, 2015. The Library does not levy any property taxes, and therefore, does not issue a tax levy ordinance nor an appropriation ordinance.

**Net position** – Present the difference between assets plus deferred outflows less liabilities and deferred inflows of resources in the Statement of Net Position. Net position invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are legal limitations imposed on their use by Library legislation or external restriction by creditors, grantors, laws or regulations of other governments.

**Estimates** – Preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Capital assets** – Include land, buildings, furniture, and equipment that are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of \$2,500 or more and an estimated useful life excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

Land improvements, buildings, furniture and equipment of the Library are depreciated using the straight line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings	35
Building improvements	20 to 30
Furniture	7 to 20
Office equipment	5
Computer automation	5
Other equipment	5

**NOTE 2. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES – MODIFIED CASH BASIS AND THE STATEMENT OF NET POSITION**

The Library’s governmental fund balance of \$1,087,833 differs from the “net position” of \$2,179,263 from governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund balance sheets. The differences are explained below:

Governmental Funds fund balance:	\$ 1,087,833
Governmental funds report capital outlays as expenditures: However, the Statement of Net Position includes capital outlays, net accumulated depreciation, in the assets of the Library as a whole.	<u>1,091,430</u>
Net position of government funds:	<u>\$ 2,179,263</u>

**NOTE 3. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND CHANGE IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES CHANGE IN NET POSITION**

The “net change in fund balances” for governmental funds of \$798 differs from the “change in net position” of \$8,733 from governmental activities reported in the Statement of Activities. The differences arise primarily from long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the difference is explained below:

Net change in governmental fund balances for the year ended May 31, 2016:	\$ 798
Capital assets purchased are reported as expenditures in the governmental funds. However, the cost of these are added to the capital assets and depreciated in the Statement of Activities. Accordingly, the capital outlay expenditures exceeded the current year depreciation of \$73,010	<u>7,935</u>
Net change in position on the Statement of Activities for the year ended May 31, 2016:	<u>\$ 8,733</u>

**NOTE 4. CASH AND INVESTMENTS**

**Cash and Investments** – Statutes authorize the Library to invest in direct and general obligations of the United States of America, obligations issued or guaranteed by instrumentalities or agencies of the United States of America, pre-refunded municipal obligations, direct and general obligations of any state, interest-bearing demand or time deposits or interest in money market portfolios issued by state banks or trust companies or national banking associations or savings and loans associations that are continuously and fully insured, corporate debt guaranteed by any corporation that is rated by Moody’s and S&P in their two highest rating categories, repurchase

agreements with maturities of 30 days or less, prime commercial paper of a United States corporation, public housing bonds issued by public agencies, shares of a diversified open-end management investment company, or state pooled investment funds. The Library's investment policy requires financial institutions to restrict investments to mature within 5 years.

**Deposits** – The Library's deposits with financial institutions, consisting of cash are covered by federal depository insurance. On May 31, 2016, the carrying amount of the Library's bank deposits was \$385,676 which includes a petty cash fund totaling \$250. Deposits are categorized in accordance with risk factors created by governmental deposits of the Library as of May 31, 2016:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1 – Deposits covered by depository insurance or collateral held by the Library or by its agent in the Library's name.	\$ 132,012	\$ 155,526
Category 2 – Deposits covered by collateral held by financial institution's trust department in the Library's name.	-	-
Category 3 – Uninsured, Uncollateralized Deposits or for which collateral has been pledged, but not in the Library's name.	<u>253,664</u>	<u>253,664</u>
<b>TOTAL:</b>	<u>\$ 385,676</u>	<u>\$ 409,190</u>

**Investments** – Investments are stated at original cost. The Library's investments are categorized to give an indication of the level of risk assumed at year end. All of the Library's investments are Category 3 investments. The categories are as follows:

- Category 1 - Includes investments that are insured or registered or for which securities are held by the Library or its agent in the Library's name.
- Category 2 - Includes uninsured and unregistered investments for which the securities are held by a broker or dealer or its trust department or agent in the Library's name.
- Category 3 - Includes uninsured and unregistered investments for which the securities are held by the broker, dealer, or its trust department or agent but not in the Library's name.

Investments are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Maturity in Years</u>			
			<u>&lt; 1 yr</u>	<u>1 – 5 yr</u>	<u>6 – 10 yr</u>	<u>&gt; 10 yr</u>
F.H.L.B. bonds	\$ 49,850	\$ 49,993	\$ -	\$ 49,850	\$ -	\$ -
Municipal bonds	201,691	198,551	-	201,691	-	-
Certificates of Deposit	<u>450,617</u>	<u>450,617</u>	<u>450,617</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total investments</b>	<u>\$ 702,158</u>	<u>\$ 699,161</u>	<u>\$ 450,617</u>	<u>\$ 251,541</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 5. CAPITAL ASSET ACTIVITY**

Capital asset activity for the Library for the year ended May 31, 2015, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Governmental activities:</u>				
Land	\$ 205,328	\$ -	\$ -	\$ 205,328
Buildings and improvements	2,056,215	28,141	-	2,084,356
Equipment	62,013	46,879	35,564	73,328
Furniture and fixtures	169,122	-	-	169,122
Computer automation	275,414	6,295	114,908	166,801
Total at historic cost	2,768,092	81,315	150,472	2,698,935
<u>Less accumulated depreciation for:</u>				
Building and improvements	1,250,863	52,739	-	1,303,602
Equipment	58,543	4,663	35,563	27,643
Furniture and fixtures	154,430	1,617	-	156,047
Computer automation	220,761	13,991	114,539	120,213
	1,684,597	73,010	150,102	1,607,505
Net capital assets	\$ 1,083,495	\$ 8,305	\$ 370	\$ 1,091,430

**NOTE 6. RESTRICTED FUND BALANCE/NET POSITION**

Restricted Fund Balance and Net Position is due to gifts received from the friends and family of a former board member. The gifts are restricted until an appropriate memorial has been completed.

**NOTE 7. ILLINOIS MUNICIPAL RETIREMENT SYSTEM**

The Library is participating in the Illinois Municipal Retirement Fund (IMRF) retirement plan in conjunction with the employees of the City of Canton. The Library withholds the employee's share of contributions and pays the employer's contribution to the City who remits the amounts to IMRF along with its employees' benefits. The information given below includes the City of Canton retirement plan. Of the total covered payroll for the calendar year 2015, the Library's portion was \$283,129. The Library's share of pension expense was \$38,506 for calendar year 2015 and \$38,788 for the fiscal year ending May 31, 2016.

*Plan Description*

The Library's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Library's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial



Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

### *Benefits Provided*

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

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.

### Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	77
Inactive plan members entitled to but not yet receiving	33
Active plan members	<u>70</u>
<b>Total</b>	<u>180</u>

### Contributions

As set by statute, the Library's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires the Library to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Library's annual contribution rate for calendar year 2015 was 13.6%. 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 City and Library's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Since the Library follows the cash basis of accounting, the liability is not recognized on the financial statements.

### Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.48%
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	1%	2.25%
Total	<u>100%</u>	

### Single Discount Rate

A Single Discount Rate of 7.47% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and

2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.47%.

Changes in the Net Pension Liability

	<b>Total Pension Liability (A)</b>	<b>Plan Net Position (B)</b>	<b>Net Pension Liability (A) - (B)</b>
<b>Balances at December 31, 2014</b>	\$ 19,758,120	\$ 17,225,717	\$ 2,532,403
<b>Changes for the year:</b>			
Service Cost	368,920	-	368,920
Interest on the Total Pension Liability	1,459,467	-	1,459,467
Changes of Benefit Terms	-	-	-
Differences Between Expected and Experience of the Total Pension	(400,914)	-	(400,914)
Changes of Assumptions	25,883	-	25,883
Contributions - Employer	-	447,344	(447,344)
Contributions - Employees	-	156,338	(156,338)
Net Investment Income	-	85,483	(85,483)
Benefit Payments, including Refunds of Employee Contributions	(861,971)	(861,971)	-
Other (Net Transfer)	-	(66,357)	66,357
Net Changes	591,385	(239,163)	830,548
<b>Balances at December 31, 2015</b>	<b>\$ 20,349,505</b>	<b>\$ 16,986,554</b>	<b>\$ 3,362,951</b>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.47%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	<b>1% Decrease (6.47%)</b>	<b>Discount (7.47%)</b>	<b>1% Increase (8.47%)</b>
<b>Net Pension</b>	\$ 6,178,051	\$ 3,362,951	\$ 1,055,627

*Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*

If the City and Library were on the accrual basis of accounting at December 31, 2015, the City and Library would have recognized pension expense of \$611,286. If the City and Library was on the accrual basis of accounting at December 31, 2015, the Library would have reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Amounts Related to Pensions</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Deferred Amounts to be Recognized in Expense in Future Periods</b>		
Differences between expected and actual	\$ -	\$ 308,744
Changes of assumptions	19,932	-
Net difference between projected and actual earnings on pension plan investments	955,418	-
<b>Total Deferred Amounts Related to Pensions</b>	<b>\$ 975,350</b>	<b>\$ 308,744</b>

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

<b>Year Ending</b>	<b>Net Deferred Outflows of Resources</b>	<b>Net Deferred Inflows of Resources</b>
2016	\$ 152,635	\$ -
2017	152,635	-
2018	152,635	-
2019	208,701	-
2020	-	-
Thereafter	-	-
<b>Total</b>	<b>\$ 666,606</b>	<b>\$ -</b>

**NOTE 8. RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. Commercial insurance is carried for all risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Library currently reports all of its risk management activities in the General Fund.

**NOTE 9. SOCIAL SECURITY**

Employees, paid on a regular payroll from Library funds, are also covered under the Federal Insurance Compensation Act (Social Security). The current contribution under this act provides for 7.65% withheld from each employee on annual gross pay under \$118,500 and with an additional 7.65% from the Library. The Library's share of social security for the year ended May 31, 2016, was \$21,712. Total covered payroll for the fiscal year was \$283,723.

**NOTE 10. PROPERTY TAXES**

The Library did not levy any property taxes in the past two years. Thus, these financial statements do not include any property tax receipts or property tax levy data.

**NOTE 10. TRUST**

The Library receives monies for the Charles D Ingersoll Trust. The Ingersoll Trust stipulates that the Library is to receive 50% of the annual distributions from the Trust in quarterly distributions. The original Trust instrument states that the Trust principal is to be maintained inviolate and only income from the investments of the Trust may be disbursed to the Library. The Trust, with consent of its beneficiaries, changed its' distribution policy to five percent of assets annually during the fiscal year ending May 31, 2003.

**NOTE 11. SUBSEQUENT EVENTS**

Management has evaluated subsequent events and transactions for potential recognition or disclosure September 1, 2016, which is the date the financial statements were available to be issued. No items requiring disclosure were identified.

OTHER INFORMATION

**PARLIN-INGERSOLL PUBLIC LIBRARY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND - MODIFIED CASH BASIS  
FOR THE YEAR ENDED MAY 31, 2016**

	Original & Final Budget	Actual Revenues & Expenses	Variance from Final Budget (Over) Under
<b>RESOURCES (INFLOWS)</b>			
Charles D. Ingersoll Trust	\$ 626,000	\$ 621,796	\$ 4,204
Grants	18,380	18,380	-
Interest	10,000	2,253	7,747
Other receipts	24,000	42,584	(18,584)
<b>Total revenues received</b>	<u>678,380</u>	<u>685,013</u>	<u>(6,633)</u>
<b>EXPENDITURES DISBURSED (OUTFLOWS)</b>			
Salaries & wages	312,000	303,338	8,662
Payroll taxes	23,000	21,712	1,288
Pension expense	41,000	38,788	2,212
Health insurance	40,000	36,361	3,639
Utilities, telephone, & internet	33,375	27,587	5,788
Insurance	11,026	9,876	1,150
Print materials	56,000	51,018	4,982
Non-print materials	22,900	19,986	2,914
Databases & digital resources	2,450	2,458	(8)
Programs	6,350	4,915	1,435
O.C.L.C. expense	8,476	8,476	-
Building & grounds maintenance	30,765	21,045	9,720
Office supplies & equipment maintenance	22,350	16,610	5,740
Printing and advertising	500	115	385
Professional development	3,000	2,387	613
Capital & non-capital purchases	95,500	84,989	10,511
ISL automation maintenance	17,171	17,008	163
Other disbursements	18,670	15,844	2,826
<b>Total expenditures disbursed</b>	<u>744,533</u>	<u>682,513</u>	<u>62,020</u>
Excess (deficiency) of revenues received other expenditures disbursed	(66,153)	2,500	(68,653)
<b>OTHER FINANCING SOURCES (USES)</b>			
Net gain (loss) on investment redemptions	-	(1,702)	1,702
Excess (deficiency) of revenues received & other sources over expenditures disbursed & other uses	<u>\$ (66,153)</u>	<u>\$ 798</u>	<u>\$ (66,951)</u>

**PARLIN-INGERSOLL PUBLIC LIBRARY**  
**COMPARATIVE STATEMENT OF REVENUES RECEIVED AND**  
**EXPENDITURES DISBURSED**  
**FOR THE YEAR ENDED MAY 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
<b>REVENUES RECEIVED</b>			
Charles D. Ingersoll Trust	\$ 621,796	\$ 616,256	\$ 5,540
Grants	18,380	18,380	-
Interest	2,253	14,997	(12,744)
Other receipts	42,584	26,288	16,296
<b>Total revenues received</b>	<u>685,013</u>	<u>675,921</u>	<u>9,092</u>
<b>EXPENDITURES DISBURSED</b>			
Salaries & wages	303,338	297,894	5,444
Payroll taxes	21,712	21,433	279
Pension expense	38,788	38,674	114
Health insurance	36,361	29,010	7,351
Utilities, telephone, & internet	27,587	23,647	3,940
Insurance	9,876	10,201	(325)
Print materials	51,018	49,737	1,281
Non-print materials	19,986	21,558	(1,572)
Databases & digital resources	2,458	2,375	83
Programs	4,915	5,588	(673)
O.C.L.C. expense	8,476	8,263	213
Building & grounds maintenance	21,045	21,900	(855)
Office supplies & equipment maintenance	16,610	18,666	(2,056)
Printing and advertising	115	268	(153)
Professional development	2,387	956	1,431
Capital & non-capital purchases	84,989	52,294	32,695
ISL automation maintenance	17,008	18,224	(1,216)
Other disbursements	15,844	14,685	1,159
<b>Total expenditures disbursed</b>	<u>682,513</u>	<u>635,373</u>	<u>47,140</u>
Excess (deficiency) of revenues received over expenditures disbursed	2,500	40,548	(38,048)
<b>OTHER FINANCING SOURCES (USES)</b>			
Net gain (loss) on investment redemptions	<u>(1,702)</u>	<u>75</u>	<u>(1,777)</u>
Excess (deficiency) of revenues received & other sources over expenditures disbursed & other uses	<u>\$ 798</u>	<u>\$ 40,623</u>	<u>\$ (39,825)</u>



**PARLIN-INGERSOLL PUBLIC LIBRARY  
SCHEDULE OF INVESTMENTS  
FOR THE YEAR ENDED MAY 31, 2016**

	<u>Date Acquired</u>	<u>Date Mature</u>	<u>Outstanding 5/31/2015</u>	<u>Additions</u>	<u>Sold or Matured</u>	<u>Outstanding 5/31/2016</u>
<b>Bank Certificates of Deposit</b>						
ISB	5/22/2013	11/22/2015	\$ 102,132	\$ 188	\$ 102,320	\$ -
Triumph	10/14/2015	12/14/2016	-	100,000	-	100,000
Fairview State Bank	2/2/2016	2/2/2017	-	200,617	-	200,617
Bank of Farmington	2/3/2016	5/3/2017	-	150,000	-	150,000
<b>Municipal Bonds &amp; Notes</b>						
Monmouth City, NJ	1/29/2013	11/1/2017	55,362	-	1,261	54,101
Cook #83	2/4/2013	12/1/2015	52,641	-	52,641	-
Cook #84	3/25/2013	12/1/2018	45,230	1,593	-	46,823
Macon Co	3/6/2013	12/1/2017	55,113	-	8,044	47,069
Oswego	8/18/2014	12/15/2018	54,766	-	1,068	53,698
<b>US Government &amp; Agent Securities</b>						
FFCB	2/18/2015	2/18/2020	50,000	-	50,000	-
FHLB	4/1/2015	11/21/2019	49,850	-	-	49,850
<b>GRAND TOTAL</b>			<u>\$ 465,094</u>	<u>\$ 452,398</u>	<u>\$ 215,334</u>	<u>\$ 702,158</u>

<u>Gain/Loss</u>	<u>Interest Rate</u>	<u>Interest Received</u>	<u>Amortization (Premium) Discount</u>	<u>Net Interest Received</u>	<u>Value</u>
-	1.10	\$ 660	\$ -	\$ 660	\$ -
-	1.15	-	-	-	100,000
-	1.25	617	-	617	200,617
-	1.25	469	-	469	150,000
-	3.85	1,925	(1,261)	664	52,137
(1,702)	2.85	1,425	(939)	486	-
-	-	-	1,593	1,593	46,845
-	4.80	2,160	(8,044)	(5,884)	47,310
-	4.45	2,225	(1,068)	1,157	52,258
-	1.94	765	-	765	-
-	1.53	970	-	970	49,993
<u>\$ (1,702)</u>		<u>\$ 11,216</u>	<u>\$ (9,719)</u>	<u>\$ 1,497</u>	<u>\$ 699,160</u>

PARLIN-INGERSOLL PUBLIC LIBRARY  
SCHEDULE OF DISBURSEMENTS => \$2,500 AND SCHEDULE OF COMPENSATION  
YEAR ENDED MAY 31, 2016

SCHEDULE OF DISBURSEMENTS

Disbursements in Excess of \$2,500 per Payee in the aggregate:

Ameren CIPS: \$24,208.23  
American Express: \$8,868.65  
    Dell Computers in above:  
American Pest Control: \$3,024.00  
AT&T: \$5,902.53  
Baker & Taylor Books, Inc.: \$35,177.26  
BlueCross/ BlueShield Illinois: \$32,145.35  
CDS Office Technologies: \$7,324.70  
City of Canton Treasurer: \$5,678.42  
City of Canton, IMRF: \$38,788.05  
Claude Garzee: \$3,560.00  
Country Mutual Insurance Company: \$8,493.64  
DH/Mechanical: \$4,442.61  
EBSCO: \$3,450.71  
FSS Incorporated: \$40,714.95  
Gale/CENGAGE Learning: \$2,601.51  
IHLS-OCLC: \$8,475.60  
Ingram: \$6,314.79  
Innovative Interfaces, Inc.: \$10,186.10  
Midwest Tape: \$6,750.74  
Otto Baum Company, Inc.: \$2,930.00  
OverDrive, Inc.: \$7,750.00  
Phillips and Associates: \$3,032.75  
Phillips, Salmi & Associates, LLC: \$4,250.00  
Staples: \$7,889.10  
Western Specialty Contractors: \$24,996.00

COMPENSATION SUMMARY:

Disbursements for Compensation:

Under \$25,000: V. Beckner; S. Carmack; J. Harris; E. Henderson; R. Henderson; Alexis Hukill; R. Kapala; S. Linder; M. Markello; A. Moll; L. Postin; I. Raymer; M. Shelby; B. Smith; K. Smith

\$25,000.00 to \$49,999.99: C. Calvert; B. Hadsell; D. Massey; D. Sorrill

\$50,000.00 to \$74,999.99: K. Bunner