

**Byron Public Library District**  
Byron, Illinois

**Annual Financial Report**

June 30, 2018

# Byron Public Library District

Year Ended June 30, 2018

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## **Independent Auditor's Report**

To the Board of Trustees  
Byron Public Library District  
Byron, Illinois

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities and major fund of Byron Public Library District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District'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 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 modified cash basis financial position of the governmental activities and major fund of Byron Public Library District, as of June 30, 2018, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash 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. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Byron Public Library District's basic financial statements. The additional schedules listed in the table of contents as other information, pages 25 through 31, which are the responsibility of management, are presented for 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.

*Wipfli LLP*

Freeport, Illinois  
August 7, 2018

# Byron Public Library District

## Statement of Net Position - Modified Cash Basis

June 30, 2018

	Governmental Activities
<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 3,691
Investments	822,241
Prepays	12
<hr/>	
Total current assets	825,944
<hr/>	
Non-current assets:	
Capital Assets (Net of accumulated depreciation):	
Land (non-depreciable)	585,128
Buildings and improvements	6,904,367
Furniture and equipment	12,720
Library collections	139,961
<hr/>	
Total non-current Assets	7,642,176
<hr/>	
Total assets	8,468,120
<hr/>	
<b>Liabilities</b>	
Current liabilities:	
Current portion lease payable	1,140
Current portion long term debt	260,000
<hr/>	
Total current liabilities	261,140
<hr/>	
Noncurrent liabilities:	
Lease payable	3,135
Bonds payable	115,000
<hr/>	
Total noncurrent liabilities	118,135
<hr/>	
Total liabilities	379,275
<hr/>	
<b>Deferred Inflows of Resources</b>	
Property taxes	592,530
<hr/>	
Total deferred inflows of resources	592,530
<hr/>	
<b>Net Position</b>	
Net investment in capital assets	7,262,901
Restricted for IMRF	14,839
Restricted for Audit	1,798
Restricted for Social Security	10,512
Restricted for Tort Liability	16,672
Unrestricted	189,593
<hr/>	
Total net position	\$ 7,496,315
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See accompanying notes to financial statements.

# Byron Public Library District

## Statement of Activities - Modified Cash Basis

For the year ended June 30, 2018

Functions/Programs	Expenses	Program Services		Net (Expense) Revenue and Changes in Net Position in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Culture and recreation	\$ 1,026,189	\$ 11,251	\$ 6,203	\$ (1,008,735)
Interest on long-term debt	55,362	-	-	(55,362)
Total governmental activities	\$ 1,081,551	\$ 11,251	\$ 6,203	(1,064,097)
General revenues:				
Taxes:				
Property taxes				1,116,459
Replacement tax				4,486
Interest and investment income				11,519
Miscellaneous income				1,377
Total general revenues				1,133,841
Change in net position				69,744
Net position - beginning				7,426,571
Net position- ending				\$ 7,496,315

# Byron Public Library District

## Balance Sheet - Modified Cash Basis Governmental Funds

June 30, 2018

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 3,691
Investments	822,241
Prepays	12
<b>Total assets</b>	<b>\$ 825,944</b>
<b>Liabilities</b>	
<b>Deferred Inflows of Resources</b>	
Property taxes	592,530
<b>Total deferred inflows of resources</b>	<b>592,530</b>
<b>Fund Balance</b>	
Restricted for:	
IMRF	14,839
Audit	1,798
Social Security	10,512
Tort Liability	16,672
Committed for:	
Debt	25,375
Capital repairs and improvements	139,873
Unassigned, reported in:	
General funds	24,345
<b>Total fund balances</b>	<b>233,414</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 825,944</b>

# Byron Public Library District

## Reconciliation of the Governmental Funds Balance Sheet - Modified Cash Basis to the Statement of Net Position - Modified Cash Basis

June 30, 2018

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Total fund balances - governmental funds	\$ 233,414
Amounts reported for governmental activities in the statement of net position-modified cash basis are different because:	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(379,275)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The difference is the net book value of capital assets.	7,642,176
<hr/>	
Total net position - governmental activities	<u>\$ 7,496,315</u>

# Byron Public Library District

## Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds - Modified Cash Basis

For the year ended June 30, 2018

	General Fund
<b>Revenues</b>	
Taxes	\$ 1,116,459
Replacement Taxes	4,486
Interest	11,519
Fines and fees	11,251
Grants	6,203
Miscellaneous	1,377
<b>Total revenues</b>	<b>1,151,295</b>
<b>Expenditures</b>	
Culture and recreation	737,994
Capital outlay	96,393
Debt service	1,665,362
<b>Total expenditures</b>	<b>2,499,749</b>
Net change in fund balances	(1,348,454)
Fund balances - beginning	1,581,868
Fund balances - ending	\$ 233,414

# Byron Public Library District

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds - Modified Cash Basis to the Statement of Activities - Modified Cash Basis

For the year ended June 30, 2018

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Net change in fund balances - total governmental funds \$ (1,348,454)

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

Debt payments are reported in governmental funds as expenditures. However,  
only the interest on bonds is recorded in the statement of activities-modified  
cash basis. This is the amount of debt principal payments in the period.  
This includes principal payments on the capital lease. 1,610,285

The issuance of lease payable is reported in the governmental funds as other  
financing sources while principal payments are reported in governmental funds  
as expenditures. (4,560)

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

Capital asset purchases capitalized	96,393
Depreciation expense	(283,920)
Net effect	1,418,198

Change in net position of governmental activities \$ 69,744

Net position, beginning of year \$ 7,426,571

Net position, end of year 7,496,315

Change in net position \$ 69,744

# Byron Public Library District

## Notes to Financial Statements

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### **Note 1 Significant Accounting Policies**

The Byron Public Library District (District) was incorporated on May 8, 1979, under the provisions of the State of Illinois.

#### **Reporting Entity**

The Byron Public Library District is a primary unit of government and is not a component of any other entity, nor are there any potential component units which need to be considered for inclusion in the District's financial statements. This report includes all of the funds of the District.

The Byron Public Library District operates under a Board of Trustees form of government. The District's major operation is to provide culture and recreation to the public.

In evaluating how to define the government, for financial reporting purposes, the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based on this criteria, the District is considered a primary government and there are no other organizations or agencies whose financial statements shall be combined with these financial statements.

The District reports using the financial reporting model for local governmental units.

The financial statements include:

Government-wide financial statements capitalize long-lived assets of the District and record related debt. The government-wide financial statements are reported using the modified cash basis method of accounting.

Fund financial statements focus on the major funds using the modified cash basis of accounting.

#### **Government Wide and Fund Financial Statements**

The government wide financial statements (i.e., the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis) report information on all of the activities of the District.

# Byron Public Library District

## Notes to Financial Statements

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### **Note 1 Significant Accounting Policies (Continued)**

#### **Government Wide and Fund Financial Statements (Continued)**

The Statement of Activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Earnings on investments are reported as general revenue.

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

Governmental fund financial statements are reported using the modified cash basis method of accounting, which omit recognition of receivables and payables and other accrued and deferred items that do arise from previous cash transactions.

The District reports the following major governmental funds:

#### **Government Fund Types:**

General Fund - Established to account for the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

#### **Compensated Absences**

The District follows the policy of allowing unused sick days to accumulate to a maximum of 240 days per person. However, if the employee does not use the accumulated sick days, the benefit is lost upon termination of employment.

Unused vacation days are allowed to accumulate. Part time employees working at least 20 hours per week are allowed to have a maximum of 96 hours of paid time off accumulated. Full time employees are allowed to have a maximum of 192 hours of paid time off accumulated.

The accrued liability at June 30, 2018 for unused vacation time is \$14,655. Due to the District being on the modified-cash basis of accounting, this amount is not reflected on the Statement of Net Position – Modified Cash Basis.

#### **Estimates**

The preparation of financial statements in conformity with the modified cash basis may require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# Byron Public Library District

## Notes to Financial Statements

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### **Note 1 Significant Accounting Policies (Continued)**

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

##### **Cash and Investments**

Cash consists of demand deposits in financial institutions. Investments consist of money market and certificate of deposit accounts. Investments consist of money market and certificate of deposit accounts. The Districts invests in accordance with the Illinois Compiled Statutes 30 ILCS 235 under the Public Funds Investment Act.

##### **Deferred Outflows/Inflows of Resources**

The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. Accordingly, the item, deferred inflows of property taxes, is reported in the governmental wide and governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are budgeted for.

##### **Fund Balances**

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources when they are needed.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balances – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegate the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

# Byron Public Library District

## Notes to Financial Statements

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### **Note 1 Significant Accounting Policies (Continued)**

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

#### **Fund Balances (Continued)**

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Only the Board of Trustees may modify or rescind this commitment. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Trustees through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purpose).

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

### **Note 2 Deposits and Investments**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At year end, the District's carrying amount of deposits was \$825,932 and the bank balance was \$835,078. Of the bank balance, \$262,837 was covered by federal depository insurance and \$572,241 was collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

### **Note 3 Property Taxes**

The District is responsible for assessing taxes, whereas the County in which the District resides is responsible for collecting and distributing taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of the levy year and may be paid in two equal installments, approximately in June and September. The 2016 levy was passed by the Board in October of 2016 and the 2017 levy was passed in October of 2017. The property tax revenue recorded is from the 2016 tax levy.

Delinquent accounts are charged interest at 1-1/2% per month for residential and 1% per month for farm.

The following is a schedule of assessed valuations, maximum tax rates, actual tax rates, extensions and collections:

# Byron Public Library District

## Notes to Financial Statements

### Note 3 Property Taxes (Continued)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assessed Valuations	<u>\$713,635,997</u>	<u>\$709,850,806</u>	<u>\$638,943,793</u>
Tax rate (Maximum):			
Corporate	.1500	.1500	.1500
Tax rate (Actual):			
Corporate	<u>.14910</u>	<u>.14623</u>	<u>.15000</u>
Tax extension:			
All Funds	<u>\$ 1,165,726</u>	<u>\$ 1,122,040</u>	<u>\$ 1,065,439</u>
Collections:			
All Funds	<u>\$ 1,160,015</u>	<u>\$ 1,117,021</u>	<u>\$ 1,065,132</u>
Percentage of extensions	<u>99.51%</u>	<u>99.55%</u>	<u>99.97%</u>

### Note 4 Net Position

The District’s net position is classified as follows:

**Net investment in capital assets** - This represents the District’s total investment in capital assets, net of accumulated depreciation, and net of related debt.

**Restricted net position** - This includes resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources when they are needed. The following restrictions of net position exist as of June 30, 2018:

IMRF	\$ 14,839
Audit	1,798
Social Security	10,512
Tort	<u>16,672</u>
	<u>\$43,821</u>

**Unrestricted net position** - This includes resources derived from general property taxes, state grants, and fines and fees. These resources are used for transactions relating to the general operations of the District and may be used at the discretion of the governing board to meet current expenses for any purpose.

### Note 5 Special Reserve

The District has created two special reserve accounts. The reserves are to pay for advanced, capital improvements and bond and interest repayments. The combined amounts of these reserves as of June 30, 2018 was \$165,248. The special reserve is accounted for in the General Fund under Committed for Debt and Capital Improvements.

# Byron Public Library District

## Notes to Financial Statements

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### Note 6 Legal Debt Margin

As of June 30, 2018 the legal debt margin of the District is calculated as follows:

Assessed valuation – 2017 tax year	<u>\$713,635,997</u>
Statutory debt limitation:	
2.875% assessed limitation	\$ 20,517,035
District indebtedness	<u>379,275</u>
Legal debt margin	<u>\$ 20,137,760</u>

### Note 7 Pension Plan

#### *Plan Description*

The District’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 District’s plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent multi-employer public pension fund. A summary of IMRF’s pension benefits is provided in the “Benefits Provided” section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan’s fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

#### *Benefits provided*

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

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

# Byron Public Library District

## Notes to Financial Statements

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### Note 7 Pension Plan (Continued)

#### *Benefits provided (Continued)*

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

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

#### **Funded Status and Funding Progress**

#### **Employees Covered by Benefit Terms**

As of December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	7
Active employees	9
<hr/>	
Total	21
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#### **Contributions**

As set by statute, the District’s Regular Plan Members are required to contribute 4.5% 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 District’s annual contribution rate for calendar year 2017 was 17.43%. For the fiscal year ended June 30, 2018, the District contributed \$49,661 to the plan. The District 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.

The District’s net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

# Byron Public Library District

## Notes to Financial Statements

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### Note 7 Pension Plan (Continued)

#### Net Pension Liability

#### Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2017:

- 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 2.50%.
- Salary Increases were expected to be 3.39% to 14.25%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.
- 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-2017 (base year 2015). 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-2017 (base year 2015). 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 as of December 31, 2017:

# Byron Public Library District

## Notes to Financial Statements

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### Note 7 Pension Plan (Continued)

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	37%	6.85%
International Equity	18%	6.75%
Fixed Income	28%	3.00%
Real Estate	9%	5.75%
Alternative Investments	7%	2.65-7.35%
Cash Equivalents	1%	2.25%
Total	100%	

### Single Discount Rate

A Single Discount Rate of 7.50% 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 3.31%, and the resulting single discount rate is 7.50%.

# Byron Public Library District

## Notes to Financial Statements

### Note 7 Pension Plan (Continued)

#### Changes in Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	\$1,537,079	\$1,051,313	\$485,766
Service costs	26,124	-	26,124
Interest on total pension liability	113,104	-	113,104
Difference between expected and actual experience	11,767	-	11,767
Changes in assumptions	(51,004)	-	(51,004)
Employer contributions	-	45,735	(45,735)
Employee contributions	-	11,808	(11,808)
Net investment income	-	198,786	(198,786)
Benefit payments – net of refunds	(84,175)	(84,175)	-
Administrative expense	-	-	-
Other changes	-	(31,567)	31,567
Net changes	15,816	140,587	(124,771)
Balances at December 31, 2017	\$1,552,895	\$1,191,900	\$360,995

#### 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 7.50%, 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:

	1%	Current Discount	1% Increase
	(6.50%)	(7.50%)	(8.50%)
Net pension liability	\$565,847	\$360,995	\$192,833

# Byron Public Library District

## Notes to Financial Statements

### Note 7 Pension Plan (Continued)

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

For the year ended June 30, 2018, the District's pension expense was \$49,661. At June 30, 2018, the District had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of resources</b>	<b>Deferred Inflows of resources</b>
<i>Deferred amounts to be recognized in pension expense</i>		
<i>In future periods:</i>		
Differences between expected and actual experience	\$ 105,924	\$4,915
Changes in assumptions	11,488	47,758
Net difference between projected and actual earnings on pension plan investments	35,426	97,696
<b>Total deferred amounts to be recognized in pension expense in future periods</b>	<b>152,838</b>	<b>150,369</b>
Pension contributions made subsequent to the measurement date	25,980	
<b>Total deferred amounts related to pensions</b>	<b>\$178,818</b>	<b>\$150,369</b>

#### ***Funded Status and Funding Progress (Continued)***

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

<b><u>Year Ending June 30</u></b>	<b><u>Net Deferred Outflows of Resources</u></b>
2019	\$ 29,282
2020	21,993
2021	(16,049)
2022	(32,150)
2023	(607)
Thereafter	-
<b>Total</b>	<b>\$2,469</b>

These amounts are not reported as liabilities and deferred resources in the financial statements because the District reports on the modified cash basis of accounting.

# Byron Public Library District

## Notes to Financial Statements

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### **Note 7 Pension Plan (Continued)**

The schedule of funding progress, presented as Other Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### **Note 8 Deferred Compensation**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by an outside agency. The plan is available to all District employees working over 1,000 hours per year, and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The District will make a 3.5% payment of the qualified employees' salary. The cash value of the annuity may be withdrawn by the employee but is subject to a withdrawal penalty for the first six years of the contract. All amounts of compensation deferred under the plan, all property and rights purchased with these amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the governmental unit subject only to the claims of the governmental unit's general creditors. Participant's rights under the plan are equal to those of general creditor of the government in an amount equal to the fair market value of the deferred account of each participant.

It is the opinion of the District that the District has no liability for losses under the plan but does have the duty of due care that would be required of any ordinary prudent investor.

### **Note 9 Commitments and Contingencies**

#### **Construction Commitments**

There are no significant construction commitments as of June 30, 2018.

### **Note 10 Economic Dependency**

Because Exelon nuclear plant's assessed valuation represents approximately 70% of the District's total assessed valuation, it is economically dependent upon Exelon in order to maintain its current level of services to its public.

### **Note 11 Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to handle such risks of loss, the Byron Public Library District purchases commercial insurance coverage. The deductibles in effect through these policies as of June 30, 2018 vary with the type of

# Byron Public Library District

## Notes to Financial Statements

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coverage and risk involved. The amounts of settlements have not exceeded insurance for any of the past three years.

### Note 12 Capital Assets

Capital assets, which include land, building and improvements, furniture and equipment, and the library collection, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial individual cost of more than \$5,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed.

The cost of normal maintenance and repair that do not add to the value of the asset or materially extend the useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets are being depreciated using the straight line method over the following useful lives:

Buildings & Improvements	40 years
Furniture & Equipment	5 years
Library Collection	5 years

Capital assets in the governmental fund financial statements are reported as expenditures when incurred.

The governmental activities capital asset activity for the year ended June 30, 2018 is as follows:

	<b><u>Balance</u></b> <b><u>July 1, 2017</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2018</u></b>
<b>Cost:</b>				
Land	\$ 585,128	\$ -	\$ -	\$ 585,128
Buildings and improvements	8,849,490	31,619	-	8,881,109
Furniture and equipment	215,256	4,560	-	219,816
Library collection	<u>1,629,098</u>	<u>60,214</u>	<u>-</u>	<u>1,689,312</u>
	<b><u>\$11,278,972</u></b>	<b><u>\$96,393</u></b>	<b><u>\$ -</u></b>	<b><u>\$11,375,365</u></b>

# Byron Public Library District

## Notes to Financial Statements

### Note 12 Capital Assets (Continued)

#### Accumulated Depreciation:

Buildings and improvements	\$ 1,753,133	\$ 223,609	-	\$ 1,976,742
Furniture and equipment	202,235	4,861	-	207,096
Library collection	<u>1,493,901</u>	<u>55,450</u>	<u>-</u>	<u>1,549,351</u>
	<u>\$ 3,449,269</u>	<u>\$ 283,920</u>	<u>\$ -</u>	<u>\$ 3,733,189</u>

#### Total Capital Assets, Net:

Land	\$ 585,128	\$ -	\$ -	\$ 585,128
Buildings and improvements	7,096,357	(191,990)	-	6,904,367
Furniture and equipment	13,021	(301)	-	12,720
Library collection	<u>135,197</u>	<u>4,764</u>	<u>-</u>	<u>139,961</u>
	<u>\$7,829,703</u>	<u>\$(187,527)</u>	<u>\$ -</u>	<u>\$ 7,642,176</u>

Depreciation expense was charged to the culture and recreation function in the amount of \$283,920 for fiscal year ending June 30, 2018.

### Note 13 Long-Term Debt

#### General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Issue	Fund Debt Retired By	Balances July 1	Additions	Reductions	Balances June 30
\$3,600,000 General Obligation Bond (Alternate Revenue Source) Series 2009, dated February 1, 2009 due in annual installments of \$125,000 to \$325,000 plus interest semi-annually at 3.85% to 4.50% through December 1, 2019.	General	\$1,985,000	\$ -	\$1,610,000	\$375,000

# Byron Public Library District

## Notes to Financial Statements

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### Note 13 Long-Term Debt

#### General Obligation Bonds (Continued)

An early bond payment of \$1,360,000 was made in fiscal year 2018. The new annual debt service requirements to maturity for the District's long-term debt are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 260,000	\$ 14,178
2020	<u>115,000</u>	<u>4,428</u>
Total	<u>\$375,000</u>	<u>\$18,606</u>

### Note 14 Capital Lease

In March 2018, a printer machine was acquired under a capital lease for \$4,560, which contains a purchase option under which the District may purchase the equipment for \$1 in 2022. Since the District intends to exercise the option, the equipment and related liability under the capital leases were recorded in the government wide financials. The related liability as of June 30, 2018 is \$4,275. The asset had a basis of \$4,560, net of accumulated depreciation of \$304 as of June 30, 2018. Payments are due in monthly installments of \$95, until 2022. There was no stated interest rate in the capital lease. Management has determined to not impute interest due to the nature of the dollar amount.

Required lease payments as of June 30, 2018 are due as follows:

2019	\$ 1,140
2020	1,140
2021	1,140
2022	<u>855</u>
Total	<u>\$4,275</u>

### Note 15 Excess of Actual Expenditures/Expenses Over Budget in Individual Funds

No funds had an excess of actual expenditures/expenses (exclusive of depreciation) over budget for the fiscal year.

# Byron Public Library District

## Notes to Financial Statements

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### **Note 16 Pending Accounting Pronouncements**

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations, and requires the current value of a government's asset retirement obligations to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2018. The District has not determined the effect of this Statement.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District has not determined the effect of this Statement.

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effect of this Statement.

GASB Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District has not determined the effect of this Statement.

# Byron Public Library District

## Other Information

June 30, 2018

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**Illinois Municipal Retirement Fund (IMRF)  
Multiyear Schedule of Contributions  
Last 10 Fiscal Years (prospective from 2015)**

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<b>Fiscal Year Ending June 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Valuation Payroll</b>	<b>Actual Contribution as a % of Covered Valuation Payroll</b>
2015	44,648	72,705	\$344	292,005	24.90%
2016	39,584	39,584	0	259,739	15.24%
2017	40,926	40,926	0	254,301	17.43%
2018	49,661	49,661	0	272,455	18.23%

Estimated based on 19.02% 2018 calendar year contribution rate, 17.43% 2017 calendar year contribution rate, and covered valuation payroll of \$272,455.

The District implemented GASB Statement No. 68 in June 30, 2015.

# Byron Public Library District

## Multiyear Schedule of Changes in Net Pension Liability and Related Ratios Last 10 Calendar Years (schedule to be built prospectively from 2014)

For the year ended June 30, 2018

Calendar year ending December 31,	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 26,124	\$ 26,757	\$ 28,406	\$ 28,812
Interest on the total pension liability	113,104	102,724	89,133	80,374
Benefit changes	-	-	-	-
Difference between expected and actual experience	11,767	86,914	113,456	(23,263)
Assumption changes	(51,004)	(11,499)	3,488	47,811
Benefit payments and refunds	<u>(84,175)</u>	<u>(70,287)</u>	<u>(25,253)</u>	<u>(1,224)</u>
Net change in total pension liability	15,816	134,609	209,230	132,510
Total pension liability - beginning	<u>1,537,079</u>	<u>1,402,470</u>	<u>1,193,240</u>	<u>1,060,730</u>
Total pension liability - ending (a)	<u>\$ 1,552,895</u>	<u>\$ 1,537,079</u>	<u>\$ 1,402,470</u>	<u>\$ 1,193,240</u>
Plan fiduciary net position:				
Employer contributions	\$ 45,735	\$ 39,189	\$ 72,705	\$ 37,264
Employee contributions	11,808	11,625	13,140	12,134
Pension plan net investment income	198,786	61,681	4,624	49,966
Benefit payments and refunds	(84,175)	(70,287)	(25,253)	(1,224)
Other	<u>(31,567)</u>	<u>39,409</u>	<u>9,880</u>	<u>1,432</u>
Net change in plan fiduciary net position	140,587	81,617	75,096	99,572
Plan fiduciary net position - beginning	<u>1,051,313</u>	<u>969,696</u>	<u>894,600</u>	<u>795,028</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,191,900</u>	<u>\$ 1,051,313</u>	<u>\$ 969,696</u>	<u>\$ 894,600</u>
Net pension liability(asset) - Ending (a) - (b)	360,995	485,766	432,774	298,640
Plan fiduciary net position as a percentage of total pension liability	76.75%	68.40%	69.14%	74.97%
Covered valuation payroll	\$ 262,392	\$ 258,331	\$ 292,005	\$ 272,127
Net pension liability as a percentage of covered valuation payroll	137.58%	188.04%	148.21%	109.74%

# Byron Public Library District

## Other Information

### Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Modified Cash Basis All Governmental Funds with Legally Adopted Budgets

For the year ended June 30, 2018

	General Fund		
	Original and Final Budget	Actual	Over (Under) Budget
<b>Revenues</b>			
Property taxes	\$ 1,117,000	\$ 1,116,459	\$ (541)
Replacement Taxes	12,000	4,486	(7,514)
Interest	24,000	11,519	(12,481)
Fines and fees	20,000	11,251	(8,749)
Grants	22,000	6,203	(15,797)
Miscellaneous	10,000	1,377	(8,623)
<b>Total revenues</b>	<b>1,205,000</b>	<b>1,151,295</b>	<b>(53,705)</b>
<b>Expenditures</b>			
Salaries	330,000	284,296	(45,704)
Payroll taxes	30,000	23,021	(6,979)
Deferred compensation	10,000	7,566	(2,434)
Health insurance	50,000	50,969	969
Illinois Municipal Retirement Fund	60,000	51,223	(8,777)
Books and periodicals	55,000	60,214	5,214
Audio-Visual material	26,000	21,373	(4,627)
Digital Services	28,000	29,233	1,233
Utilities	48,000	49,639	1,639
Office supplies	16,000	13,899	(2,101)
Building and janitorial supplies	4,000	3,471	(529)
Computer equipment and maintenance	55,000	44,815	(10,185)
Furniture and equipment	20,000	14,728	(5,272)
Publicity	18,000	13,879	(4,121)
Special programs	12,000	11,213	(787)
Education and travel	11,000	6,058	(4,942)
Insurance and Treasurer's Bond	12,000	29,704	17,704

# Byron Public Library District

Other Information  
 Statement of Revenues, Expenditures and Changes  
 in Fund Balances - Budget and Actual - Modified Cash Basis  
 All Governmental Fund Types with Legally Adopted Budgets

For the year ended June 30, 2018

	General Fund		Over (Under) Budget
	Original & Final Budget	Actual	
<b>Expenditures (Continued)</b>			
Contractual service	55,000	58,415	3,415
Repair and maintenance	13,000	14,453	1,453
Legal services	7,000	6,040	(960)
Audit	8,000	7,295	(705)
Miscellaneous	1,000	1,264	264
Debt service	1,727,000	1,665,362	(61,638)
Risk management expense	23,000	-	(23,000)
Capital expenditures	100,000	31,619	(68,381)
Property expansion	25,000	-	(25,000)
Emergency repairs	-	-	-
Expansion expense	-	-	-
<b>Total expenditures</b>	<b>2,744,000</b>	<b>2,499,749</b>	<b>(244,251)</b>
Excess (deficiency) of revenues over expenditures	(1,539,000)	(1,348,454)	190,546
<b>Other financing source</b>			
Lease proceeds	-	-	-
<b>Total other financing source</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (1,539,000)</b>	<b>\$ (1,348,454)</b>	<b>\$ 190,546</b>
Fund balance, beginning		1,581,868	
Fund balance, ending		\$ 233,414	

# Byron Public Library District

## Schedule of Tort Expenditures

For the year ended June 30, 2018

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Risk management related salaries and benefits	\$	7,303
Insurance		705
Security and safety related		12,268
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Total tort expenditures	\$	20,276
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# Byron Public Library District

## Notes to Other Information

June 30, 2018

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### **Note 1 Budget**

The term budget used throughout the financial statements represents the estimated revenues and appropriations set forth in the District's annual appropriation ordinance for the fiscal year ended June 30, 2018.

Budgetary comparisons presented in the accompanying financial statements are prepared on the cash basis method of accounting.

Unexpended budgeted amounts lapse at the end of each year. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at budgetary line item levels.

### **Note 2 Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2017 Contribution Rate for IMRF \***

#### **Valuation date:**

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

#### **Methods and Assumptions Used to Determine 2017 Contribution Rates:**

Actuarial Cost Method Aggregate Entry Age Normal

Amortization Method Level Percentage of Payroll, Closed

Remaining Amortization Period Non-Taxing bodies: 10-year rolling period.

Taxing bodies (Regular, SLEP and ECO groups): 26-year closed period until remaining period reaches 10 years (then 10-year rolling period).

Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.

SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 21 years for most employers (two employers were financed over 30 years).

