

CITY OF BLUE ISLAND, ILLINOIS

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

J John Kasperek Co.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Mayor and Members of the City Council
City of Blue Island, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blue Island, Illinois as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Blue Island Public Library, which represents 100% of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Blue Island Public Library, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Blue Island Public Library were not audited in accordance with *Government Auditing Standards*.

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.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blue Island, Illinois as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in net pension liability and related ratios, schedules of employer contributions, post-employment retirement benefits- schedule of funding, and schedule of investment returns as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require budgetary comparison information on pages 89-103 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The budgetary comparison schedule for the General Fund 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 taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blue Island, Illinois' basic financial statements. The combining and individual nonmajor fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of valuations, rates and extensions for tax levies; schedule of general obligation debt to maturity; and legal debt margin have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017, on our consideration of the City of Blue Island, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Blue Island, Illinois' internal control over financial reporting and compliance.

John Kasperuk Co., Inc.

Calumet City, Illinois
November 20, 2017

CITY OF BLUE ISLAND, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

The City of Blue Island offers readers of the City's financial statements this narrative overview and analysis of the financial activity of the City of Blue Island for the year ended December 31, 2016.

Financial Highlights

The assets of the City of Blue Island exceeded its liabilities at the close of the most recent fiscal year by \$9,868,837 (*net position*). Of this amount, \$40,053,851 is invested in capital assets net of related debt, \$44,669 is assigned for other purpose and \$13,356,835 is restricted for other purposes. The City's unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors, was at a deficit of \$43,586,518. Included within this deficit are amounts that will be needed to make future principal and interest payments on refunding bond issues, which will be funded through future tax levies. The liability for the debt is included in the statement of net position, but only the portion of the future tax receipts already levied has been included.

- The City's total net position increased by \$882,163. The large increase is primarily due to the decrease of expenses of \$2,177,085.
- At December 31, 2016, the City of Blue Island's governmental funds reported a combined ending fund balance of \$8,431,654.
- At December 31, 2016, the unassigned fund balance for the governmental funds was at a deficit of \$4,935,844, of which the General Fund was a deficit of \$4,852,654.
- The City of Blue Island's total long-term general obligations and alternate revenue bonds increased by \$33,208 at December 31, 2016. The increase was due to the issuance of a general obligation bond in which amounts due at determined based upon drawdowns.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Blue Island's basic financial statements. The City of Blue Island's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Blue Island's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the City of Blue Island's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Blue Island is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF BLUE ISLAND, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Government-wide Financial Statements (continued)

Both of the government-wide financial statements distinguish functions of the City of Blue Island that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (business-type activities). The governmental activities of the City of Blue Island include general government, public safety, public works, and interest on debt. The business-type activities of the City of Blue Island include water and sewer operations and golf course operations.

The government-wide financial statements include not only the City of Blue Island itself (known as the primary government), but also a legally separate component unit, the City of Blue Island Public Library, for which the City of Blue Island is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15 through 16 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Blue Island, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Blue Island can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Blue Island maintains eighteen individual governmental funds at December 31, 2016. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, and three Special Revenue Funds (Special Tax Increment Allocation II Fund, Special Tax Increment Allocation III Fund and Special Tax Increment Allocation V Fund) which are considered to be major funds. Data from the other fourteen governmental funds (Business District, Motor Fuel Tax Fund, Special Tax Increment Allocation Fund IV, Special Tax Increment Allocation Fund VI, Special Tax Increment Allocation Fund VII, State Asset Seizure Fund, Federal Asset Seizure Fund, Foreign Fire Tax Fund, Police Pension Fund, Firefighters' Pension Fund, Debt Service Funds for General Obligation 2011 Series Bonds, and the Community Development Block Grant Fund) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Blue Island adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance within this budget.

The basic governmental fund financial statements can be found on pages 17 through 20 of this report.

CITY OF BLUE ISLAND, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Governmental Funds (continued)

Proprietary Funds – The City of Blue Island maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Blue Island uses enterprise funds to account for its water and sewer, and golf course operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer and golf course, which are considered to be major funds of the City of Blue Island.

The basic proprietary funds financial statements can be found on pages 21 through 25 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The method of accounting used for fiduciary funds is similar to that used by proprietary funds.

The basic fiduciary funds financial statements can be found on pages 26 and 27 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 75 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Blue Island's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 76 through 86 of this report.

General Fund detailed schedules of revenues and expenditures – budget and actual, the combining statements referred to earlier in connection with nonmajor governmental funds, schedules of revenues and expenses – budget and actual for nonmajor governmental funds with legally adopted budgets, detail schedules of long-term debt are presented immediately following the required supplementary information on pensions. The General Fund detail schedules and the combining and individual fund statements and schedules can be found on pages 87 through 102 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Blue Island, assets exceeded liabilities by \$9,868,837 at the close of December 31, 2016.

By far the largest portion of the City of Blue Island's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Blue Island uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Blue Island's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF BLUE ISLAND, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Government-wide Financial Analysis (continued)

City of Blue Island
Statement of Net Position
As of December 31, 2016
(in millions)

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	\$ 17.5	\$ (1.3)	\$ 16.2
Capital assets	34.3	13.5	47.8
Total assets	<u>51.8</u>	<u>12.2</u>	<u>64.0</u>
Deferred outflows- GASB 68	2.3	0.30	2.6
Total deferred outflows of resources	<u>2.3</u>	<u>0.30</u>	<u>2.6</u>
Long-term liabilities	48.3	3.9	52.2
Other liabilities	2.3	1.0	3.3
Total liabilities	<u>50.6</u>	<u>4.9</u>	<u>55.5</u>
Deferred inflows- GASB 68	1.1	0.1	1.2
Total deferred inflows of resources	<u>1.1</u>	<u>0.1</u>	<u>1.2</u>
Net position:			
Net investment in capital assets	30.1	10.0	40.1
Restricted	13.4	-	13.4
Unrestricted (deficit)	<u>(41.1)</u>	<u>(2.5)</u>	<u>(43.6)</u>
Total net position	<u>\$ 2.4</u>	<u>\$ 7.5</u>	<u>\$ 9.9</u>

An additional portion of the City of Blue Island's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF BLUE ISLAND, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Government-wide Financial Analysis (continued)

A summary of the statement of net position at December 31, 2015 is below:

City of Blue Island
Statement of Net Position
As of December 31, 2015
(in millions)

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	\$ 18.0	\$ 3.1	\$ 21.1
Capital assets	30.8	13.5	44.3
Total assets	48.8	16.6	65.4
Deferred outflows-GASB 68	2.8	-	2.8
Total deferred outflow of resources	2.8	-	2.8
Long-term liabilities	48.3	3.7	52.0
Other liabilities	2.9	4.2	7.1
Total liabilities	51.2	7.9	59.1
Deferred inflows-GASB 68	0.2	-	0.2
Total deferred inflow of resources	0.2	-	0.2
Net position:			
Net investment in capital assets	30.1	9.9	40.0
Restricted	12.8	-	12.8
Unrestricted (deficit)	(42.7)	(1.2)	(43.9)
Total net position	\$ 0.2	\$ 8.7	\$ 8.9

Governmental Activities. Governmental activities increased the City of Blue Island's net position by \$2,100,475. Expenses decreased from December 31, 2015 to December 31, 2016 by \$2,991,887, due to a decrease in the cost of public safety and public works.

Business-type Activities. Business-type activities decreased the City of Blue Island's net position by \$1,218,312.

CITY OF BLUE ISLAND, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Government-wide Financial Analysis (continued)

City of Blue Island
Changes in Net Position
For the Year Ended December 31, 2016
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	% of		% of		% of	
	Amount	Totals	Amount	Totals	Amount	Totals
Program revenues:						
Charges for service	\$ 6.5	28.3%	\$ 6.5	97.0%	\$ 13.0	43.8%
Operating grants	1.2	5.2%	-	0.0%	1.2	4.0%
General revenue:						
Property taxes	8.6	37.4%	-	0.0%	8.6	29.0%
Other taxes	6.7	29.1%	-	0.0%	6.7	22.6%
Other revenues	-	0.0%	0.2	3.0%	0.2	0.7%
Total revenues	23.0		6.7		29.7	
Expenses:						
Governmental activities:						
General government	6.5	30.8%	-	0.0%	6.5	23.1%
Public safety	10.8	51.2%	-	0.0%	10.8	38.4%
Public works	3.8	18.0%	-	0.0%	3.8	13.5%
Business-type:						
Water and sewer	-	0.0%	6.0	85.7%	6.0	21.4%
Golf course	-	0.0%	1.0	14.3%	1.0	3.6%
Total expenses	21.1		7.0		28.1	
Changes in net position	\$ 1.9		\$ (0.3)		\$ 1.6	

CITY OF BLUE ISLAND, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Government-wide Financial Analysis (continued)

City of Blue Island
Changes in Net Position
For the Year Ended December 31, 2015
(in millions)

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	Amount	% of Totals	Amount	% of Totals	Amount	% of Totals
Program revenues:						
Charges for service	\$ 6.6	29.5%	\$ 7.7	100.0%	\$ 14.3	47.5%
Operating grants	1.2	5.4%	-	0.0%	1.2	4.0%
General revenue:						
Property taxes	8.2	36.6%	-	0.0%	8.2	27.2%
Other taxes	6.2	27.7%	-	0.0%	6.2	20.6%
Other revenues	0.2	0.9%	-	0.0%	0.2	0.7%
Total revenues	<u>22.4</u>		<u>7.7</u>		<u>30.1</u>	
Expenses:						
Governmental activities:						
General government	6.8	28.2%	-	0.0%	6.8	22.5%
Public safety	8.8	36.5%	-	0.0%	8.8	29.1%
Public works	4.1	17.0%	-	0.0%	4.1	13.6%
Interest	0.1	0.4%	-	0.0%	0.1	0.3%
Pension expense	4.3	17.8%	-	0.0%	4.3	14.2%
Business-type:						
Water and sewer	-	0.0%	5.1	83.6%	5.1	16.9%
Golf course	-	0.0%	1.0	16.4%	1.0	3.3%
Total expenses	<u>24.1</u>		<u>6.1</u>		<u>30.2</u>	
Changes in net position	<u>\$ (1.7)</u>		<u>\$ 1.6</u>		<u>\$ (0.1)</u>	

Changes in revenue and expenses from December 31, 2015 to December 31, 2016 are reflected above.

CITY OF BLUE ISLAND, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Government-wide Financial Analysis (continued)

As noted earlier, the City of Blue Island uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Blue Island's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Blue Island's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at December 31, 2016.

Proprietary Funds. The City of Blue Island's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer and Golf Course funds at the end of the year amounted to a deficit of \$2,519,708. The total decrease in net position for the funds was \$330,802. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Blue Island's business-type activities.

General Fund Budgetary Highlights

The budgetary statement for the General Fund shows the original and final budget, and actual revenues, expenditures, and transfers in and out for the year ended December 31, 2016. Revenues and Expenditures were under budget for the year ended December 31, 2016.

CITY OF BLUE ISLAND, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Government-wide Financial Analysis (continued)

General Fund Budgetary Highlights (continued)

	<u>General Fund (in millions)</u>	
	<u>Original & Final Budget</u>	<u>Actual</u>
Revenues:		
Taxes	\$ 9.4	\$ 9.1
Licenses	0.8	0.8
Permits	0.3	0.4
Fines	0.6	0.8
Grants and interest	1.2	0.3
Other	4.4	4.0
Total revenues	<u>16.7</u>	<u>15.4</u>
Expenditures:		
Current:		
General government	2.9	2.5
Building	0.4	0.3
Planning	0.4	0.1
Police	4.1	3.9
911 Center	1.2	1.2
Fire	2.1	2.1
Public works	3.1	2.8
Insurance loss	3.1	2.0
Civil service commission	0.1	-
Marketing	0.7	0.3
Total expenditures	<u>18.1</u>	<u>15.2</u>
Excess (deficiency) of revenues over expenditures	<u>(1.4)</u>	<u>0.2</u>
Other financing uses		
Tax anticipation warrants proceeds	0.5	-
Bond proceeds	0	0.5
Transfers Out	-	(0.4)
Net change in fund balance	<u>\$ (0.5)</u>	<u>\$ 0.3</u>

Intergovernmental tax and other revenue shortfalls continue to put pressure on the operations of the City. The City demonstrated fiscal restraint to minimize the effect of these shortfalls.

CITY OF BLUE ISLAND, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2016

Government-wide Financial Analysis (continued)

Capital Asset and Debt Administration

Capital Assets. The City of Blue Island's investment in capital assets for its governmental and business-type activities as of December 31, 2016 amounts to \$47,769,984 (\$44,403,890 at December 31, 2015), which is net of accumulated depreciation. This investment in capital assets includes land, buildings, utility system and improvements, and equipment, including vehicles.

During the current year, the City performed major infrastructure improvements to City streets and bridges. The City also purchased one ambulance, two riding mowers and two 2015 Ford F450. The City replaced both the motor and roof for the Vincennes pumping station and purchased a new street sweeper, 2016 F250 crew cab, 2017 international dump truck and R2 rover GIS system. The City made improvements to its utility system at 123rd Place and a Canal St. water main replacement.

City of Blue Island						
Capital Assets						
Net of Depreciation						
(in millions)						
	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	Dec	Dec	Dec	Dec	Dec	Dec
	2016	2015	2016	2015	2016	2015
Land	\$ 20.3	\$20.3	\$ 0.7	\$ 0.7	\$ 21.0	\$21.0
Construction in Progress	1.8	0.1	-	-	1.8	0.1
Buildings and land improvements	5.2	4.8	2.6	2.6	7.8	7.4
Infrastructure	5.9	4.6	9.7	10.0	15.6	14.6
Equipment	1.0	1.0	0.5	0.3	1.5	1.3
Total	\$ 34.2	\$30.8	\$ 13.5	\$13.6	\$ 47.7	\$44.4

Additional information on the City of Blue Island's capital assets can be found in Note 5 on pages 48 through 49 of this report.

Long-term Debt. At December 31, 2016, the City of Blue Island had two general obligation bonds outstanding, totaling \$3,715,444 (\$3,640,000 at 2015). All of this bonded debt is backed by the full faith and credit of the government.

The City also participated in the Illinois Environmental Protection Agency's Public Water Supply Loan Program, borrowing \$897,560 to be repaid in semiannual installments of \$26,005 inclusive of interest at 1.25%, commencing October 7, 2013 through October 7, 2032. The outstanding balance at December 31, 2016 was \$750,161 (\$792,397 at 2015).

The City is participating in the Illinois Financing Authority Project Bond, which provides reimbursement for eligible expenses. The bond can be up to \$1,300,000 and as of December 31, 2016 the City has received \$505,444 leaving \$794,556 yet to be submitted for reimbursement. The outstanding balance as of December 31, 2016 was \$505,444.

CITY OF BLUE ISLAND, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Government-wide Financial Analysis (continued)

Capital Asset and Debt Administration (continued)

City of Blue Island's Outstanding Debt
Outstanding General Obligation Debt (000's)

	Governmental		Business-type		Total	
	Activities		Activities			
	Dec	Dec	Dec	Dec	Dec	Dec
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 0.6	\$ 0.8	\$ -	\$ -	\$ 0.6	\$ 0.8
Alternate revenue source bonds			2.6	2.9	2.6	2.9
Illinois EPA Water Supply Loan			0.8	0.8	0.8	0.8
Illinois Finance Authority General obligation bond	0.5	-	-	-	0.5	-
	<u>\$ 1.1</u>	<u>\$ 0.8</u>	<u>\$ 3.4</u>	<u>\$ 3.7</u>	<u>\$ 4.5</u>	<u>\$ 4.5</u>

The City of Blue Island's total long-term debt, including notes payable, has increased by \$33,208 during the current fiscal year.

The City of Blue Island is limited in the amount of general obligation debt a governmental entity may issue per state statute. The City's legal debt margin at December 31, 2016 was \$16,539,310.

Additional information on the City of Blue Island's long-term debt can be found in Note 8 on pages 52 through 54 of this report.

Summary and Future Considerations

The City intends to continue to closely monitor expenditures and allocate resources to areas that best meet the needs of its citizenry. The City will continue to actively seek out grants and all other available revenue sources. The City intends to continue to participate in the Community Development Block Grant Program to obtain additional resources to help maintain the infrastructure of the City.

Request for Information

This financial report is designed to provide a general overview of the City of Blue Island's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the City Clerk, 13051 South Greenwood Avenue, Blue Island, Illinois 60406.

BASIC FINANCIAL STATEMENTS

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Public Library
ASSETS				
Cash and cash equivalents	\$ 4,078,401	\$ 382,873	\$ 4,461,274	\$ 671,024
Restricted cash	1,186,594	-	1,186,594	-
Receivables	9,277,442	1,259,232	10,536,674	86,452
Due from primary government	-	-	-	50,883
Internal balances	2,945,117	(2,945,117)	-	-
Due from other government agencies	3,120	31,561	34,681	-
Prepaid items	47,327	1,220	48,547	9,315
Inventory	-	13,922	13,922	-
Capital assets not depreciated-land	20,289,512	678,958	20,968,470	-
Capital assets - construction in progress	1,795,950	-	1,795,950	-
Capital assets (net of accumulated depreciation)				
Building and land improvements	5,156,893	2,642,890	7,799,783	26,507
Infrastructure	5,930,539	9,688,427	15,618,966	-
Equipment	1,048,283	538,533	1,586,816	97,121
Net pension asset- IMRF-SLEP	58,896	-	58,896	-
Total assets	<u>51,818,073</u>	<u>12,292,499</u>	<u>64,110,572</u>	<u>941,302</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow of resources related to IMRF	673,725	275,183	948,908	180,745
Deferred outflow of resources related to IMRF-SLEP	5,054	-	5,054	-
Deferred outflow of resources related to police pensions	1,088,633	-	1,088,633	-
Deferred outflow of resources related to fire pensions	526,633	-	526,633	-
Total deferred outflow of resources	<u>2,294,045</u>	<u>275,183</u>	<u>2,569,228</u>	<u>180,745</u>
Total assets and deferred outflows of resources	<u>54,112,118</u>	<u>12,567,682</u>	<u>66,679,800</u>	<u>1,122,047</u>
LIABILITIES AND NET POSITION				
Liabilities:				
Accounts payable and other accrued expenses	1,120,151	639,931	1,760,082	80,697
Accrued interest expense	-	14,018	14,018	-
Due to other government units	160,382	-	160,382	-
Due to component unit	50,883	-	50,883	-
Tax anticipation warrant	500,000	-	500,000	-
Other liabilities	380,589	-	380,589	-
Non current liabilities:				
Due within one year	110,000	368,832	478,832	-
Due in more than one year	1,260,690	3,250,551	4,511,241	-
Net pension liabilities				
IMRF	1,676,054	684,585	2,360,639	449,646
Police pension	27,369,269	-	27,369,269	-
Fire pension	16,736,879	-	16,736,879	-
Post-employment retirement benefits	1,225,245	-	1,225,245	-
Total liabilities	<u>50,590,142</u>	<u>4,957,917</u>	<u>55,548,059</u>	<u>530,343</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to IMRF	253,830	103,677	357,507	68,097
Deferred inflows of resources related to fire pension	811,978	-	811,978	-
Deferred inflows of resources related to police pension	93,419	-	93,419	-
Total deferred inflows of resources	<u>1,159,227</u>	<u>103,677</u>	<u>1,262,904</u>	<u>68,097</u>
Total liabilities and deferred inflows of resources	<u>51,749,369</u>	<u>5,061,594</u>	<u>56,810,963</u>	<u>598,440</u>
Net Position:				
Net investment in capital assets	30,062,061	9,991,790	40,053,851	123,628
Restricted for:				
Grant purposes	1,186,594	-	1,186,594	-
Public safety	183,093	-	183,093	-
State statute	11,946,305	-	11,946,305	-
Debt service	6,837	34,006	40,843	-
Unrestricted (deficit)	<u>(41,022,141)</u>	<u>(2,519,708)</u>	<u>(43,541,849)</u>	<u>399,979</u>
Total net position	<u>\$ 2,362,749</u>	<u>\$ 7,506,088</u>	<u>\$ 9,868,837</u>	<u>\$ 523,607</u>

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total
					Governmental Activities	Business-type Activities		
Governmental activities								
General government	\$ 6,485,449	\$ 1,735,146	\$ 82,739	\$ 1,120,258	\$ (3,547,306)	\$ (3,547,306)	\$ -	
Public safety	10,842,331	1,954,465	29,609	-	(8,858,257)	(8,858,257)	-	
Public works	3,783,964	2,838,866	-	-	(945,098)	(945,098)	-	
Interest on debt	30,865	-	-	-	(30,865)	(30,865)	-	
Total governmental activities	21,142,609	6,528,477	112,348	1,120,258	(13,381,526)	(13,381,526)	-	
Business-type activities								
Water and sewer	6,065,775	5,573,962	-	-	(491,813)	(491,813)	-	
Golf course	1,026,803	981,778	-	-	(45,025)	(45,025)	-	
Total business-type activities	7,092,578	6,555,740	-	-	(536,838)	(536,838)	-	
Total primary government	28,235,187	13,084,217	112,348	1,120,258	(13,381,526)	(13,918,364)	\$ -	
Component unit-Public Library	1,294,407	50,910	18,274	-	-	-	\$ (1,225,223)	

General revenues and transfers

Taxes:							
Property taxes	\$ 8,609,836	\$ -	\$ -	\$ -	\$ 8,609,836	\$ 8,609,836	\$ 997,907
Replacement taxes	280,500	280,500	-	-	280,500	280,500	50,883
State income and use taxes	2,908,188	2,908,188	-	-	2,908,188	2,908,188	-
Utility taxes	1,143,911	1,143,911	-	-	1,143,911	1,143,911	-
State sales tax	1,473,423	1,473,423	-	-	1,473,423	1,473,423	-
Video gaming tax	189,377	189,377	-	-	189,377	189,377	-
Business district taxes	687,943	687,943	-	-	687,943	687,943	-
Rental income/reimbursement/miscellaneous	145,394	145,394	-	-	145,394	145,394	2,217
Transfers	(205,444)	(205,444)	205,444	-	-	-	-
Gain (loss) on disposal of capital assets	-	-	(3,706)	-	(3,706)	(3,706)	-
Unrestricted investment earnings	13,365	13,365	4,298	-	17,663	17,663	1,327
Total general revenues and transfers	15,246,493	206,036	206,036	15,452,529	15,452,529	15,452,529	1,052,334
Changes in net position	1,864,967	(330,802)	(330,802)	1,534,165	1,534,165	1,534,165	(172,889)
Net position - beginning	262,274	8,724,400	8,724,400	8,986,674	8,986,674	8,986,674	1,044,415
Prior period adjustments	235,508	(887,510)	(887,510)	(652,002)	(652,002)	(652,002)	(347,919)
Net position, beginning of year, as restated	497,782	7,836,890	7,836,890	8,334,672	8,334,672	8,334,672	696,496
Net position, end of year	2,362,749	7,506,088	7,506,088	9,868,837	9,868,837	9,868,837	523,607

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General Fund	Special Tax Increment Allocation Fund II	Special Tax Increment Allocation Fund III	Special Tax Increment Allocation Fund V	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 682,277	\$ 71,779	\$ 1,048,611	\$ 1,185,021	\$ 1,090,713	\$ 4,078,401
Receivables:						
Property taxes-net	3,516,860	-	-	-	2,874,126	6,390,986
Customers	381,845	-	-	-	-	381,845
Grants	397,296	-	-	124,393	-	521,689
Other	1,721,872	-	-	-	261,050	1,982,922
Due from other governmental agencies	3,120	-	-	-	-	3,120
Due from other funds	3,359,467	5,402,659	3,655,037	47,028	108,362	12,572,553
Restricted cash - grants	1,186,594	-	-	-	-	1,186,594
Prepaid items	42,143	-	-	-	5,184	47,327
Total assets	<u>\$ 11,291,474</u>	<u>\$ 5,474,438</u>	<u>\$ 4,703,648</u>	<u>\$ 1,356,442</u>	<u>\$ 4,339,435</u>	<u>\$ 27,165,437</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 481,115	\$ -	\$ -	\$ 54,103	\$ 430,374	\$ 965,592
Accrued expenses	154,559	-	-	-	-	154,559
Due to other funds	9,378,503	-	174,738	-	74,195	9,627,436
Due to component unit	50,883	-	-	-	-	50,883
Due to other government units	-	-	-	-	160,382	160,382
Tax anticipation warrant	500,000	-	-	-	-	500,000
Other liabilities	380,589	-	-	-	-	380,589
Total liabilities	<u>10,945,649</u>	<u>-</u>	<u>174,738</u>	<u>54,103</u>	<u>664,951</u>	<u>11,839,441</u>
Deferred Inflows of Resources:						
Deferred revenue - general fund	450,356	-	-	-	-	450,356
Deferred property tax revenue	3,516,860	-	-	-	2,874,126	6,390,986
Deferred revenue - special revenue fund	-	-	-	-	53,000	53,000
Total deferred inflows of resources	<u>3,967,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,927,126</u>	<u>6,894,342</u>
Fund Balance:						
Nonspendable	42,143	-	-	-	5,184	47,327
Restricted for grant purposes	1,186,594	-	-	-	-	1,186,594
Restricted for public safety	-	-	-	-	177,909	177,909
Restricted under statutes	-	5,474,438	4,528,910	1,302,339	640,618	11,946,305
Restricted for debt service	-	-	-	-	6,837	6,837
Assigned	44,669	-	-	-	-	44,669
Unassigned	(4,894,797)	-	-	-	(83,190)	(4,977,987)
Total fund balance (deficit)	<u>(3,621,391)</u>	<u>5,474,438</u>	<u>4,528,910</u>	<u>1,302,339</u>	<u>747,358</u>	<u>8,431,654</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 11,291,474</u>	<u>\$ 5,474,438</u>	<u>\$ 4,703,648</u>	<u>\$ 1,356,442</u>	<u>\$ 4,339,435</u>	<u>\$ 27,165,437</u>

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

Total fund balance- governmental funds-page 17	\$	8,431,654
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 61,338,746	
Less: accumulated depreciation	<u>(27,117,569)</u>	34,221,177
Revenues are recognized for governmental activities when earned, regardless of when collected, and not deferred on the statement of net position.		
		6,894,342
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:		
Deferred outflows of resources-IMRF	673,725	
Deferred outflows of resources-IMRF-SLEP	5,054	
Deferred outflows of resources-police pension	1,088,633	
Deferred outflows of resources-fire pension	526,633	
Deferred inflows of resources-IMRF	(253,830)	
Deferred inflows of resources-fire pension	(811,979)	
Deferred inflows of resources-police pension	<u>(93,419)</u>	1,134,817
Non-current liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Non-current liabilities at year end consist of:		
IFA bond	(505,444)	
General obligations bonds	(605,000)	
Compensated absences	<u>(260,246)</u>	(1,370,690)
Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds:		
Pension liability - IMRF	(1,676,054)	
Pension asset - IMRF-SLEP	58,896	
Pension liability - police pension	(27,369,269)	
Pension liability - fire pension	(16,736,879)	
Post-employment retirement benefits	<u>(1,225,245)</u>	<u>(46,948,551)</u>
Net position of governmental activities-page 15	\$	<u><u>2,362,749</u></u>

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Special Tax Increment Allocation Fund II	Special Tax Increment Allocation Fund III	Special Tax Increment Allocation Fund V	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Property taxes-net	\$ 3,530,381	\$ 738,773	\$ 705,413	\$ 1,046,515	\$ 2,380,975	\$ 8,402,057
Personal property and replacement taxes	238,234	-	-	-	42,266	280,500
Other taxes	5,292,057	-	-	-	-	5,292,057
Licenses	843,143	-	-	-	-	843,143
Permits	357,645	-	-	-	-	357,645
State allotments	-	-	-	-	603,570	603,570
Fines	821,154	-	-	-	-	821,154
Grants	246,324	-	-	472,024	484,975	1,203,323
Interest	4,885	2,462	2,709	2,690	619	13,365
9-1-1 system fees	631,911	-	-	-	-	631,911
Sanitation fees	1,504,918	-	-	-	-	1,504,918
Other	1,884,015	-	-	-	664,227	2,548,242
Total revenues	<u>15,354,667</u>	<u>741,235</u>	<u>708,122</u>	<u>1,521,229</u>	<u>4,176,632</u>	<u>22,501,885</u>
EXPENDITURES						
Current:						
General government	2,485,549	21,013	149,163	50,902	71,611	2,778,238
Building	270,326	-	-	-	-	270,326
Planning	134,073	-	-	-	-	134,073
Police	5,139,385	-	-	-	-	5,139,385
Fire	1,925,276	-	-	-	-	1,925,276
Pension contributions-police & fire	-	-	-	-	2,276,209	2,276,209
Public works	2,569,965	-	-	-	-	2,569,965
Street maintenance	-	-	-	2,398	1,199,496	1,201,894
Insurance department	1,996,924	-	-	-	-	1,996,924
Civil service commission	27,941	-	-	-	-	27,941
Marketing	88,288	-	-	-	-	88,288
Debt service	-	-	-	-	195,865	195,865
Capital outlay	556,054	-	25,949	2,423,088	717,345	3,722,436
Total expenditures	<u>15,193,781</u>	<u>21,013</u>	<u>175,112</u>	<u>2,476,388</u>	<u>4,460,526</u>	<u>22,326,820</u>
Excess (deficit) of revenues over expenditures	<u>160,886</u>	<u>720,222</u>	<u>533,010</u>	<u>(955,159)</u>	<u>(283,894)</u>	<u>175,065</u>
OTHER FINANCING SOURCES (USES)						
Bond proceeds	505,444	-	-	-	-	505,444
Transfers in	-	-	-	1,834,275	203,236	2,037,511
Transfers out	(408,680)	(1,834,275)	-	-	-	(2,242,955)
Total other financing sources (uses)	<u>96,764</u>	<u>(1,834,275)</u>	<u>-</u>	<u>1,834,275</u>	<u>203,236</u>	<u>300,000</u>
Net change in fund balances	257,650	(1,114,053)	533,010	879,116	(80,658)	475,065
Fund balances at beginning of year	(2,754,733)	6,588,491	3,995,900	423,223	1,258,025	9,510,906
Prior period adjustments	(1,124,308)	-	-	-	(430,009)	(1,554,317)
Fund balance at end of year (Deficit)	<u>\$ (3,621,391)</u>	<u>\$ 5,474,438</u>	<u>\$ 4,528,910</u>	<u>\$ 1,302,339</u>	<u>\$ 747,358</u>	<u>\$ 8,431,654</u>

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT)
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balance - total governmental funds - page 19 \$ 475,065

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital assets

Capital outlay reported in governmental fund statements	\$ 3,722,436	
Depreciation expense reported in the statement of activities	(905,455)	
Loss on impairment of asset	<u>(22,722)</u>	2,794,259

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred at December 31, 2016	6,894,342	
Deferred at December 31, 2015	<u>(6,183,207)</u>	711,135

The issuance of short-term and/or long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premium, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayment of principal on bonds	165,000	
IFA Bond Proceeds	<u>(505,444)</u>	(340,444)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	(25,525)	
Pension expense	<u>(1,749,522)</u>	<u>(1,775,047)</u>

Change in net position of governmental activities - page 16 \$ 1,864,967

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Water	Golf Course	Total Proprietary Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 324,369	\$ 58,504	\$ 382,873
Accounts receivable:			
Customers	1,846,896	-	1,846,896
Less allowance for doubtful accounts	(587,664)	-	(587,664)
Grant receivable	31,561	-	31,561
Prepays	-	1,220	1,220
Due from other funds	439,212	-	439,212
Inventory	-	13,922	13,922
Total current assets	2,054,374	73,646	2,128,020
Noncurrent Assets:			
Property and equipment:			
Land	8,958	670,000	678,958
Buildings and land improvement	119,808	4,761,578	4,881,386
Infrastructure	20,945,586	-	20,945,586
Equipment	1,371,257	374,259	1,745,516
Less accumulated depreciation	(12,164,845)	(2,537,793)	(14,702,638)
Total noncurrent assets	10,280,764	3,268,044	13,548,808
Total assets	12,335,138	3,341,690	15,676,828
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	246,716	28,467	275,183
LIABILITIES			
Current Liabilities:			
Accounts payable	550,453	68,556	619,009
Accrued salaries	18,883	1,843	20,726
Due to other funds	-	3,384,329	3,384,329
EPA loan payable	42,765	-	42,765
Lease payable	34,895	11,722	46,617
Bonds payable	275,000	-	275,000
Unamortized bond premium	4,450	-	4,450
Other liabilities	-	196	196
Accrued interest	14,018	-	14,018
Total current liabilities	940,464	3,466,646	4,407,110
Noncurrent Liabilities:			
Compensated absences payable	22,366	2,293	24,659
EPA loan payable	707,396	-	707,396
Lease payable	150,790	-	150,790
Bonds payable	2,330,000	-	2,330,000
Net pension liability for IMRF	613,766	70,819	684,585
Unamortized bond premium	37,706	-	37,706
Total noncurrent liabilities	3,862,024	73,112	3,935,136
Total liabilities	4,802,488	3,539,758	8,342,246
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	92,952	10,725	103,677
NET POSITION			
Net Investment in capital assets	6,735,468	3,256,322	9,991,790
Restricted for debt service	34,006	-	34,006
Unrestricted (deficit)	916,940	(3,436,648)	(2,519,708)
Total net position	\$ 7,686,414	\$ (180,326)	\$ 7,506,088

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 1 of 3

	Water	Golf Course	Total
OPERATING REVENUES			
Water sales	\$ 4,709,319	\$ -	\$ 4,709,319
Sewer maintenance fees	813,956	-	813,956
Sale of water meters	4,964	-	4,964
Golf course	-	697,478	697,478
Pro shop and concessions	-	242,272	242,272
Miscellaneous	45,723	42,028	87,751
Total operating revenues	5,573,962	981,778	6,555,740
OPERATING EXPENSES			
Salaries and benefits:			
Full-time salaries	802,708	89,591	892,299
Part-time salaries	64,953	138,232	203,185
Overtime wages	66,384	713	67,097
Illinois Municipal Retirement Fund	132,017	15,024	147,041
Payroll taxes-FICA and Medicare	68,813	17,125	85,938
Employee medical insurance	289,529	21,839	311,368
Pension items related to actuary adjustments	167,750	(1,720)	166,030
Life/unemployment insurance	813	199	1,012
Total salaries and benefits	1,592,967	281,003	1,873,970
Services:			
Professional fees	10,000	4,000	14,000
Computers and software	1,834	217	2,051
Insurance	-	1,981	1,981
Landscaping and grounds maintenance	-	353,762	353,762
Utilities- electricity	42,700	23,065	65,765
Professional consulting and engineering	80,381	-	80,381
Other contractual services	5,942	-	5,942
Telephone	-	2,428	2,428
Training	90	7	97
Utilities- other	5,037	3,232	8,269
Water billing	35,063	-	35,063
Total services	\$ 181,047	\$ 388,692	\$ 569,739

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 2 of 3

OPERATING EXPENSES (Continued)	Water	Golf Course	Total
Supplies and materials:			
Concrete/asphalt/stone	\$ 24,035	\$ -	\$ 24,035
Gasoline and oil for vehicles	12,064	18,208	30,272
Maintenance supplies	35,133	1,808	36,941
Operating supplies	-	2,647	2,647
Printing, postage, and office supplies	32,511	642	33,153
Uniforms	440	685	1,125
Total supplies and materials	104,183	23,990	128,173
Repairs and maintenance:			
Building	1,923	16,789	18,712
Equipment	54,374	8,869	63,243
Outside contractors	134,614	2,200	136,814
Vehicle	2,975	2,813	5,788
Total repairs and maintenance	193,886	30,671	224,557
Water from Chicago	3,177,013	-	3,177,013
Merchandise for resale	-	114,881	114,881
Miscellaneous:			
Bank charges	17,932	13,210	31,142
Agent/Trust fees- debt service	400	-	400
Community events	-	504	504
Dues and subscriptions	2,105	450	2,555
Office services	253	78	331
Licenses and fees	5,000	600	5,600
Meetings and seminars	90	-	90
Rental & leasing fees	4,194	57,389	61,583
Grant pass through expenditures	44,030	-	44,030
Total miscellaneous	\$ 74,004	\$ 72,231	\$ 146,235

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 3 of 3

	Water	Golf Course	Total
OPERATING EXPENSES (Continued)			
Capital expenditures			
Machinery and equipment	\$ 6,333	\$ -	\$ 6,333
Water meter purchases	7,503	-	7,503
Total capital expenditures	13,836	-	13,836
Operating expenses before depreciation	5,336,936	911,468	6,248,404
Depreciation	585,386	115,335	700,721
Total operating expenses	5,922,322	1,026,803	6,949,125
Operating income (loss)	(348,360)	(45,025)	(393,385)
NONOPERATING REVENUES (EXPENSES)			
Interest income	3	7	10
Interest expense	(143,453)	-	(143,453)
Bond premium amortization	4,288	-	4,288
Gain (Loss) on disposal of fixed assets	(3,706)	-	(3,706)
Transfers in	113,612	91,832	205,444
Total nonoperating revenues (expenses)	(29,256)	91,839	62,583
Change in net position (deficit)	(377,616)	46,814	(330,802)
Net position at beginning of year (deficit)	8,896,743	(172,343)	8,724,400
Prior period adjustments	(832,713)	(54,797)	(887,510)
Net position at end of year (deficit)	\$ 7,686,414	\$ (180,326)	\$ 7,506,088

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Water	Golf Course	Total
Cash flows from operating activities:			
Receipts from customers	\$ 5,543,788	\$ 981,778	\$ 6,525,566
Payment to suppliers	(4,378,661)	(655,611)	(5,034,272)
Payment to employees	(926,303)	(227,729)	(1,154,032)
Net cash from operating activities	238,824	98,438	337,262
Cash flow from noncapital financing activities:			
Interfund borrowing	(157,072)	17,664	(139,408)
Net cash (used) by noncapital financing activities	(157,072)	17,664	(139,408)
Cash flow from capital and related financing activities:			
Lease proceeds	185,685	-	185,685
Purchase of capital assets	(560,256)	(121,150)	(681,406)
Principal paid on capital debt	(307,236)	(16,125)	(323,361)
Interest paid on capital debt	(141,102)	-	(141,102)
Interest on lease	(1,734)	-	(1,734)
Transfer in	113,612	45,916	159,528
Net cash (used) by capital and related financing activities	(711,031)	(91,359)	(802,390)
Cash flow from investing activities:			
Interest income	3	7	10
Net cash provided by investing activities	3	7	10
Change in cash and cash equivalents	(629,276)	24,750	(604,526)
Cash and cash equivalents at:			
Beginning of year	953,645	33,754	987,399
End of year	\$ 324,369	\$ 58,504	\$ 382,873
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (348,360)	\$ (45,025)	\$ (393,385)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	585,386	115,335	700,721
Pension items related to actuarial adjustments	167,750	(1,720)	166,030
Change to asset and liabilities:			
(Increase) decrease in customer accounts receivables	(54,394)	-	(54,394)
(Increase) decrease in allowance for doubtful accounts	32,203	-	32,203
(Increase) decrease in grant receivables	(7,983)	-	(7,983)
(Increase) decrease in prepaid expenses	-	2	2
(Increase) decrease in inventory	-	(11,681)	(11,681)
Increase (decrease) in accrued payroll	8,362	330	8,692
Increase (decrease) in accounts payable	(143,520)	40,851	(102,669)
Increase (decrease) in compensated absences	(620)	477	(143)
Increase (decrease) in other liabilities	-	(131)	(131)
Net cash provided by operating activities	\$ 238,824	\$ 98,438	\$ 337,262

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
DECEMBER 31, 2016

		Pension Trust Funds
ASSETS		
Cash and cash equivalents	\$	200,580
Interest receivable		35,862
Personal property replacement taxes receivable		42,266
Investments:		
US treasury		1,056,122
US government securities		2,270,071
US government agencies		468,746
Mutual funds		7,917,561
Corporate obligations		1,997,296
Common stock		507,847
Pooled equity funds		447,020
Money market mutual funds		524,711
Due from members		11,523
Total assets		15,479,605
 LIABILITIES AND NET POSITION		
Liabilities:		
Accounts payable		8,681
Total liabilities		8,681
 Net Position:		
Net position held in trust for pension benefit	\$	15,470,924

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION-PENSION TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employee contributions	\$ 416,207
Employer contributions	2,277,624
Total contributions	2,693,831
Investment income:	
Investment income	851,333
Investment fees	(45,015)
Total investment income	806,318
Other income	4,146
Total additions	3,504,295
DEDUCTIONS	
Benefits and refunds	2,944,314
Administrative costs	76,902
Total deductions	3,021,216
Net change in plan net position	483,079
Net position held in trust for pension benefits at beginning of year	14,987,845
Net position held in trust for pension benefits at end of year	\$ 15,470,924

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY AND ITS SERVICES

The City of Blue Island, Cook County, Illinois is duly organized and existing under the provisions of the laws of the State of Illinois. The City is governed by an elected Council of fourteen Aldermen and a Mayor, and provides the following services: public safety (fire and police), streets, sanitation, water, public improvements, planning, recreation, zoning, and general administrative.

These financial statements present all the departments, commissions and fund types of the City (primary government) and a component unit based on financial accountability. Financial accountability includes appointment of the Organization's governing body, imposition of will and fiscal dependency. The Mayor is responsible for appointing two of the five Trustees to each of the City of Blue Island Police and Firefighters' Pension Boards, but the City's accountability for these funds does not extend beyond making these appointments, and making contributions to the funds as actuarially determined.

Component Units that are Fiduciary in Nature – The Police Pension Fund and Firefighters' Pension Fund of the City of Blue Island are Illinois local governments, as such; they are separate legal entities with their own management authority. These funds exist solely to provide pension benefits for the City's police officers and firefighters and their beneficiaries. The financial statements of the Pension funds as of and for the year ended December 31, 2016, are reported as pension trust funds – fiduciary funds. The Pension Funds do not issue stand-alone audited financial statements.

Discretely Presented Component Unit – A discretely presented component unit is presented in a separate column in the combined financial statements to emphasize that it is legally separate from the City. The Blue Island Public Library is governed by an eight-member Board appointed by the City's Mayor. Although it is legally separate from the City, the Library may not issue debt without the City's approval, and its property tax levy request is subject to the City's approval.

Complete financial statements may be obtained from the Library's administrative office at 2433 York Street, Blue Island, Illinois 60406.

B. BASIS OF PRESENTATION/ MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Government-Wide Financial Statements:

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component unit. As a general rule, the effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION/ MEASUREMENT FOCUS/BASIS OF ACCOUNTING (CONT.)

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

Separate financial statements are provided for governmental funds, fiduciary funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Fund Financial Statements:

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

Governmental fund property taxes, franchise taxes, interest, licenses and charges for services are susceptible to accrual and so have been recognized as revenues of the current fiscal period if recognition criteria are met. Replacement income tax, state income tax, and sales tax collected and held by the State at year end on behalf of the City are also recognized as revenue. Other receipts become measurable and available when cash is received by the City, and are recognized as revenue at that time.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods, in connection with a Proprietary Fund’s principal ongoing operations. The principal operating revenues of the Proprietary Funds are charges to customers for sales and services. Operating expense for Proprietary Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Tax Increment Allocation Fund II – A Special Revenue Fund used to account for the accumulation of incremental tax revenues from the City’s second Tax Increment Financing (TIF) District and related expenditures incurred in connection with this TIF.

Special Tax Increment Allocation Fund III – A Special Revenue Fund used to account for the accumulation of incremental tax revenues from the City’s third Tax Increment Financing (TIF) District and related expenditures incurred in connection with this TIF.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION/ MEASUREMENT FOCUS/BASIS OF ACCOUNTING (CONT.)

Special Tax Increment Allocation Fund V – A Special Revenue Fund used to account for the accumulation of incremental tax revenues from the City's fifth Tax Increment Financing (TIF) District and related expenditures incurred in connection with this TIF.

The City reports the following major proprietary funds:

Water Fund – Accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, finance, and billing and collection.

Golf Course Fund – Accounts for the operation and maintenance of the City-owned 18-hole golf course. Activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations and maintenance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Within the Water Fund, the City grants unsecured credit to its customers, monitors exposure for credit losses, and maintains an allowance for uncollectible accounts (\$587,664 at December 31, 2016).

Certain Significant Concentrations – Approximately 85%, \$5,573,969, of revenue of proprietary funds is from water and sewer operations, and 15%, \$981,784, of revenue is from golf club operations. On the statement of net position, receivables of governmental activities consist of property taxes (69%), other taxes and miscellaneous (21%), grants (6%), and customer accounts (4%).

C. BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for depreciation in the proprietary funds. Annual appropriated budgets are adopted at the function level for the General, Special Revenue, and Proprietary Funds, except where indicated below. Debt Service Funds have initially been covenanted on a multi-year basis. Projects in the Capital Projects Fund are budgeted by grant agreement on a multi-year basis. No budget is adopted for the Special Tax Increment Allocation Funds (Special Revenue Funds). All annual appropriations lapse at December 31, 2016.

D. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within 3 months of year-end. Investments are stated at fair value. Fair value for the investment in Illinois Funds is the same as the value of the pooled shares. State Statute requires the State Treasurer's Illinois Funds to comply with the Illinois Public Funds Investment Act.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. RECEIVABLES/PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Amounts due from individuals, organizations or other governmental units are recorded as receivables at year-end. These amounts include charges for services rendered, or for goods and materials provided by the City, including amounts for unbilled services. Receivables are shown net of an allowance for uncollectible accounts, where applicable. Receivables are also recognized for property taxes, sales and excise taxes, loans, assessments and intergovernmental grants.

Taxes consist of uncollected taxes levied and payable in prior years, net of allowance for uncollectible taxes. These receivables are deferred to indicate they are not available to finance expenditures of the current fiscal period.

F. INVENTORIES AND PREPAID ITEMS

Inventories in the proprietary funds are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. RESTRICTED ASSETS

Bond covenants of the 2006 Water Fund Revenue Bonds require portions of the debt proceeds, as well as other resources, to be set aside for various purposes. These amounts are reported as restricted assets. The "Operation and Maintenance Account" segregates cash and investments for operations and maintenance for the next succeeding month. The "Debt Service Sub Account" accumulates funds for the payment of current bond and interest maturities becoming due on the next payment dates. Requirements under the Water Fund Revenue Bonds provide for monthly deposits of not less than one-sixth of the next interest payment due, and not less than one-twelfth of the next principal payment due. Funds accumulated in the "Bond Reserve Account" are available for the payment of maturing bond principal or interest, whenever funds are not available for that purpose in the "Bond and Interest Account." Requirements under the Water Fund Revenue Bonds provide for deposits as determined by corporate authorities.

H. CAPITAL ASSETS

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (\$25,000 for buildings, land improvements and infrastructure) and an estimated useful life in excess of one year. Such assets are recorded at cost where historical records are available or at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital asset is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. CAPITAL ASSETS (CONT.)

Property and equipment of the primary government, as well as the component units, is depreciated using the straight-line method.

The following estimated useful lives are used to compute depreciation on a straight-line basis:

Buildings and land improvements	20 - 50 years
Infrastructure	40 - 60 years
Equipment	5 - 10 years

I. COMPENSATED ABSENCES

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Payments of compensated absences are made by the governmental funds for which the eligible employee salary is recorded.

Employees with a minimum of twenty years of service, who are eligible to retire, are eligible to receive payment for their accumulated sick time upon leaving the employment of the City. The amount received is limited to sixty days at full pay and an additional sixty days at half pay, assuming the employee has accumulated the requisite number of unused sick days. One week of vacation left in the calendar year can be carried over into the next calendar year. Sick pay is accrued when earned for employees with twenty years of service, in both the government-wide and proprietary fund financial statements as a liability.

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations, including compensated absences and net pension obligation, are reported as liabilities in the applicable governmental or business-type activities and proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and any premium received with the proceeds is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. DEFERRED REVENUE - GRANTS

Revenue from 100% reimbursable federal grants (Community Development Block Grants) is recorded as earned in an amount equal to expenditures incurred. Therefore, the amount of grants receivable, as well as a portion of grants received, is deferred in the accompanying financial statements until such time as the corresponding expenditures are incurred. As of December 31, 2016, there was no deferred revenue.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. FUND BALANCE / NET POSITION

Governmental funds' fund balance is classified as the following:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted fund balance is externally enforceable limitations on use, such as limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments as well as limitations imposed by law through constitutional provision or enabling legislation.

Committed fund balance is a self-imposed limitation set in place prior to the end of the period. The limitations are imposed at the highest level of decision making that requires formal action at the same level. For the City, the City Council is the highest level of decision making and a formal action by the City Council would be required to establish, modify or rescind a fund balance commitment. There are no committed fund balances.

Assigned fund balance has limitations resulting from intended use, where the intended use is established by the City Council.

Unassigned fund balance is the total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance. This also includes any negative fund balance in other funds.

If there is an expenditure incurred for purposes for which committed, assigned, or unassigned fund balance classifications could be used, then the City will consider committed fund balance to be spent first, then assigned fund balance and finally unassigned fund balance. If there is an expenditure incurred for the purposes for which restricted or unrestricted could be used, then the City will consider restricted fund balance to be spent first, then unrestricted fund balance.

In the government-wide and proprietary fund financial statements, restricted net position is legally restricted by outside parties for a specific purpose. A portion of governmental activities' net position is restricted for the same purposes as governmental fund balances. A portion of the business-type activities' and Water Fund's net position is restricted for bond and interest reserves. Net investment in capital assets represents the City's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital assets. Unrestricted net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

NOTE 2. DEFICIT FUND EQUITY

The following Funds have deficit balances; the General Fund has a deficit fund balance of \$3,621,391, the Community Development Block Grant fund has a deficit fund balance of \$16,224, the Special Tax Increment Allocation Fund IV has a deficit fund balance of \$5,073, the Special Tax Increment Allocation Fund VI has a deficit fund balance of \$37,155, and Special Tax Increment Allocation Fund VII has a deficit fund balance of \$24,738. Funding of these deficits is expected to be repaid from future tax revenues, transfers from other funds, and a reduction of future operating expenditures.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS

Statutes authorize the City to invest in the following:

- Bonds, notes, certificates of indebtedness, Treasury bills or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
- Bonds, notes, debentures or similar obligations of the United States of America or its agencies.
- Savings accounts, certificates of deposit, time accounts, or any other investment constituting direct obligations of a bank, as defined by the Illinois Banking Act. Securities legally issuable by savings and loan associations incorporated under the laws of any state of the United States of America. Share accounts and share certificates of a credit union chartered under the laws of the State of Illinois or United States of America, provided the principal office of the credit union is located within the State of Illinois. Short-term discount obligations of the Federal National Mortgage Association (FNMA).
- Investments may be made only in financial institutions which are insured by either the Federal Deposit Insurance Corporation, or other applicable law for credit unions.
- Short-term obligations (maturing within 270 days of date of purchase) of corporations with assets exceeding five hundred million dollars (\$500,000,000). Such obligations must be rated, at the time of purchase, at one of the three highest classifications established by at least two standard rating services. This type of obligation is limited to one-third of the City's funds available for investment, and cannot exceed 10% of the corporation's outstanding obligation.
- Money market mutual funds registered under the Investment Company Act of 1940 which invest only in bonds, notes, certificates of indebtedness, Treasury bills or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest, and agree to repurchase such obligations. In addition, the City may also invest in a fund managed, operated and administered by a bank.
- Repurchase agreements of government securities subject to The Government Securities Act of 1986.
- Illinois Funds, a money market fund overseen by the Treasurer of the State of Illinois.

Investments with maturities of one year or more from the date of purchase are stated at fair value based on quoted market prices. Investments with maturities of one year or less from the date of purchase are stated at amortized cost. Investment income has been allocated to each fund based on investments held by the fund.

At year end, the carrying amount of the City's deposits was \$5,647,094, and the bank balance was \$6,228,956 (\$665,020 and \$668,382, respectively for the City's component unit). Cash on hand totaled \$775 for the City and \$315 for the City's component unit. Of the bank balances, \$750,000 was covered by Federal Depository Insurance (\$438,702 for the City's component unit). Of the \$5,478,956 remaining balances of the City's deposits of \$5,381,351 was collateralized by the banks and the remaining balance of \$97,605 was not collateralized (The City's component unit had \$229,680 that was collateralized by securities pledged in the Library's name with The Bank of New York Mellon as custodian).

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are categorized into these three categories of credit risk:

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

At year end, the City had no investments subject to these categories. Investments which are not subject to classification consisted of the following at December 31, 2016:

	Carrying Amount	Fair Value
Illinois Funds:		
Primary government	\$ 915,498	\$ 915,498

A reconciliation of cash, cash equivalents and restricted cash, as shown on the statement of net position, follows:

	Primary Government	Component Unit
Cash on hand	\$ 775	\$ 315
Carrying amount of deposits	5,647,093	665,020
Carrying amount of deposits investments	-	5,689
	\$ 5,647,868	\$ 671,024
Statement of Net Position		
Cash and investments	\$ 4,461,274	\$ 671,024
Restricted cash	1,186,594	-
	\$ 5,647,868	\$ 671,024

Interest Rate Risk – This is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy does not specifically address interest rate risk; however, in practice the City manages its interest rate risk by investing idle funds in the Illinois Funds, a money market account which allows for immediate access to existing balances.

Credit Risk – Generally, credit risk is the risk that an issuer of a debt type instrument will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. The City's investments with Illinois Funds are rated AAAm by Standards and Poor's rating service.

Custodial Credit Risk – For deposits, this is the risk that, in the event of a bank failure, a government will not be able to recover its deposits. The banks have pledged collateral with a fair value of approximately \$5,382,000. For investments, this is the risk that in the event of the failure of the counterparty, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's cash equivalents at December 31, 2016 are with the Illinois Funds. These cash equivalents are pooled along with other participants' monies, and invested in U.S. Treasury bills and notes backed by the full faith and credit of the U.S. Treasury.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Police Pension Trust Fund

Cash and cash equivalents-Police Pension Trust Fund

At year-end the carrying amount of the Police Pension Fund's deposits totaled \$6,500, and the bank balances totaled \$7,325. The FDIC insures bank balances up to \$250,000. As of December 31, 2016, the bank balance was insured by FDIC.

Investments-Police Pension Trust Fund

The deposits and investments of the Police Pension Fund are held separately from those of other City Funds. Statutes authorize the Police Pension Fund to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposits issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois bonds; pooled accounts managed by the Illinois Fund Market Fund (formerly known as IPTIP, Illinois Public Treasurer's Investment Pool), or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois; direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the Federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to special restrictions; general accounts of life insurance companies; and separate accounts of life insurance companies and mutual funds, the mutual funds must meet specific restrictions, provided the investment is in separate accounts and mutual funds does not exceed ten percent of the Pension Fund's plan net position; and corporate bonds managed through an investment advisor, rated as investment grade by one of the two largest rating services at the item of purchase. Pension Funds with plan net position of \$2.5 million or more may invest up to forty-five percent of plan net position in separate accounts of life insurance companies and mutual funds. Pension Funds with plan net position of at least \$5 million that have appointed an investment advisor may, through that investment advisor, invest up to forty-five percent of the plan net position in common and preferred stocks that meet specific restrictions. In addition, pension funds with plan net position of at least \$10 million that have appointed an investment advisor may invest up to fifty-five percent of its net position in common and preferred stocks and mutual funds.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

At year-end the Police Pension Fund has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities		
		Less than One Year	One to Five Years	Six to Ten Years
U.S. Treasury	\$ 292,359	\$ -	\$ -	\$ 292,359
U.S. Government Securities	1,873,949	-	1,384,847	489,102
Corporate Obligations	1,099,669	651,503	252,492	195,674
Mortgage Pools	31,112	-	31,112	-
Money Market accounts	524,711	524,711	-	-
Total	3,821,800	\$ 1,176,214	\$ 1,668,451	\$ 977,135
Investments not sensitive to interest rate risk:				
Mutual Funds	6,705,221			
Total Investments	\$ 10,527,021			

The Police Pension Fund assumes any callable securities will not be called.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the Police Pension Fund's investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Police Pension Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The Police Pension Fund's investment policy establishes criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The investments in the securities of the U.S. government agencies and municipal bonds were all rated AAA by Standard & Poor's or by Moody's Investors Services. The investments in municipal bonds were all rated A- by Standard & Poor's, and the corporate bonds were rated from BB+ to A- by Standard & Poor's. The Police Pension Fund's investment in the Illinois Funds is rated AAAM. The Police Pension Fund's investment policy also prescribes to the "prudent persons" rule. The plan shall be invested with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matter would use in the investment of a fund of like character and with like aims.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the Police Pension Fund's deposits may not be returned to it. At December 31, 2016, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance. The Police Pension Fund's investment policy does require that all deposits in excess of FDIC insurance limits be secured by collateral in order to protect deposits from default.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Police Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Money market mutual funds and equity mutual funds are not subject to custodial credit risk. At December 31, 2016, the U.S. Government and Agency Securities are insured and held by the counterparty in the Police Pension Fund's name and the Police Pension Fund's investment in the Illinois Funds is not subject to custodial credit risk. The Police Pension Fund limits its exposure to custodial credit risk by utilizing an independent third party institution, selected by the Pension Fund, to act as custodian for its securities and collateral.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. At December 31, 2016, the Police Pension Fund has over 5% of total police pension plan investments invested in Ishares TR MSCI EAFE, Vanguard Info Technology, and Federal Home Loan Bank due 7/14/21, see tables below. Agency investments represent a large portion of the portfolio; however, the investments are diversified by maturity date and, as mentioned earlier, are backed by the issuing organization. Although unlike Treasuries, agency securities do not have the "full faith and credit" backing of the U.S. Government, they are considered to have a moral obligation of implicit backing and are supported by Treasury lines of credit and increasingly stringent federal regulation. The Police Pension Fund's investment policy provides diversification by asset type, by characteristic, by number of investments, and in the case of "Investment Manager", by investment style.

The fair value measurements authoritative literature establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted market prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Fund uses the appropriate valuation techniques based on the available inputs because they generally provide the most reliable evidence of fair value. When available, the Fund measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 and Level 2 inputs were not available.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Due</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
U.S. Treasury				
US Treasury Nt	8/31/2021	\$ 292,359	\$ 292,359	\$ -
Total U.S. Treasury		<u>\$ 292,359</u>	<u>\$ 292,359</u>	<u>\$ -</u>
U.S. Government Securities				
Federal Home Loan Bank	3/13/2020	\$ 504,231	\$ 504,231	\$ -
Fannie Mae	11/27/2018	302,250	302,250	-
Federal Home Loan Bank	7/14/2021	578,366	578,366	-
Tennessee VLYA	8/15/2022	489,102	489,102	-
Total Government Securities		<u>\$ 1,873,949</u>	<u>\$ 1,873,949</u>	<u>\$ -</u>
Corporate Obligations				
Caterpillar Fin	6/1/2017	\$ 200,395	\$ -	\$ 200,395
Intel Corporation	12/15/2017	250,387	-	250,387
John Deere Capital	4/17/2019	252,492	-	252,492
JP Morgan Chase	8/15/2017	200,721	-	200,721
3M Company	6/26/2022	195,674	-	195,674
Total Corporate Obligations		<u>\$ 1,099,669</u>	<u>\$ -</u>	<u>\$ 1,099,669</u>
Mortgage Pools				
Government National Mortgage Assoc.	11/15/2018	\$ 31,112	\$ -	\$ 31,112
Total Mortgage Pools		<u>\$ 31,112</u>	<u>\$ -</u>	<u>\$ 31,112</u>
Common Stock				
Ishares TR MSCI EAFE		\$ 558,191	\$ 558,191	\$ -
Ishares MSCI Germany		271,605	271,605	-
Ishares US Areospace		232,842	232,842	-
Ishares US Basic		127,651	127,651	-
Ishares US Medical		309,574	309,574	-
Ishares US Telecom ETF		134,619	134,619	-
Ishares 1-3 year Treasury		125,577	125,577	-
Ishares MSCI Emerging Markets		264,711	264,711	-
Ishares US Energy		214,180	214,180	-
Ishares US Technology		328,643	328,643	-
Ishares Core US Aggregate Bond		121,676	121,676	-
Ishares Edge MSCI Min Vol USA		209,278	209,278	-
First Trust Utilities Alpha Dex		82,008	82,008	-
PWRSHRS DWA Cnsmr Stpls		205,096	205,096	-
Powershares KBW High		294,691	294,691	-
Powershares Dynamic Retail		214,118	214,118	-
Powershares S&P 500 High Div		211,611	211,611	-
SPDR S&P Dividend ETF		212,873	212,873	-
SPDR Dow Jones REIT		71,879	71,879	-
SPDR S&P Oil and Gas Explor		119,331	119,331	-
SPDR Wells Fargo Preferred Stock		192,635	192,635	-
Vanguard CNSMR Dscrtary		335,571	335,571	-
Vanguard Consumer Staples		205,541	205,541	-
Vanguard Financials		503,229	503,229	-
Vanguard Health Care		316,418	316,418	-
Vanguard Industrials		237,089	237,089	-
Vanguard Info Technology		604,584	604,584	-
Total Common Stock		<u>\$ 6,705,221</u>	<u>\$ 6,705,221</u>	<u>\$ -</u>
Total		<u>\$ 10,002,310</u>	<u>\$ 8,871,529</u>	<u>\$ 1,130,781</u>

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

The Pension Fund has investments as of December 31, 2016 that measure at net asset value (NAV) are as follows:

<u>Money Market Accounts</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Frequency (if currently eligible)</u>	<u>Notice Period</u>
Schwab Govt Money Fund: SWGXX	\$ 324,380	N/A	Daily	1 day
Schwab Govt Money Fund: SWGXX	175,473	N/A	Daily	1 day
Schwab Govt Money Fund: SWGXX	24,858	N/A	Daily	1 day
Total Money Market Accounts	<u>\$ 524,711</u>			

Firefighters Pension Fund

Cash and cash equivalents-Firefighters' Pension Trust Fund

For the year ended December 31, 2016, the Firefighters' Pension Fund's carrying amount of cash was \$194,080 and the bank balance was \$194,080. The FDIC insures bank balances up to \$250,000. As of December 31, 2016, the bank balance was insured by FDIC.

Investments – Firefighters' Pension Trust Fund

The Firefighters' Pension Fund is authorized to invest in bonds, notes and other obligations of the U.S. Government, corporate debentures and obligations, insured mortgage notes and loans, common and preferred stock, stock options, and other investment vehicles as set forth in the Illinois Compiled Statutes.

The primary investment policies of the Firefighters' Pension Fund, in the order of priority, are as follows:

- a. Safety – Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. As such, the Board of Trustees has consciously diversified the aggregate fund to ensure that adverse or unexpected results will not have an excessively detrimental impact on the entire portfolio. Diversification is to be interpreted to include diversification by asset type, by characteristic, by number of investments, and in the case of investment managers by investment style.
- b. Liquidity – The investment portfolio will remain sufficiently liquid to enable the pension fund to pay all necessary benefits and meet all operating requirements that might be reasonably anticipated.
- c. Return on Investment – Assets will be invested to achieve attractive real rates of return. Following the Prudent Man Standard for preservation of capital, assets will be invested to achieve the highest possible rate of return, consistent with the fund's tolerance for risk as determined by the Board of Trustees in its role as a fiduciary.

The Firefighters' Pension Fund's performance objective is to meet or exceed the return of the blended market indexes of 45% of the Barclays Capital Aggregate Index and 55% of the Russell 3000 Total Return Index.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Firefighters' Pension Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the Firefighters' Pension Fund's investments at December 31, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>	<u>Greater than Ten Years</u>
U.S. Government Securities	\$ 396,122	\$ 150,120	\$ 75,774	\$ 170,228	\$ -
U.S. Treasury Securities	763,763	317,313	-	446,450	-
U.S. Agencies	437,634	271	850	16,624	419,889
Corporate Obligations	897,627	75,037	304,098	518,492	-
Pooled equity funds	447,020	447,020	-	-	-
Total	2,942,166	<u>\$ 989,761</u>	<u>\$ 380,722</u>	<u>\$ 1,151,794</u>	<u>\$ 419,889</u>
Investments not sensitive to interest rate risk:					
Common Stock	507,847				
Mutual Funds	<u>1,212,340</u>				
Total Investments	<u>\$4,662,353</u>				

Credit Risk: Generally, credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Firefighters' Pension Fund's investment policy defines fixed income investments as U.S. government or U.S. Government Agency bonds, certificates of deposit, municipal bonds, dollar denominated investment grade corporate bonds, fixed annuities or guarantee investment contracts of any insurance company and commingled trust accounts, which only invest in the above described investment vehicles. Investments made in contracts and agreements of life insurance companies licensed to do business in the State of Illinois shall be rated at least A+ by A.M. Best Company, Aa rated by Moody's, and AA+ rated by Standard & Poor's rating service at the time of purchase. Notwithstanding, the portfolio of the general account of the insurance company shall not invest in more than 10% of the portfolio in real estate and/or more than 10% of the portfolio in bonds with ratings of less than Baa1 by Moody's or BBB+ by Standard & Poor's. Securities issued by the State of Illinois or any county, township, or municipal corporation of the State of Illinois may be held in the portfolio. Issuers that are downgraded to less than investment grade by one of the two largest rating services must be sold.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Per the Firefighters' Pension Fund's investment policy, domestic equity investments shall be defined as investments in preferred or common stocks created or existing under the laws of the United States and are listed on a national securities exchange, board of trade, or are quoted in the National Association of Securities Dealers Automated Quotations System National Market System. Said issuers shall have been in existence for at least five years and have not been in arrears of any payment of dividends on its preferred stock during the preceding five years. Domestic equities shall also be defined as mutual funds managed by an investment company as defined and registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953, have been in operation for at least five years, have total assets of \$250 million or more, and invest in a diversified portfolio of common and preferred stocks, bonds or money market instruments and exchange traded funds that invest in diversified portfolio of domestic equities.

The Firefighters' Pension Fund's investment policy also states that international and real estate securities shall be defined as mutual funds managed by an investment company as defined and registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953, have been in operation for at least five years, have total assets of \$250 million or more, and invest in a diversified portfolio of stocks, bonds, or money market instruments or pooled accounts managed, operated, and administered by a bank, subsidiaries of banks, or subsidiaries of bank holding companies that are invested in a diversified portfolio of stocks, bonds, or money market instruments and exchange traded funds.

None of the Firefighters' Pension Fund's investment holdings for the year ended December 31, 2016 were subject to any of the credit rating requirements noted above.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Firefighters' Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Firefighters' Pension Fund policy that all bank time deposits which exceed FDIC insurance limits shall be collateralized by the institution holding said assets in the amount of 110% of said assets. Collateral shall consist of U.S. Government Treasury Securities and/or U.S. Government Federal Home Loan Bank Agency Securities. Said collateral shall be held by an independent third party custodian.

Concentration of Credit Risk: The investment policy of the Firefighters' Pension Fund contains no limitations on the amount that may be invested in any one issue beyond that stipulated by the Illinois Compiled Statutes Pension Code. Investments in any one issuer that represent 5% or more of the total Firefighters' Pension Fund investments is the U.S. Treasury Inflation Index Note. The following investments are over 5%; U.S. Treasury Inflation Index Note due 7/15/2008. A list of all pension investments is listed below.

The Fund's investments are reported at fair value. The fair value measurements authoritative literature establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted market prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Fund uses the appropriate valuation techniques based on the available inputs because they generally provide the most reliable evidence of fair value. When available, the Fund measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 and Level 2 inputs were not available.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

<u>U.S. Government Securities</u>	<u>Due</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable inputs (Level 2)</u>
Federal Home Loan Mortgage Corp	3/8/2017	\$ 150,120	\$ 150,120	\$ -
FNMA	12/14/2018	24,953	24,953	-
Federal Home Loan Mortgage Corp	1/13/2022	50,821	50,821	-
Fannie Mae	9/6/2024	146,556	146,556	-
FNMA	4/24/2026	23,672	23,672	-
Total U.S. Government Securities		<u>\$ 396,122</u>	<u>\$ 396,122</u>	<u>\$ -</u>
<u>U.S. Treasury</u>				
U.S. Treasury Inflation Index note	7/15/2018	\$ 317,313	\$ 317,313	\$ -
US Treasury Note	5/15/2023	170,478	170,478	-
US Treasury Note	8/15/2024	125,604	125,604	-
US Treasury Note	5/15/2025	49,025	49,025	-
U.S. Treasury Inflation Index note	7/15/2025	101,343	101,343	-
Total U.S. Treasury		<u>\$ 763,763</u>	<u>\$ 763,763</u>	<u>\$ -</u>

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

U.S. Agencies	Due	Fair Value	Quoted Prices in Active Markets for identical assets (Level 1)	Significant Other Observable inputs (Level 2)
Government National Mortgage Assoc.	12/15/2018	\$ 271	\$ -	\$ 271
Government National Mortgage Assoc.	9/15/2020	111	-	111
Government National Mortgage Assoc.	11/15/2020	441	-	441
Government National Mortgage Assoc.	10/20/2021	298	-	298
Government National Mortgage Assoc.	5/20/2023	4,967	-	4,967
Government National Mortgage Assoc.	9/15/2023	49	-	49
Government National Mortgage Assoc.	9/20/2024	76	-	76
Government National Mortgage Assoc.	2/20/2025	1,687	-	1,687
Government National Mortgage Assoc.	4/20/2025	797	-	797
Government National Mortgage Assoc.	8/20/2026	295	-	295
Government National Mortgage Assoc.	1/20/2027	90	-	90
Government National Mortgage Assoc.	8/20/2027	2,859	-	2,859
Government National Mortgage Assoc.	8/20/2027	4,725	-	4,725
Government National Mortgage Assoc.	9/15/2027	1,079	-	1,079
Government National Mortgage Assoc.	1/20/2028	19,578	-	19,578
Government National Mortgage Assoc.	8/20/2028	3,956	-	3,956
Government National Mortgage Assoc.	10/15/2028	3,800	-	3,800
Government National Mortgage Assoc.	1/20/2029	6,386	-	6,386
Government National Mortgage Assoc.	2/15/2030	2,423	-	2,423
Government National Mortgage Assoc.	3/15/2030	3,044	-	3,044
Government National Mortgage Assoc.	7/15/2030	573	-	573
Government National Mortgage Assoc.	10/15/2030	1,049	-	1,049
Government National Mortgage Assoc.	9/15/2031	2,761	-	2,761
Government National Mortgage Assoc.	8/15/2031	1,664	-	1,664
Government National Mortgage Assoc.	11/15/2031	3,895	-	3,895
Government National Mortgage Assoc.	12/15/2031	27,346	-	27,346
Government National Mortgage Assoc.	1/15/2032	9,041	-	9,041
Government National Mortgage Assoc.	2/15/2032	2,403	-	2,403
Government National Mortgage Assoc.	5/15/2032	3,085	-	3,085
Government National Mortgage Assoc.	7/15/2032	2,468	-	2,468
Government National Mortgage Assoc.	8/15/2032	4,016	-	4,016
Government National Mortgage Assoc.	8/20/2032	1,920	-	1,920
Government National Mortgage Assoc.	11/15/2032	5,880	-	5,880
Government National Mortgage Assoc.	11/15/2032	18,844	-	18,844
Government National Mortgage Assoc.	12/15/2032	42,482	-	42,482
Government National Mortgage Assoc.	3/15/2033	29,358	-	29,358
Government National Mortgage Assoc.	6/15/2033	28,904	-	28,904
Government National Mortgage Assoc.	7/15/2033	35,793	-	35,793
Government National Mortgage Assoc.	11/15/2033	8,854	-	8,854
Government National Mortgage Assoc.	12/15/2033	2,411	-	2,411
Government National Mortgage Assoc.	12/15/2033	53,303	-	53,303
Government National Mortgage Assoc.	12/15/2033	21,368	-	21,368
Government National Mortgage Assoc.	1/15/2034	31,919	-	31,919
Government National Mortgage Assoc.	2/15/2035	11,113	-	11,113
Government National Mortgage Assoc.	8/15/2035	9,047	-	9,047
Government National Mortgage Assoc.	3/15/2036	21,205	-	21,205
		<u>\$ 437,634</u>	<u>\$ -</u>	<u>\$ 437,634</u>

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Pooled Equity Funds</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for identical assets (Level 1)</u>	<u>Significant Other Observable inputs (Level 2)</u>
FM EB Gems Fund	\$ 113,090	\$ -	\$ 113,090
FM EB Midcap Equity Fund	167,218	-	167,218
FM EB Small Cap Equity Fund	166,712	-	166,712
Total Pooled Equity Funds	<u>\$ 447,020</u>	<u>\$ -</u>	<u>\$ 447,020</u>
<u>Common Stocks</u>			
PepsiCo	\$ 2,093	\$ 2,093	\$ -
Avery Dennison Corp	4,213	4,213	-
Texas Instruments Inc	2,189	2,189	-
Express Scripts Holding Co	3,440	3,440	-
Cisco Systems	3,324	3,324	-
Microsoft Corp	4,350	4,350	-
JP Morgan Chase	5,695	5,695	-
Aetna Inc New	3,720	3,720	-
Verizon Communications	6,032	6,032	-
Nextera Energy Inc	3,584	3,584	-
Cintas Corp	3,467	3,467	-
Lear Corp	2,647	2,647	-
Anthem Inc	4,744	4,744	-
Allergan PLC	2,100	2,100	-
Alphabet Inc CL A	7,924	7,924	-
Alphabet Inc CA CL C	7,718	7,718	-
Baker Hughes Inc	3,248	3,248	-
Baxter International Inc	7,538	7,538	-
Best Buy Inc	1,707	1,707	-
Biogen Inc	2,836	2,836	-
Bristol Meyers Squibb Co	3,506	3,506	-
CBS Corp New CL B	3,817	3,817	-
Celgene Corp	3,473	3,473	-
Citrix Sys Inc	5,359	5,359	-
Colgate Palmolive Company	4,581	4,581	-
Corning Inc	2,427	2,427	-
Cummins Engine Co Inc	2,733	2,733	-
Digital Rlty Tr Inc REIT	4,913	4,913	-
Fifth Third Bankcorp	3,506	3,506	-
FMC Corp	2,828	2,828	-
Ford Motor Co Del	1,941	1,941	-
GATX Corp	4,926	4,926	-
Hewlett Packard Enterprises Co	3,702	3,702	-
Huntington Ingalls Inds Inc	5,526	5,526	-
Illinois Tool Works Inc.	3,674	3,674	-
Inngersoll-Rand PLC	3,002	3,002	-
Kansas City Southern	3,394	3,394	-
L-3 Communications Holdings Inc	3,042	3,042	-
Lincoln National Corp Ind	7,290	7,290	-
Morgan Stanley	\$ 3,380	\$ 3,380	\$ -

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Common Stocks (Continued)</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for identical assets (Level 1)</u>	<u>Significant Other Observable inputs (Level 2)</u>
AT&T Inc	\$ 2,807	\$ 2,807	\$ -
Nasdaq Inc	2,014	2,014	-
Facebook Inc	10,354	10,354	-
Johnson and Johnson Co	7,258	7,258	-
Amgen Inc	5,848	5,848	-
Prudential Financial Inc	7,284	7,284	-
Exxon Mobile Corp	7,762	7,762	-
Home Depot Inc	6,704	6,704	-
LAM Research Corp	2,115	2,115	-
Kroger Co	6,212	6,212	-
Valero Energy Group Corp	4,099	4,099	-
Sysco Corporation	7,752	7,752	-
Travelers Companies Inc	3,673	3,673	-
Bank of America Corp	4,199	4,199	-
General Electric Corp	6,415	6,415	-
Suntrust Banks Inc	9,324	9,324	-
SPDR S&P 500 ETF Trust	2,235	2,235	-
Ishares Russel 2000	70,796	70,796	-
Apple Computer	11,814	11,814	-
Ishares core S&P midcap ETF	94,574	94,574	-
Navient Corp	1,643	1,643	-
Netflix Com Inc	2,476	2,476	-
Nisource Inc	3,321	3,321	-
Nordstrom Inc	2,397	2,397	-
Nucor Corp	2,381	2,381	-
Nvidia Corp	5,337	5,337	-
Omnicom Group Inc	7,660	7,660	-
Pioneer Nat Res Co	1,801	1,801	-
Quanta Svcs Inc	4,879	4,879	-
Scana Corp	5,862	5,862	-
Select Sector SPDR TR	6,779	6,779	-
Smuckers J M Co	1,281	1,281	-
Symantec Corp	3,822	3,822	-
Tyson Foods	7,402	7,402	-
Ultra Salon Cosmetics & Frag Inc	5,099	5,099	-
US Silica Holdings Inc	2,267	2,267	-
Vanguard REIT	4,127	4,127	-
Xilinx Inc	3,019	3,019	-
Xylem Inc	3,466	3,466	-
	<u>\$ 507,847</u>	<u>\$ 507,847</u>	<u>\$ -</u>

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Mutual Funds</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for identical assets (Level 1)</u>	<u>Significant Other Observable inputs (Level 2)</u>
Fidelity Growth Company Fund #25	\$ 321,853	\$ 321,853	\$ -
Jpmorgan TR I Sml Cap Eq Sel	70,425	70,425	-
MFS Intl Value-I	157,977	157,977	-
MFS Ser TR I Value FD CL I	160,360	160,360	-
Oppenheimer Developing Mkts CL Y	91,163	91,163	-
Vanguard Strategic Equity FD-Inv	48,117	48,117	-
Vanguard Equity Income	69,744	69,744	-
First Eagle Global	62,672	62,672	-
Vanguard 500 Index	230,029	230,029	-
Total Mutual Funds	<u>\$ 1,212,340</u>	<u>\$ 1,212,340</u>	<u>\$ -</u>

NOTE 4. RECEIVABLES

The City levies property tax each calendar year on all taxable real property located in the City. The City must file its tax levy ordinance on or before the last Tuesday in December of each year. Taxes levied in one year become due and payable in two installments, due March 1 and no earlier than August 1 during the following year. The first installment is an estimated bill, and is 55% of the prior year's tax bill. The second installment is based on the current levy, assessment and equalization, and any changes from the prior year will be reflected in the second installment bill. The levy becomes an enforceable lien against the property as of January 1 of the levy year.

Property taxes collected by the City that are due within the current year are recognized as revenue, and net taxes receivable are reflected as deferred revenue.

Based upon collection histories, the City has provided an allowance for uncollectible property taxes of 4% of the current year's levy.

Trade accounts receivable, consisting of amounts due from residents for water, sewer and refuse service, are recorded net of uncollectible amounts, as determined by management. An allowance for uncollectible trade receivables of \$587,664 was recorded as of December 31, 2016.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 5. CAPITAL ASSETS

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

	Balances <u>December 31, 2015</u>	Increases	Decreases	Balances <u>December 31, 2016</u>
Governmental Activities				
Land	\$ 20,289,512	\$ -	\$ -	\$ 20,289,512
Construction in progress	<u>128,554</u>	<u>1,795,950</u>	<u>(128,554)</u>	<u>1,795,950</u>
Total capital assets not being depreciated	<u>20,418,066</u>	<u>1,795,950</u>	<u>(128,554)</u>	<u>22,085,462</u>
Capital assets being depreciated:				
Buildings and land improvements	12,346,436	729,863	-	13,076,299
Infrastructure	16,082,234	1,577,873	-	17,660,107
Equipment	<u>8,357,062</u>	<u>342,161</u>	<u>(182,345)</u>	<u>8,516,878</u>
Total capital assets being depreciated	<u>36,785,732</u>	<u>2,649,897</u>	<u>(182,345)</u>	<u>39,253,284</u>
Less accumulated depreciation for:				
Building and land improvements	7,576,189	343,217	-	7,919,406
Infrastructure	11,455,217	274,351	-	11,729,568
Equipment	<u>7,340,331</u>	<u>287,887</u>	<u>(159,623)</u>	<u>7,468,595</u>
Total accumulated depreciation	<u>26,371,737</u>	<u>905,455</u>	<u>(159,623)</u>	<u>27,117,569</u>
Total capital assets being depreciated, net	<u>10,413,995</u>	<u>1,744,442</u>	<u>(22,722)</u>	<u>12,135,715</u>
Governmental activities, capital assets net	<u>\$ 30,832,061</u>	<u>\$ 3,540,392</u>	<u>\$ (151,276)</u>	<u>\$ 34,221,177</u>

Depreciation expense was charged to functions/programs of the governmental activities of the primary government as follows:

General government	\$ 636,559
Public safety	223,098
Highways and streets	<u>45,798</u>
Total depreciation - Governmental activities	<u>\$ 905,455</u>

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Balances</u> <u>December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>December 31, 2016</u>
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 678,958	\$ -	\$ -	\$ 678,958
Capital assets not being depreciated	<u>678,958</u>	<u>-</u>	<u>-</u>	<u>678,958</u>
Capital assets being depreciated:				
Building and land improvements	4,748,480	139,031	(6,125)	4,881,386
Infrastructure	20,761,241	184,345	-	20,945,586
Equipment	1,507,352	358,030	(119,866)	1,745,516
Capital assets being depreciated	<u>27,017,073</u>	<u>681,406</u>	<u>(125,991)</u>	<u>27,572,488</u>
Less accumulated depreciation for:				
Building and land improvements	2,140,962	99,953	(2,419)	2,238,496
Infrastructure	10,745,991	511,167	-	11,257,158
Equipment	1,237,249	89,601	(119,866)	1,206,984
Total accumulated depreciation	<u>14,124,202</u>	<u>700,721</u>	<u>(122,285)</u>	<u>14,702,638</u>
Capital assets being depreciated, net	<u>12,892,871</u>	<u>(19,315)</u>	<u>(3,706)</u>	<u>12,869,850</u>
Capital assets, net	<u>\$ 13,571,829</u>	<u>\$ (19,315)</u>	<u>\$ (3,706)</u>	<u>\$ 13,548,808</u>

	<u>Balances</u> <u>December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>December 31, 2016</u>
Component Unit				
Capital assets being depreciated:				
Buildings and improvements	\$ 37,490	\$ -	\$ -	\$ 37,490
Equipment	205,949	-	-	205,949
Capital assets being depreciated	<u>243,439</u>	<u>-</u>	<u>-</u>	<u>243,439</u>
Less accumulated depreciation for:				
Building and improvements	9,733	1,250	-	10,983
Equipment	93,529	15,299	-	108,828
Total accumulated depreciation	<u>103,262</u>	<u>16,549</u>	<u>-</u>	<u>119,811</u>
Capital assets being depreciated, net	<u>\$ 140,177</u>	<u>\$ (16,549)</u>	<u>\$ -</u>	<u>\$ 123,628</u>

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due To/From other funds results from the time lag between the dates interfund good or services are provided or reimbursable expenditures occur and when the payment between funds is made. The composition of interfund balances as of December 31, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from other funds:		
General	Golf Course	\$ 3,285,272
General	Special Tax Increment Allocation Fund IV	26,752
General	Special Tax Increment Allocation Fund VI	37,155
Motor Fuel Tax	General	101,525
Special Tax Increment Allocation Fund II	General	5,227,921
Special Tax Increment Allocation Fund III	General	3,655,037
Special Tax Increment Allocation Fund V	General	47,028
General Obligation Bond Fund-Series 2011	General	6,837
Water	Golf Course	99,056
Water	General	340,156
Special Tax Increment Allocation Fund II	Special Tax Increment Allocation Fund III	174,738
General	Special Tax Increment Allocation Fund VII	10,288
		<u>\$ 13,011,765</u>

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Transfers between funds for the year ended December 31, 2016 are as follows:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
Water	General	\$ 113,612
Golf Course	General	91,832
Motor Fuel Fund	General	74,831
CDBG	General	128,405
Special Tax Increment Allocation Fund V	Special Tax Increment Allocation Fund II	1,834,275
		<u>\$ 2,242,955</u>

The transfers from the Special Tax Increment Allocation Fund II to Special Tax Increment Allocation Fund V were made pursuant to Resolution No. 2016-007. The transfers from the Special Tax Increment Allocation Fund II were made to fund expenditures as they became due in Special Tax Increment Allocation Fund V.

NOTE 7. OPERATING LEASE OBLIGATIONS

The City leases various equipment items under the provisions of long-term lease agreements classified as operating leases for accounting purposes. The lease payments for the year ended December 31, 2016 and future scheduled lease payments are not considered material to the financial statements.

NOTE 8. SHORT-TERM DEBT

The City issues tax anticipation warrants to finance operations. Tax anticipation warrants currently outstanding are as follows:

<u>Issue</u>	<u>Fund Debt Retired by</u>	<u>Beginning Balance</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Ending Balance</u>
\$500,000 General Corporate Purposes Tax Anticipation Warrant, series 2016, due in one installment of \$500,000 plus interest 3.25% due September 30, 2017.	General	\$ -	500,000	-	500,000

The City of Blue Island issued a General Corporate Purposes Tax Anticipation Warrant, Series 2015 dated December 9, 2015 for \$500,000 with Beverly Bank and Trust Company, NA. The warrant was paid on August 12, 2016. Interest rate was 3.25% and was due at maturity of the note. The City of Blue Island issued a General Corporate Purposes Tax Anticipation Warrant, Series 2016 dated December 13, 2016 for \$500,000 with Beverly Bank and Trust Company, NA. The warrant is due on or before September 30, 2017. Interest rate is 3.25% and is due at maturity of the note.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 9. LONG-TERM DEBT

General Obligation Bonds – The government issues general obligation bonds to provide funds for the acquisition and construction of major capital expenditures.

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

The annual debt service requirements to maturity are as follows:

Year Ending December 31	General Obligation Bonds		
	Total	Principal	Interest
2017	\$ 735,151	\$ 540,926	\$ 194,225
2018	719,882	559,910	159,972
2019	720,433	579,004	141,429
2020	714,949	593,213	121,736
2021	713,966	612,541	101,425
2022-2026	2,274,148	2,077,015	197,133
2027-2031	260,046	248,354	11,692
2022-2036	49,652	49,198	454
Subtotal	<u>6,188,227</u>	<u>5,260,161</u>	<u>928,066</u>
Less: amount not drawdown*	<u>(794,556)</u>	<u>(794,556)</u>	<u>-</u>
Total	<u>\$ 5,393,671</u>	<u>\$ 4,465,605</u>	<u>\$ 928,066</u>

* Schedule includes amortization based on IFA agreement, but full amount has not been received.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 9. LONG-TERM DEBT (CONTINUED)

<u>Issues</u>	<u>Balances December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances December 31, 2016</u>
2011 General Obligation (Judgment Funding) Bonds, original principal \$1,100,000, semiannual principal of \$55,000 due July 1 and January 1 commencing July 1, 2012 through January 1, 2022; interest payable monthly at a rate equal to the bank rate (variable monthly interest rate).	\$ 770,000	\$ -	\$ 165,000	\$ 605,000
2006 Waterworks and Sewerage Bonds (Alternate Revenue Source), original principal \$4,635,000, annual principal due December 1 at amounts ranging from \$225,000 to \$380,000 through December 1, 2024, interest at 4.25% to 4.75%.	2,870,000	-	265,000	2,605,000
Illinois Environmental Protection Agency Public Water Supply Loan Program: Original principal \$897,560, semiannual payments of \$26,005 including interest of 1.25% due on October 7 and April 7, commencing October 7, 2013.	792,397	-	42,236	750,161
Illinois Finance Authority General Obligation bond (Alternate Revenue Source), maximum principal \$1,300,000. Semiannual interest payments, at a rate of 3.00% are due each June 1 and December 1, commencing June 1, 2017. Annual principal payments are due each December 1, commencing December 1, 2017. Amounts due are determined based on drawdowns.	-	505,444	-	505,444
	<u>\$ 4,432,397</u>	<u>\$ 505,444</u>	<u>\$ 472,236</u>	<u>\$ 4,465,605</u>

The 2006 Waterworks and Sewerage Refunding Bonds, and the Illinois Environmental Protection Agency Water Supply Loan are recorded as liabilities of the Water Fund (a Proprietary Fund).

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 9. LONG-TERM DEBT (CONTINUED)

Noncurrent Liability Summary:

	<u>December 31, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2016</u>	<u>Due within one year</u>
Governmental Activities					
IFA general obligation bond	\$ -	\$ 505,444	\$ -	\$ 505,444	\$ 113,161
General obligation bonds	770,000	-	165,000	605,000	110,000
Tax anticipation warrants	500,000		500,000	-	
Compensated absences	234,721	260,246	234,721	260,246	-
Net pension liability	46,793,565	873,308	1,884,671	45,782,202	-
Post-employment retirement benefits	602,677	622,568	-	1,225,245	-
Subtotal	<u>48,900,963</u>	<u>2,261,566</u>	<u>2,784,392</u>	<u>48,378,137</u>	<u>223,161</u>
Water Fund					
General obligation bonds	2,870,000	-	265,000	2,605,000	275,000
IEPA Loan	792,397	-	42,236	750,161	42,765
Capital lease- streetsweeper	-	185,685	-	185,685	34,895
Compensated absences	24,802	-	2,436	22,366	-
Reoffering premium	46,445	-	4,289	42,156	4,450
Net pension liability	-	613,766	-	613,766	-
Subtotal	<u>3,733,644</u>	<u>799,451</u>	<u>313,961</u>	<u>4,219,134</u>	<u>357,110</u>
Total	<u>\$ 52,634,607</u>	<u>\$ 3,061,017</u>	<u>\$ 3,098,353</u>	<u>\$ 52,597,271</u>	<u>\$ 580,271</u>

NOTE 10. RISK MANAGEMENT

The City is exposed to various risks related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. Property damage losses, with a minor deductible for total replacement value, are insured with a commercial insurance company. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There has been no significant reduction in insurance coverage. Workers' compensation claims continue to be self-funded.

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Grant Programs – The City participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies is not expected to be material.

NOTE 12. TAX INCREMENT REDEVELOPMENT PROJECT

The City has established Tax Increment Financing Districts II, III, IV, V and VI in December 1992, January 1994, September 2007, November 2008, and September 2012, respectively. Tax Increment Financing District VII was established in 2017, but the process to establish this TIF was started at the end of 2016.

A redevelopment plan was adopted to make improvements on certain blighted areas, which will be funded by property taxes attributable to the increase in the equalized assessed valuation of each taxable lot in the Project Area.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 12. TAX INCREMENT REDEVELOPMENT PROJECT (CONTINUED)

The base equalized assessed valuation (EAV), as well as the incremental change equalized assessed valuation for these districts (2016 EAV latest available), is as follows:

		Base EAV		2016 EAV
District II	\$	9,578,727	\$	15,472,117
District III		1,473,597		7,071,139
District IV		4,090,525		2,619,426
District V		11,405,303		15,118,226
District VI		933,560		2,203,758

NOTE 13. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, 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. All funds are held in trust and administered by an outside third party trustee for the exclusive benefit of participants and their beneficiaries. The City is not required to make a contribution to the plan.

NOTE 14. PENSION AND RETIREMENT PLAN COMMITMENTS

The City participates in three contributory retirement plans. Law enforcement officers are covered under the Police Pension Fund (a single-employer plan administered by a separate Police Pension Board of Trustees). Fire sworn personnel are covered under the Firefighters' Pension Fund (a single-employer plan administered by a separate Firefighters' Pension Board of Trustees). The Illinois Municipal Retirement Fund (a statewide plan) covers substantially all full-time employees, except law enforcement officers and firefighters. The City has two plans under the Illinois Municipal Retirement Fund, one for regular employees, and a Sheriff Law Enforcement Personnel ("SLEP") Plan. In addition, the City offers its employees a deferred compensation plan.

NOTE 15. ILLINOIS MUNICIPAL RETIREMENT FUND ("IMRF")

IMRF Plan Description

The City'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 City'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.

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).

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 15. ILLINOIS MUNICIPAL RETIREMENT FUND (“IMRF”)(CONTINUED)

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 pensions 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
- ½ of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2016, the following employees were covered by the benefit terms:

	IMRF	SLEP
Retirees and Beneficiaries currently receiving benefits	114	0
Inactive Plan Members entitled to but not yet receiving benefits	64	1
Active Plan Members	93	0
Total	271	1

Contributions

As set by statute, the City’s Regular (SLEP) Plan Members are required to contribute 4.5% (7.50%) 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 City’s annual contribution rate for calendar year 2016 was 14.70% (13.35%). For calendar year 2016, the City contributed \$600,448 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability benefits are set by IMRF’s Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The City’s net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- 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%.
- The **Investment Rate of Return** was assumed to be 7.50% (7.50%).

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 15. ILLINOIS MUNICIPAL RETIREMENT FUND ("IMRF")(CONTINUED)

- **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 2011-2013.
- The IMRF-specific rates for **Mortality Table** (for non-disabled retirees) was used with a fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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 2012). 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 by the following table:

Asset Class	Portfolio Target Percentage	Return 12/31/16	Projected Returns/Risk	
			One Year Arithmetic	Ten Year Geometric
Equities	38%	7.77%	8.30%	6.85%
International Equities	17%	3.54%	8.45%	6.75%
Fixed Income	27%	4.85%	3.05%	3.00%
Real Estate	8%	8.97%	6.90%	5.75%
Alternative Investments	9%			
Private Equity		N/A	12.45%	7.35%
Hedge Funds		N/A	5.35%	5.25%
Commodities		N/A	4.25%	2.65%
Cash Equivalents	1%	N/A	2.25%	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 3.78% (3.78%), and the resulting single discount rate is 7.50% (7.50%).

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 15. ILLINOIS MUNICIPAL RETIREMENT FUND ("IMRF")(CONTINUED)

Changes in the Net Pension Liability

IMRF	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 26,944,563	\$ 23,622,223	\$ 3,322,340
Changes for the year:			
Service Cost	434,534	-	434,534
Interest on the Total Pension Liability	1,970,691	-	1,970,691
Differences Between Expected and Actual Experience of the Total Pension Liability	(344,654)	-	(344,654)
Changes of Assumptions	(30,866)	-	(30,866)
Contributions- Employer	-	600,448	(600,448)
Contributions- Employee	-	183,811	(183,811)
Net Investment Income	-	1,609,690	(1,609,690)
Benefit Payments, including Refunds of Employee Contribution	(1,701,750)	(1,701,750)	-
Other (Net Transfer)	-	147,811	(147,811)
Net Changes	327,955	840,010	(512,055)
Balances at December 31, 2016	\$ 27,272,518	\$ 24,462,233	\$ 2,810,285

IMRF- SLEP	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 57,326	\$ 112,223	\$ (54,897)
Changes for the year:			
Interest on the Total Pension Liability	4,299	-	4,299
Differences Between Expected and Actual Experience of the Total Pension Liability	1	-	1
Net Investment Income	-	8,069	(8,069)
Other (Net Transfer)	-	230	(230)
Net Changes	4,300	8,299	(3,999)
Balances at December 31, 2016	\$ 61,626	\$ 120,522	\$ (58,896)

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% (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:

IMRF	1% Lower 6.50%	Current Discount 7.50%	1% Higher 8.50%
Total Pension Liability	\$ 30,606,739	\$ 27,272,518	\$ 24,526,550
Plan Fiduciary Net Position	(24,462,233)	(24,462,233)	(24,462,233)
Net Pension Liability	\$ 6,144,506	\$ 2,810,285	\$ 64,317

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 15. ILLINOIS MUNICIPAL RETIREMENT FUND ("IMRF")(CONTINUED)

IMRF- SLEP	1% Lower 6.50%	Current Discount 7.50%	1% Higher 8.50%
Total Pension Liability	\$ 61,626	\$ 61,626	\$ 61,626
Plan Fiduciary Net Position	(120,522)	(120,522)	(120,522)
Net Pension Liability	\$ (58,896)	\$ (58,896)	\$ (58,896)

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

For the year ended December 31, 2016, the City recognized pension expense of \$532,187.

IMRF	
Expense/(Income)	
Service Cost	\$ 434,534
Interest on the Total Pension Liability	1,970,691
Employee Contribution (made negative for addition here)	(183,811)
Projected Earnings on Plan Investments (made negative for addition here)	(1,742,804)
Other Changes in Plan Fiduciary Net Position	(147,811)
Recognition of Outflow (Inflow) of Resources due to Liabilities	(161,062)
Recognition of Outflow (Inflow) of Resources due to Assets	362,450
Total Expense/(Income)	\$ 532,187

For the year ended December 31, 2016, the City recognized SLEP pension expense of (\$2,694).

IMRF - SLEP	
Expense/(Income)	
Interest on the Total Pension Liability	\$ 4,299
Projected Earnings on Plan Investments (made negative for addition here)	(8,425)
Other Changes in Plan Fiduciary Net Position	(230)
Recognition of Outflow (Inflow) of Resources due to Liabilities	1
Recognition of Outflow (Inflow) of Resources due to Assets	1,661
Total Expense/(Income)	\$ (2,694)

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 15. ILLINOIS MUNICIPAL RETIREMENT FUND ("IMRF")(CONTINUED)

At December 31, 2016, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

IMRF	Deferred	Deferred	Net Deferred
Deferred Amounts Related to Pensions	Outflows of	Inflows of	Outflows
	Resources	Resources	(Inflows) of
			Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>			
Differences between expected and actual experience	\$ -	\$ 402,692	\$ (402,692)
Changes of assumptions	15,682	22,910	(7,228)
Net difference between projected and actual earnings on pension plan investment	1,113,972	-	1,113,972
Total Deferred Amounts Related to Pensions	\$ 1,129,654	\$ 425,602	\$ 704,052

IMRF-SLEP	Deferred	Deferred	Net Deferred
Deferred Amounts Related to Pensions	Outflows of	Inflows of	Outflows of
	Resources	Resources	Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>			
Net difference between projected and actual earnings on pension plan investment	\$ 5,054	\$ -	\$ 5,054
Total Deferred Amounts Related to Pensions	\$ 5,054	\$ -	\$ 5,054

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:

IMRF	
Year Ending	Net Deferred Outflow
December 31	of Resources
2017	\$ 201,388
2018	201,388
2019	274,654
2020	26,622
2021	-
Thereafter	-
Total	\$ 704,052

IMRF- SLEP	
Year Ending	Net Deferred Outflow
December 31	of Resources
2017	\$ 1,661
2018	1,661
2019	1,660
2020	72
2021	-
Thereafter	-
Total	\$ 5,054

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 16. POLICE PENSION TRUST FUND

Plan Description

The plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees consists of: Two Members appointed by the City, two active Members of the Police Department elected by the Membership and one retired Member of the Police Department elected by the Membership.

The plan is established and administered as prescribed by "Article 3. Police Pension Fund-Municipalities 500,000 and Under" of the Illinois Pension Code.

Plan Membership as of January 1, 2016:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	34
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	5
Active Plan Members	34
 Total	 73

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Date: Tier 1: Age 50 and 20 years of Credited Service. Tier 2: Age 55 with 10 years of service.

Benefit: Tier 1: 50% of annual salary attached to rank on last day of service plus 2.50% of annual salary for each year of service over 20 years, up to a maximum of 75% of salary. The minimum monthly benefit is \$1,000 per month.

Tier 2: 2.50% per year of service times the average salary for the eight consecutive years prior to retirement times the number of years of service. The maximum benefit is 75% of average salary.

Cost-of-Living Adjustment:

Tier 1 Retirees: An annual increase equal to 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3.00% for each full month since benefit commencement upon reaching age 55.

Tier 2: An annual increase each January 1 equal to 3.00% per year or one-half of the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the original pension after the attainment of age 60 or first anniversary of pension start date whichever is later.

Disability Benefit:

Eligibility: Total and permanent as determined by the Board of Trustees.

Benefit Amount: A maximum of: a.) 65% of salary attached to the rank held by Member on last day of service, and: b.) The monthly retirement pension that the Member is entitled to receive if he or she retired immediately. For non-service connected disabilities, a benefit of 50% of salary attached to rank held by Member on last day of service.

Pre-Retirement Death Benefit:

Service Incurred: 100% of salary attached to rank held by Member on last day of service.

Non-Service Incurred: A maximum of: a) 50% of salary attached to the rank held by Member on last day of service, and b) The monthly retirement pension earned by the deceased Member at the time of death, regardless of whether death occurs before or after age 50. For non-service deaths with less than 10 years of service, a refund of member contributions is provided.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 16. POLICE PENSION TRUST FUND (CONTINUED)

Vesting (Termination):

Less than 10 years: Refund of Member Contributions.

10 or more years: Either the termination benefit, payable upon reaching age 60, provided contributions are not withdrawn, or a refund of member contributions. The termination benefit is 2.50% of annual salary held in the year prior to termination times creditable service.

Contributions

Employee: 9.91% of Salary.

City: Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability over a period ending in 2040.

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of December 31, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	3%
Fixed Income	32%
Domestic Equity Large Caps	52%
Domestic Equity Small Caps	5%
International Developed Foreign	5%
Real Estate	3%
Total	<u>100%</u>

Rate of Return:

For the year ended December 31, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 5.41 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

Net Pension Liability

The measurement date is December 31, 2016.

The measurement period for the pension expense was January 1, 2016 to December 31, 2016.

The reporting period is January 1, 2016 through December 31, 2016.

The Sponsor's Net Pension Liability was measured as of December 31, 2016.

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

The components of the Net Pension Liability of the Sponsor on December 31, 2016 were as follows:

Total Pension Liability	\$ 37,944,152
Plan Fiduciary Net Position	<u>(10,574,883)</u>
Sponsor's Net Pension Liability	<u>\$ 27,369,269</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	27.87%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of January 1, 2016 updated to December 31, 2016 using the following actuarial assumptions:

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 16 POLICE PENSION TRUST FUND (CONTINUED)

Inflation	2.50%
Salary Increases	Graded schedule based on service
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality Rate: RP-2000 Combined Healthy Mortality, projected to the valuation date with Scale BB.
 Disabled Mortality Rate: RP-2000 Disabled Retiree Mortality, projected to the valuation date with Scale BB.

The demographic assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study performed by the State of Illinois Department of Insurance in 2012.

The Long-Term Expected Rate of Return on Pension Plan investments can be 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 expenses and inflation) are developed for each major asset class. For 2016 the inflation rate assumption of the investment advisor was 2.25%. These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	3%	0.00%
Fixed Income	32%	1.50%
Domestic Equity Large Caps	52%	4.75%
Domestic Equity Small Caps	5%	5.00%
International Developed Foreign	5%	5.50%
Real Estate	3%	3.75%
Total	<u>100%</u>	

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.00 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

For purpose of this valuation, the expected rate of return on pension plan investments is 7.00 percent; the municipal bond rate is 3.78 percent (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve); and the resulting single discount rate is 7.00 percent.

	<u>1% Decrease 6.00%</u>	<u>Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Sponsor's Net Pension Liability	\$ 32,714,447	\$ 27,369,269	\$ 22,993,226

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 16. POLICE PENSION TRUST FUND (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance of December 31, 2015	\$ 36,511,923	\$ 10,015,962	\$ 26,495,961
Changes for a Year:			
Service Cost	704,304	-	704,304
Interest	2,545,604	-	2,545,604
Differences between Expected and Actual Experience	(116,773)	-	(116,773)
Contributions - Employer	-	1,451,138	(1,451,138)
Contributions - Employee	-	266,787	(266,787)
Net Investment Income	-	549,978	(549,978)
Benefit Payments, including Refunds of Employee Contributions	(1,700,906)	(1,700,906)	-
Administrative Expenses	-	(38,706)	38,706
Adjustment to Beginning Balance	-	30,630	(30,630)
Net Changes	1,432,229	558,921	873,308
Balance as of December 31, 2016	\$ 37,944,152	\$ 10,574,883	\$ 27,369,269

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

For the year ended December 31, 2016, the Sponsor will recognize a Pension Expense of \$2,463,634. On December 31, 2016, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 93,419
Net difference between Projected and Actual Earnings on Pension Plan investments	526,633	-
Total	\$ 526,633	\$ 93,419

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Year Ended December 31:	
2017	\$ 142,165
2018	142,164
2019	142,164
2020	6,721
2021	-
Thereafter	-
Total	\$ 433,214

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 16. POLICE PENSION TRUST FUND (CONTINUED)

<u>Components of Pensions Expense</u>				
	<u>Net Pension Liability</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Pension Expense</u>
Beginning Balance	\$ 26,495,961	\$ -	\$ 541,772	\$ -
Total Pension Liability Factors:				
Service Cost	704,304	-	-	704,304
Interest	2,545,604	-	-	2,545,604
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(116,773)	116,773	-	-
Current year amortization of experience difference	-	(23,354)	-	(23,354)
Benefit Payments	(1,700,906)	-	-	(1,700,906)
Net Change	<u>1,432,229</u>	<u>93,419</u>	<u>-</u>	<u>1,525,648</u>
Plan Fiduciary Net Position:				
Contributions - Employer	(1,451,138)	-	-	-
Contributions - Employee	(266,787)	-	-	(266,787)
Net Investment Income	(700,358)	-	-	(700,358)
Difference between projected and actual earnings on Pension Plan investments	150,380	-	150,380	-
Current year amortization	-	-	(165,519)	165,519
Benefit Payments	1,700,906	-	-	1,700,906
Administrative Expenses	38,706	-	-	38,706
Adjustment to beginning balance	(30,630)	-	-	-
Net Change	<u>(558,921)</u>	<u>-</u>	<u>(15,139)</u>	<u>937,986</u>
Ending Balance	<u>\$ 27,369,269</u>	<u>\$ 93,419</u>	<u>\$ 526,633</u>	<u>\$ 2,463,634</u>

NOTE 17. FIRE PENSION TRUST FUND

Plan Description:

The plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of: Two Members appointed by the City, two active Members of the Fire Department elected by the Membership and one retired Member of the Fire Department elected by the Membership.

The plan is established and administered as prescribed by "Article 4. Firefighters Pension Fund-Municipalities 500,000 or Under" of the Illinois Pension Code.

Plan Membership as of January 1, 2016:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	26
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	8
Active Plan Members	<u>25</u>
Total	<u><u>59</u></u>

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 17. FIRE PENSION TRUST FUND (CONTINUED)

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Date: Tier 1: Age 50 and 20 years of Credited Service. Tier 2: Age 55 with 10 years of service.

Benefit: Tier 1: 50% of annual salary attached to rank on last day of service plus 2.50% of annual salary for each year of service over 20 years, up to a maximum of 75% of salary. The minimum monthly benefit is \$1,159.27 per month. Tier 2: 2.50% per year of service times the average salary for the eight consecutive years prior to retirement times the number of years of service. The maximum benefit is 75% of average salary.

Cost-of-Living Adjustment:

Tier 1 Retirees: An annual increase equal to 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3.00% for each full month since benefit commencement upon reaching age 55.

Tier 1 Disabled Retirees: An annual increase equal to 3.00% per year of the original benefit beginning at age 60. Those that become disabled prior to age 60 receive an increase of 3.00% of the original benefit amount for each year since benefit commencement upon reaching age 60.

Tier 2: An annual increase each January 1 equal to 3.00% per year or one-half of the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the original pension after the attainment of age 60 or first anniversary of pension start date whichever is later.

Disability Benefit:

Eligibility: Total and permanent as determined by the Board of Trustees. Seven years of service required for non-service connected disability.

Benefit Amount: A maximum of: a.) 65% of salary attached to the rank held by Member on last day of service, and; b.) The monthly retirement pension that the Member is entitled to receive if he or she retired immediately. For non-service connected disabilities, a benefit of 50% of salary attached to rank held by Member on last day of service.

Pre-Retirement Death Benefit:

Service Incurred: 100% of salary attached to rank held by Member on last day of service.

Non-Service Incurred: A maximum of:

- a.) 54% of salary attached to the rank held by Member on last day of service, and;
- b.) The monthly retirement pension earned by the deceased Member at the time of death, regardless of whether death occurs before or after age 50.

Vesting (Termination):

Less than 10 years: Refund of Member Contributions.

10 or more years: Either the termination benefit, payable upon reaching age 60, provided contributions are not withdrawn, or a refund of member contributions. The termination benefit is based on the monthly salary attached to the Member's rank at separation from service. The following schedule applies:

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 17. FIRE PENSION TRUST FUND (CONTINUED)

<u>Service</u>	<u>% of Salary</u>
10	15.0%
11	17.6%
12	20.4%
13	23.4%
14	26.6%
15	30.0%
16	33.6%
17	37.4%
18	41.4%
19	45.6%

Contributions

Employee: 9.455% of Salary.

City: Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability by December 31, 2040.

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of December 31, 2016

Asset Class: N/A

Target Allocation: N/A

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

Rate of Return:

For the year ended December 31, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 5.32 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

Net Pension Liability

The measurement date is December 31, 2016.

The measurement period for the pension expense was January 1, 2016 to December 31, 2016.

The reporting period is January 1, 2016 through December 31, 2016.

The Sponsor's Net Pension Liability was measured as of December 31, 2016.

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 17. FIRE PENSION TRUST FUND (CONTINUED)

The components of the Net Pension Liability of the Sponsor on December 31, 2016 were as follows:

Total Pension Liability	\$ 21,633,512
Plan Fiduciary Net Position	(4,896,633)
Sponsor's Net Pension Liability	<u>\$ 16,736,879</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	22.63%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of January 1, 2016 updated to December 31, 2016 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service based
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality Rate: RP-2000 Combined Healthy Mortality, projected to the valuation date 2015 using Scale BB.

Disabled Mortality Rate: RP-2000 Disabled Retiree, projected to 2015 using Scale BB.

Based on the studies of public safety pension plans, we believe this assumption sufficiently accommodates expected future mortality improvements.

The demographic assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study performed by the State of Illinois Department of Insurance performed in 2012.

The Long-Term Expected Rate of Return on Pension Plan investments was not calculated.

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.00 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

For purpose of this valuation, the expected rate of return on pension plan investments is 7.00 percent; the municipal bond rate is 3.78 percent (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by The Bond Buyer); and the resulting single discount rate is 7.00 percent.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 17. FIRE PENSION TRUST FUND (CONTINUED)

	1 % Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Sponsor's Net Pension Liability	\$ 19,517,729	\$ 16,736,879	\$ 14,448,099

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Reporting Period Ending December 31, 2015	\$ 21,916,518	\$ 4,941,254	\$ 16,975,264
Changes for a Year:			
Service Cost	389,787	-	389,787
Interest	1,517,922	-	1,517,922
Differences between Expected and Actual Experience	(947,307)	-	(947,307)
Contributions - Employer	-	827,078	(827,078)
Contributions - Employee	-	149,420	(149,420)
Net Investment Income	-	260,486	(260,486)
Benefit Payments, including Refunds of Employee Contributions	(1,243,408)	(1,243,408)	-
Administrative Expenses	-	(38,197)	38,197
Net Changes	(283,006)	(44,621)	(238,385)
Reporting Period Ending December 31, 2016	\$ 21,633,512	\$ 4,896,633	\$ 16,736,879

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

For the year ended December 31, 2016, the Sponsor will recognize a Pension Expense of \$1,612,492. On December 31, 2016, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 856,204	\$ 811,978
Net difference between Projected and Actual Earnings on Pension Plan investments	232,429	-
Total	\$ 1,088,633	\$ 811,978

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2016.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 17. FIRE PENSION TRUST FUND (CONTINUED)

Year Ended December 31:	
2017	\$ 151,216
2018	151,217
2019	151,216
2020	93,666
2021	(135,330)
Thereafter	<u>(135,330)</u>
	<u>\$ 276,655</u>

Components of Pension Expense

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	<u>\$ 16,975,264</u>	<u>\$ -</u>	<u>\$ 886,189</u>	<u>\$ -</u>
Prior Period Adjustment	-	-	414,265	-
Total Pension Liability Factors:				
Service Cost	389,787	-	-	389,787
Interest	1,517,922	-	-	1,517,922
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(947,307)	947,307	-	-
Current year amortization of experience difference	-	(135,329)	(214,051)	78,722
Benefit Payments	<u>(1,243,408)</u>	<u>-</u>	<u>-</u>	<u>(1,243,408)</u>
Net change	<u>(283,006)</u>	<u>811,978</u>	<u>200,214</u>	<u>743,023</u>
Plan Fiduciary Net Position:				
Contributions - Employer	(827,078)	-	-	-
Contributions - Employee	(149,420)	-	-	(149,420)
Net Investment Income	(335,209)	-	-	(335,209)
Difference between projected and actual earnings on Pension Plan investments	74,723	-	74,723	-
Current year amortization	-	-	(72,493)	72,493
Benefit Payments	1,243,408	-	-	1,243,408
Administrative Expenses	<u>38,197</u>	<u>-</u>	<u>-</u>	<u>38,197</u>
Net change	<u>44,621</u>	<u>-</u>	<u>2,230</u>	<u>869,469</u>
Ending Balance	<u>\$ 16,736,879</u>	<u>\$ 811,978</u>	<u>\$ 1,088,633</u>	<u>\$ 1,612,492</u>

NOTE 18. POST-EMPLOYMENT RETIREMENT BENEFITS

The City's health insurance plan for retired employees is summarized as follows:

Plan Description. The City's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the City. The Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under one of the City's retirement plans to continue medical coverage as a participant in the City's Plan. The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the City are eligible to receive postemployment health care benefits. Coverage for retirees and their spouses and dependents is provided for life.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 18. POST-EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Under the terms of the Plan, pursuant to City policy and certain contractual agreements, the Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums. Current retirees retiring prior to December 31, 2015, with the exception of two retirees with special arrangements, either contribute \$0 or have a contribution of \$75/ month for any level of coverage (single, employee plus spouse, or family). The City contributes the remainder of the cost. Per City ordinance, future retirees (those retiring on or after December 31, 2015) pay 15% of the active premium for single coverage. All future retirees who cover a spouse pay 100% of the spouse premium.

In future years, contributions are assumed to increase at the same rate as premiums.

Funding Policy. Funding for the retiree health care coverage is provided entirely by the City. The City's contributions are financed on a pay-as-you-go basis.

Annual OPEB Cost and NET OPEB Obligation. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in its net OPEB obligation to the Retiree Health Plan:

ANNUAL OPEB COST AND NET OPEB OBLIGATIONS

	December 31, 2016
Annual required contribution	\$ 1,269,128
Interest on net OPEB obligation	24,107
Adjustment to annual required contribution	(33,512)
Annual OPEB cost	1,259,723
Estimated net contributions made	(637,155)
Increase (decrease) in net OPEB obligation	622,568
Net OPEB obligation at beginning of year	602,677
Net OPEB obligation at end of year	\$ 1,225,245

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for calendar year 2016 is as follows:

THREE-YEAR TREND INFORMATION

Fiscal Year Ending	Annual OPEB Cost	Estimated Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	N/A	N/A	N/A	N/A
12/31/2015	\$ 1,227,459	\$ 624,782	50.9%	\$ 602,677
12/31/2016	\$ 1,269,128	\$ 637,155	50.2%	\$ 1,225,245

N/A- not available

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 18. POST-EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Additional OPEB information:

Unfunded Actuarial Accrued Liability

Actuarial Accrued Liability	\$ 16,331,672
Actuarial Value of Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 16,331,672</u>

Amortization Amount

Amortization Period	30
Amortization Method	Closed
Discount Rate	4.00%
Payroll Growth Rate	0.00%
Total Amortization Amount	\$ 924,353

Development of Annual Required Contribution (ARC)

Normal Cost Component	\$ 344,775
Amortization Component	\$ 924,353
Annual Required Contribution	\$ 1,269,128
As of Percent of Covered Payroll	21.2%

Development of Annual OPEB Cost

Annual Required Contribution	\$ 1,269,128
Net OPEB Obligation, Beginning of Year	\$ 602,677
Discount Rate	4.00%
Interest on Net OPEB Obligation	\$ 24,107
Adjustment to Annual Required Contribution	\$ (33,512)
Annual OPEB Cost	\$ 1,259,723

Funding Status and Funding Progress. As of December 31, 2016, the accrued actuarial liability for benefits was \$16,331,672, all of which was unfunded.

The actuarial valuation involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to constant revision as actual experience is compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Methods and Assumptions. Calculations are based upon the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between the employer and the plan members to that point. Calculations reflect a long-term prospective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 18. POST-EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

The following methods and assumptions were made:

Valuation/Measurement Dates	12/31/2015
Fiscal Year End	31-Dec
Actuarial Value of Assets	Market Value
Mortality Rate	
IMRF	RP-2000 Combined Healthy Mortality Table, projected to the valuation date with Scale AA
Police & Fire	RP-2000 Mortality Table, no projection
Disabled	RP-2000 Disabled Mortality Table, no projection
Interest Rate	4.00% per year, compounded annually, net of investment related expenses
Retirement Rates	Based on plan at time of valuation
Payroll Growth	0.00% per year
Inflation	3.00% per year
Salary Increase	
IMRF	5.50% per year
Police & Fire	Varies by service. Based on plan at time of valuation
Marital Status	80% assumed married, with male spouses 3 years older than female spouses
Health Care Participation	60% participation assumed, with 50% electing spouse coverage
Health Care Inflation	
Pre-Medicare	8.0% in Fiscal 2016, decreasing 0.75% each year to Fiscal 2020, then decreasing 0.5% to the ultimate rate of 4.5% in Fiscal 2021
Post-Medicare	8.0% in Fiscal 2016, decreasing 0.75% each year to Fiscal 2020, then decreasing 0.5% to the ultimate rate of 4.5% in Fiscal 2021
Termination Rates	Based on plan at time of valuation
Disability Rates	IMRF- None Police & Fire- Based on plan at time of valuation
Medical Aging Factors	4% per year prior to age 65; 3% per year between ages 65 and 75; 2% per year between ages 75 and 85; 0% per year thereafter.
Health Claims	Developed using a 50/50 blend of Manual rates and age-adjusted premium rates
Administrative Expenses	\$6,500 annually, added to Normal Cost
Funding Method	Entry Age Cost Method (Level Percentage of Pay)

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 19. REDEVELOPMENT AGREEMENT

The City entered into a redevelopment agreement concerning redevelopment of certain property, MetroSouth Medical Center (MSMC), located in the TIF V District. Under terms of the agreement, the City has agreed to pay or reimburse the Developer for up to \$4,000,000 of redevelopment project costs, as defined in the agreement, payable from incremental property taxes received by the City from real estate taxes paid by the Developer. The City was entitled to receive \$150,000 from the second installment of the 2009 real estate taxes due and payable from the Developer, \$400,000 from the first installment of the 2010 real estate taxes, and \$150,000 from the second installment of the 2011 real estate taxes, and first and second installment of 2012 real estate taxes. The City will remit all taxes received in excess of the above amounts, up to a total reimbursement of \$4,000,000. As of April 30, 2012, the City had reimbursed the Developer \$3,418,925. No additional amounts were reimbursed by the City for the fiscal years ended April 30, 2013 and 2014 and the eight months ended December 31, 2014. After further litigation, the court approved on October 1, 2015 that the City pay a final settlement to MSMC of \$857,191.56 in two installments. The City paid the first installment totaling \$600,000 in October 2015. The final payment of \$257,191.16 was paid in May 2016 along with the interest payment of \$5,536.60.

NOTE 20. NET POSITION – RESTATED

The implementation of GASB 68 resulted in the restatement of beginning net position in the government-wide financial statements due to the allocations to the water and golf funds, as well as to the component unit. In addition, there were several other items that were restated as of December 31, 2015, as detailed below.

Net position at December 31, 2015, as previously reported	\$ 8,986,674
Change in reporting of:	
Refuse Receivable Adjustment	118,053
Water Receivable Adjustment	(540,461)
Sales Tax Adjustment	(256,096)
Property Tax Adjustment	(950,758)
Incorporation of Foreign Fire Tax Fund	34,484
Capitalization of prior year grant exps	594,857
GASB 68 Prior period Adjustment-general fund	694,968
GASB 68 Prior period Adjustment-water fund	(292,252)
GASB 68 Prior period Adjustment-golf fund	(54,797)
Net Position December 31, 2015 (restated)	\$ 8,334,672

NOTE 21. RECENT PRONOUNCEMENTS

Effective for December 31, 2017 and after:

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This provision is effective for fiscal years beginning after June 15, 2016.

CITY OF BLUE ISLAND, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 21. RECENT PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contributions requirements. This provision is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BLUE ISLAND, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2016

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2016	\$ 600,448	\$ 600,448	\$ -	\$ 4,084,680	14.70%
2015	\$ 597,844	\$ 597,843	\$ 1	\$ 4,177,805	14.31%

Valuation Date:

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

Methods and Assumptions Used to Determine 2016 Contribution Rates:

Actuarial Cost Method: Aggregate Entry Age Normal
Amortization Method: Level Percentage of Payroll, Closed
Remaining Amortization Period: Taxing bodies (Regular, SLEP, and ECO groups): 27-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early retirement Incentive Plan liabilities; a period up to 10 years selected by the Employer upon adoption of ERI
Asset Valuation Method: 5-year smoothed market; 20% corridor
Wage Growth: 3.50%
Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases: 3.75% to 14.50%, including inflation
Investment Rate of Return: 7.50%
Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
Mortality: For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (based year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that 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 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes There were no benefit changes during the year.

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

For more information, see Note 15.

CITY OF BLUE ISLAND, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND-SLEP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2016

Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2016	\$ -	\$ -	\$ -	\$ -	0.00%
2015	\$ -	\$ -	\$ -	\$ -	0.00%

Valuation Date:

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

Methods and Assumptions Used to Determine 2016 Contribution Rates:

Actuarial Cost Method: Aggregate Entry Age Normal
Amortization Method: Level Percentage of Payroll, Closed
Remaining Amortization Period: SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 22 years for most employers (two employers were financed over 31 years).
Asset Valuation Method: 5-year smoothed market; 20% corridor
Wage Growth: 3.50%
Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases: 3.75% to 14.50%, including inflation
Investment Rate of Return: 7.50%
Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
Mortality: For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (based year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that 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 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes There were no benefit changes during the year.

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

For more information, see Note 15.

CITY OF BLUE ISLAND, ILLINOIS
POLICE PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2016

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Actuarially Determined Contribution	\$ 1,983,274	\$ 1,828,354
Contributions in Relation to the		
Actuarially Determined Contribution	1,451,138	1,393,531
Contribution Deficiency (Excess)	<u>\$ 532,136</u>	<u>\$ 434,823</u>
Covered-Employee Payroll	\$ 2,692,099	\$ 2,728,224
Contributions as a Percentages of Covered-		
Employee Payroll	53.90%	51.08%

Notes to Schedule of Contributions

Valuation Date:

1/1/2016

Actuarially Determined Contribution rates are calculated as of January 1, one year prior to the end of the year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method	Entry Age Normal Actuarial Cost Method
Amortization Method	100% of the UAAL is amortized according to a Level Percentage of Payroll method over a period ending in 2040.
Mortality Rate	RP-2000 Combined Healthy Mortality, projected to the valuation date with Scale BB.
Disabled Mortality Rate	RP-2000 Disabled Retiree Mortality, projected to the valuation date with Scale BB.
Interest Rate	7.00% per year compounded annually, net of investment related expenses
Retirement Age	See Table on following page. This is based on an experience study performed in 2012.
Disability Rate	See Table on following page. 70% of the disabilities are assumed to be in the line of duty. This is based on an experience study performed in 2012.
Termination Rate	See Table on following page. This is based on an experience study performed in 2012.

Salary Increases

<u>Graded schedule based on service</u>	
<u>Service</u>	<u>Increase</u>
0	11.00%
1	10.00%
2	9.00%
3	8.00%
4	8.00%
5	7.00%
6	6.00%
7	5.50%
8-14	5.00%
15-29	4.50%
30	4.00%

Payroll Growth 4.50% per year

CITY OF BLUE ISLAND, ILLINOIS
POLICE PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS-CONTINUED
DECEMBER 31, 2016

Cost-of-living Adjustments

Tier 1: 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3.00% for each full month since benefit commencement upon reaching age 55.

Tier 2: 1.25% per year after the later of attainment of age 60 or first anniversary of retirement.

Marital Status

80% of Members are assumed to be married

Spouse's Age

Males are assumed to be three years older than females

Actuarial Asset Method

Investment gains and losses are smoothed over a 5-year period

Retirement Age, Disability Rate (70% of the disabilities are assumed to be in the line of duty), and Termination Rate

% Terminating During the Year

<u>Age</u>	<u>Rate</u>
15-24	10.00%
25	7.50%
26-27	6.25%
28-31	5.00%
32-34	4.00%
35-37	3.00%
38-39	2.00%
>=50	3.50%

% Becoming Disabled During the Year

<u>Age</u>	<u>Rate</u>
20-25	0.05%
30	0.22%
35	0.26%
40	0.40%
45	0.65%
50	0.95%
55	1.30%
60	1.65%
65	2.00%

% Retiring During the Year *

<u>Age</u>	<u>Rate</u>
<=49	0.00%
50 - 54	20.00%
55 - 59	25.00%
60 - 62	33.00%
63 - 69	50.00%
>=70	100.00%

Notes to Schedule:

* The retirement rate for Tier 2 Members are the same as for Tier 1 Members shown above except there is a 0% probability of retirement until age 55.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF BLUE ISLAND, ILLINOIS
FIREFIGHTERS PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2016

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>April 30, 2015</u>
Actuarially Determined Contribution	\$ 1,204,671	\$ 730,545	\$ 946,532
Contributions in Relation to the Actuarially Determined Contribution	<u>827,078</u>	<u>414,265</u>	<u>620,292</u>
Contribution Deficiency (Excess)	<u>\$ 377,593</u>	<u>\$ 316,280</u>	<u>\$ 326,240</u>
Covered-Employee Payroll	\$ 1,580,328	\$ 1,592,913	\$ 1,497,091
Contributions as a Percentages of Covered-Employee Payroll	52.34%	26.01%	41.43%

Notes to Schedule of Contributions

Valuation Date: 1/1/2016 5/1/2015 N/A
Actuarially Determined Contribution rates are calculated as of January 1, one year prior to the end of the year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method Entry Age Normal Actuarial Cost Method
Amortization Method 100% of the UAAL is amortized according to a Level Percentage of Payroll method over a period ending in 2040.
Mortality Rate RP-2000 Combined Healthy Mortality, projected to the valuation date with Scale BB.
Disabled Mortality Rate RP-2000 Disabled Retiree Mortality, projected to the valuation date with Scale BB.
Interest Rate 7.00% per year compounded annually, net of investment related expenses
Retirement Age See table following page. This is based on an experience study performed in 2012.
Disability Rate See Table on following page. 90% of the disabilities are assumed to be in the line of duty. This is based on an experience study performed in 2012.
Termination Rate See Table on following page. This is based on an experience study performed in 2012.

Salary Increases	<u>Graded schedule based on service</u>	
	<u>Service</u>	<u>Increase</u>
	0	12.00%
	1	11.00%
	2	10.00%
	3	8.50%
	4	7.50%
	5	6.50%
	6 - 25	5.00%
	26 - 29	4.50%
	30	4.00%

Payroll Growth 4.50% per year

CITY OF BLUE ISLAND, ILLINOIS
FIREFIGHTERS PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS-CONTINUED
DECEMBER 31, 2016

Cost-of-living Adjustments Tier 1: 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3.00% for each full month since benefit commencement upon reaching age 55.
Tier 2: 1.25% per year after the later of attainment of age 60 or first anniversary of retirement.

Marital Status 80% of Members are assumed to be married

Spouse's Age Males are assumed to be three years older than females

Actuarial Asset Method Investment gains and losses are smoothed over a 5-year period

Retirement Age, Disability Rate (70% of the disabilities are assumed to be in the line of duty), and Termination Rate % Terminating During the Year

<u>Age</u>	<u>Rate</u>
20	9.00%
25	5.00%
30	2.50%
35	2.00%
40 - 65	1.00%

% Becoming Disabled During the Year

<u>Age</u>	<u>Rate</u>
20	0.10%
25	0.10%
30	0.20%
35	0.35%
40	0.50%
45	0.65%
50	1.00%
55	1.50%
60	3.00%
65	4.25%

% Retiring During the Year *

<u>Age</u>	<u>Rate</u>
50 - 53	14.00%
54 - 59	20.00%
60 - 62	25.00%
63 - 64	33.00%
65 - 69	50.00%
>=70	100.00%

Notes to Schedule:

* 100% at 30 years of service.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF BLUE ISLAND, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2016

Calendar Year Ended December 31,	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service Cost	\$ 434,534	\$ 444,650
Interest on the Total Pension Liability	1,970,691	1,939,318
Differences Between Expected and Actual Experience of the Total Pension Liability	(344,654)	(290,772)
Changes of Assumptions	(30,866)	31,044
Benefit Payments, including Refunds of Employee Contributions	<u>(1,701,750)</u>	<u>(1,629,851)</u>
Net Change in Total Pension Liability	327,955	494,389
Total Pension Liability - Beginning	<u>26,944,563</u>	<u>26,450,174</u>
Total Pension Liability - Ending (A)	<u><u>\$ 27,272,518</u></u>	<u><u>\$ 26,944,563</u></u>
 Plan Fiduciary Net Position		
Contributions- Employer	\$ 600,448	\$ 597,843
Contributions- Employees	183,811	232,918
Net Investment Income	1,609,690	120,436
Benefit Payments, including Refunds of Employee Contributions	(1,701,750)	(1,629,851)
Other (Net Transfers)	<u>147,811</u>	<u>(185,890)</u>
Net Change in Plan Fiduciary Net Position	840,010	(864,544)
Plan Fiduciary Net Position - Beginning	<u>23,622,223</u>	<u>24,486,767</u>
Plan Fiduciary Net Position - Ending (B)	<u><u>\$ 24,462,233</u></u>	<u><u>\$ 23,622,223</u></u>
 Net Pension Liability - Ending (A) - (B)	<u><u>\$ 2,810,285</u></u>	<u><u>\$ 3,322,340</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.70%	87.67%
 Covered Valuation Payroll	\$ 4,084,680	\$ 4,177,805
 Net Pension Liability as a Percentage of Covered Valuation Payroll	68.80%	79.52%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

For more information, see Note 15.

CITY OF BLUE ISLAND, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND-SLEP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2016

Calendar Year Ended December 31,	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Interest on the Total Pension Liability	\$ 4,299	\$ 3,999
Differences Between Expected and Actual Experience of the Total Pension Liability	<u>1</u>	<u>1</u>
Net Change in Total Pension Liability	4,300	4,000
Total Pension Liability - Beginning	<u>57,326</u>	<u>53,326</u>
Total Pension Liability - Ending (A)	<u><u>\$ 61,626</u></u>	<u><u>\$ 57,326</u></u>
 Plan Fiduciary Net Position		
Net Investment Income	\$ 8,069	\$ 579
Other (Net Transfers)	<u>230</u>	<u>(4,115)</u>
Net Change in Plan Fiduciary Net Position	8,299	(3,536)
Plan Fiduciary Net Position - Beginning	<u>112,223</u>	<u>115,759</u>
Plan Fiduciary Net Position - Ending (B)	<u><u>\$ 120,522</u></u>	<u><u>\$ 112,223</u></u>
 Net Pension Liability - Ending (A) - (B)	<u><u>\$ (58,896)</u></u>	<u><u>\$ (54,897)</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	195.57%	195.76%
 Covered Valuation Payroll	\$ -	\$ -
 Net Pension Liability as a Percentage of Covered Valuation Payroll	0.00%	0.00%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

For more information, see Note 15.

CITY OF BLUE ISLAND, ILLINOIS
POLICE PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2016

Calendar Year Ended December 31,	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service Cost	\$ 704,304	\$ 680,338
Interest on the Total Pension Liability	2,545,604	2,442,326
Differences Between Expected and Actual Experience of the Total Pension Liability	(116,773)	-
Benefit Payments, including Refunds of Employee Contributions	<u>(1,700,906)</u>	<u>(1,641,553)</u>
Net Change in Total Pension Liability	1,432,229	1,481,111
Total Pension Liability - Beginning	<u>36,511,923</u>	<u>35,030,812</u>
Total Pension Liability - Ending (A)	<u><u>\$ 37,944,152</u></u>	<u><u>\$ 36,511,923</u></u>
 Plan Fiduciary Net Position		
Contributions- Employer	\$ 1,451,138	\$ 1,393,531
Contributions- Employees	266,787	272,545
Net Investment Income	549,978	22,529
Benefit Payments, including Refunds of Employee Contributions	(1,700,906)	(1,641,553)
Administrative Expenses	<u>(38,706)</u>	<u>(30,316)</u>
Net Change in Plan Fiduciary Net Position	528,291	16,736
Plan Fiduciary Net Position - Beginning	10,015,962	9,999,226
Adjustment to Beginning Balance	30,630	-
Plan Fiduciary Net Position - Ending (B)	<u><u>\$ 10,574,883</u></u>	<u><u>\$ 10,015,962</u></u>
 Net Pension Liability - Ending (A) - (B)	<u><u>\$ 27,369,269</u></u>	<u><u>\$ 26,495,961</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	27.87%	27.43%
 Covered Valuation Payroll	\$ 2,692,099	\$ 2,728,224
 Net Pension Liability as a Percentage of Covered Valuation Payroll	1016.65%	971.18%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

For more information, see Note 16.

CITY OF BLUE ISLAND, ILLINOIS
FIREFIGHTERS PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2016

Calendar Year Ended December 31,	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service Cost	\$ 389,787	\$ 222,555
Interest on the Total Pension Liability	1,517,922	938,174
Differences Between Expected and Actual Experience of the Total Pension Liability	(947,307)	1,284,305
Benefit Payments, including Refunds of Employee Contributions	<u>(1,243,408)</u>	<u>(819,391)</u>
Net Change in Total Pension Liability	(283,006)	1,625,643
Total Pension Liability - Beginning	21,916,518	20,290,875
Total Pension Liability - Ending (A)	<u><u>\$ 21,633,512</u></u>	<u><u>\$ 21,916,518</u></u>
 Plan Fiduciary Net Position		
Contributions- Employer	\$ 827,078	\$ 414,265
Contributions- Employees	149,420	102,431
Net Investment Income	260,486	(47,070)
Benefit Payments, including Refunds of Employee Contributions	(1,243,408)	(819,391)
Administrative Expenses	<u>(38,197)</u>	<u>(35,437)</u>
Net Change in Plan Fiduciary Net Position	(44,621)	(385,202)
Plan Fiduciary Net Position - Beginning	4,941,254	5,806,684
Receivable Adjustment	-	(480,228)
Plan Fiduciary Net Position - Ending (B)	<u><u>\$ 4,896,633</u></u>	<u><u>\$ 4,941,254</u></u>
 Net Pension Liability - Ending (A) - (B)	<u><u>\$ 16,736,879</u></u>	<u><u>\$ 16,975,264</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.63%	22.55%
 Covered Valuation Payroll	\$ 1,580,328	\$ 1,592,913
 Net Pension Liability as a Percentage of Covered Valuation Payroll	1059.08%	1065.67%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

For more information, see Note 17.

CITY OF BLUE ISLAND, ILLINOIS
POLICE PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
DECEMBER 31, 2016

Last 10 Fiscal Years

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Annual money-weighted rate of return, Net of investment expenses	5.41%	N/A

N/A- Not Available

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF BLUE ISLAND, ILLINOIS
FIRE PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
DECEMBER 31, 2016

Last 10 Fiscal Years

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>April 30, 2015</u>
Annual money-weighted rate of return, Net of investment expenses	5.32%	N/A	N/A

N/A- Not Available

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF BLUE ISLAND, ILLINOIS
POST-EMPLOYMENT RETIREMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2016

Fiscal Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b- a)/c)
2016	12/31/2015	\$ -	\$ 16,331,672	\$ 16,331,672	0.00%	\$5,985,522	272.9%
2015	12/31/2015	\$ -	\$ 15,984,027	\$ 15,984,027	0.00%	\$5,985,522	267.0%

For information regarding contribution percentage rates, assumptions and amortization method, see Note 18.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 1 of 15

	Original and Final Budget	Actual
REVENUES		
Property taxes	\$ 3,560,000	\$ 3,530,381
Personal property replacement tax	300,000	238,234
Other taxes:		
State income and use	2,850,000	2,639,346
Utility taxes	1,250,000	1,114,911
State sales tax	1,315,000	1,348,423
Video gaming tax	160,000	189,377
Total taxes	9,435,000	9,060,672
Licenses:		
Vehicle	650,000	623,216
Liquor	12,000	180
Business	70,000	96,521
Contractors	30,000	32,100
Animal	100	320
Building & housing inspections	60,000	80,950
Elevator inspections	6,000	9,856
Total licenses	828,100	843,143
Permits:		
Building	200,000	273,537
Electrical	16,000	18,515
Other	86,750	65,593
Total permits	302,750	357,645
Fines:		
Police	557,000	767,140
Building violations	30,000	52,075
Compliance court	15,000	1,939
Total fines	602,000	821,154
Grants	1,210,000	246,324
Interest	\$ 1,500	\$ 4,885

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 2 of 15

REVENUES (Continued)	<u>Original and Final Budget</u>	<u>Actual</u>
Other:		
Ambulance user fees	\$ 450,000	\$ 501,400
City parking lots	93,000	62,997
Insurance reimbursements	282,500	1,800
Maintenance of state roads and traffic signals	100,000	81,271
Towing fees	130,000	136,750
Engineering	15,000	10,513
Alarm security fees	8,000	8,415
Miscellaneous	127,000	49,835
Reimbursements	51,200	76,631
Rent/lease/sale property	81,250	80,593
Motor fuel tax reimbursement	550,000	558,595
Sanitation and recycling fees	1,410,500	1,504,918
Television franchise fees	180,000	197,718
Telephone franchise fees	94,500	81,407
Telephone surcharges-911 system	160,000	194,758
User fees-911 system	588,276	437,153
Vital statistics	35,000	36,090
Total other	<u>4,356,226</u>	<u>4,020,844</u>
Total revenues	<u>\$ 16,735,576</u>	<u>\$ 15,354,667</u>

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 3 of 15

	Original and Final Budget	Actual
EXPENDITURES		
General Government:		
Salaries and benefits:		
Mayor's office:		
Full-time salaries	\$ 51,125	\$ 51,156
Part-time salaries	30,000	30,162
Finance:		
Full-time salaries	244,000	184,542
Part-time salaries	7,000	7,038
Overtime salaries	10,000	1,431
Clerk's office:		
Full-time salaries	79,500	30,678
Part-time salaries	-	48,981
General Government:		
Full-time salaries	222,500	162,465
Part-time salaries	30,000	27,889
Aldermen salaries	36,400	36,596
Illinois Municipal Retirement Fund	98,800	74,624
Payroll taxes-FICA and Medicare	54,505	43,190
Unemployment insurance	30,000	654
Total salaries and benefits	893,830	699,406
Services:		
Professional fees	90,000	90,510
Computers and software	115,310	111,317
Expenses of City officials	61,200	61,250
Legal	450,000	732,254
Other	6,000	4,375
Professional consulting and engineering	160,000	239,232
Telephone	116,000	125,126
Utilities-gas	3,500	298
Training	100	128
Total services	1,002,110	1,364,490
Supplies and materials:		
Board up expense	10,000	28,955
Maintenance supplies	4,000	4,315
Operating supplies	500	-
Printing, postage, and office supplies	13,400	12,048
Small equipment	2,000	-
Vehicle sticker program	12,500	13,641
Total supplies and materials	\$ 42,400	\$ 58,959

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 4 of 15

	Original and Final Budget	Actual
EXPENDITURES (Continued)		
General Government (Continued)		
Repairs and maintenance:		
Building	\$ 15,000	\$ 8,500
Equipment	17,150	9,911
Lot/property maintenance	50,000	20,337
Outside contractors	1,000	-
Total repairs and maintenance	83,150	38,748
Miscellaneous:		
Advertising and marketing	1,500	-
Bank service charges	12,000	14,206
Bond principal	146,500	-
Tax Anticipation Warrant principal	500,000	-
Dues and subscriptions	40,200	45,247
Employee/office services	1,400	1,017
Interest expense-tax anticipation warrants	42,250	10,868
Legal notices	2,250	3,657
Library personal property replacement taxes	58,000	50,883
Licenses and payroll service fees	81,100	90,447
Meetings and seminars	8,350	2,517
Rental and leasing	1,450	1,925
Other	2,000	94,947
Travel/transportation	4,600	3,440
Grant pass through expenditures	25,000	4,792
Total miscellaneous	926,600	323,946
Capital expenditures	-	11,756
Total general government	2,948,090	2,497,305
Building Department		
Salaries and benefits:		
Full-time salaries	35,000	34,721
Part-time salaries	170,000	126,724
Illinois Municipal Retirement Fund	30,200	17,722
Payroll taxes-FICA and Medicare	15,750	12,093
Total salaries and benefits	\$ 250,950	\$ 191,260

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 5 of 15

	Original and Final Budget	Actual
EXPENDITURES (Continued)		
Building Department (Continued)		
Services:		
Computers and software	\$ 3,250	\$ 2,857
Professional consulting and engineering	48,750	30,884
Training	2,500	330
Total services	54,500	34,071
Supplies and materials:		
Gasoline and oil for vehicles	4,500	2,764
Maintenance supplies	150	-
Operating supplies	400	-
Printing, postage, and office supplies	8,300	7,632
Uniforms	650	-
Total supplies and materials	14,000	10,396
Repairs and maintenance:		
Elevator inspections	6,500	4,675
Equipment	13,550	9,221
Vehicle	2,850	1,795
Total repairs and maintenance	22,900	15,691
Miscellaneous:		
Dues and subscriptions	1,430	710
Meetings and seminars	1,000	75
Travel/transportation	100	-
Grant pass through exp	15,000	18,123
Total miscellaneous	17,530	18,908
 Total building department	 \$ 359,880	 \$ 270,326

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 6 of 15

EXPENDITURES (Continued)	<u>Original and Final Budget</u>	<u>Actual</u>
Planning Department		
Salaries and benefits:		
Full-time salaries	\$ 61,500	\$ 63,574
Illinois Municipal Retirement Fund	8,800	9,301
Payroll taxes-FICA and Medicare	4,750	4,840
Total salaries and benefits	<u>75,050</u>	<u>77,715</u>
Services:		
Computers and software	450	351
Other contractual services	250	-
Professional consulting and engineering	68,750	24,958
Training	450	450
Total services	<u>69,900</u>	<u>25,759</u>
Supplies and materials:		
Printing, postage, and office supplies	1,600	918
Total supplies and materials	<u>1,600</u>	<u>918</u>
Miscellaneous:		
Dues and subscriptions	1,876	1,707
Meetings and seminars	4,350	2,085
Legal notices	2,500	364
Pass through grant expenditures	250,000	24,625
Travel/transportation	1,250	900
Total miscellaneous	<u>259,976</u>	<u>29,681</u>
Total planning department	<u>\$ 406,526</u>	<u>\$ 134,073</u>

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 7 of 15

	Original and Final Budget	Actual
EXPENDITURES (Continued)		
Police Department		
Salaries and benefits:		
Officers:		
Full-time salaries	\$ 2,790,000	\$ 2,801,669
Overtime salaries	225,000	203,451
Records and desk clerks		
Full-time salaries	315,000	296,639
Part-time salaries	25,000	40,355
Overtime salaries	500	271
Part-time police	150,000	91,543
Illinois Municipal Retirement Fund-police clerks	50,000	44,345
Payroll taxes-FICA and Medicare	87,050	78,520
Illinois Municipal Retirement Fund	13,250	13,230
Total salaries and benefits	3,655,800	3,570,023
Services:		
Animal care	4,800	5,300
Computers and software	27,500	27,917
Legal Fees	22,000	17,073
Prisoner care	4,000	3,252
Professional consulting	5,000	6,750
Telephone	12,000	10,073
Training	15,000	16,062
Utilities	1,200	85
Total services	91,500	86,512
Supplies and materials:		
Ammunition/guns	5,000	3,258
Gasoline and oil for vehicles	100,000	74,722
Maintenance supplies	3,200	3,724
Operating supplies	1,100	1,808
Printing, postage, and office supplies	22,500	27,386
Radios/radio equipment	4,000	129
Small equipment	4,500	-
Tools Expense	500	500
Uniforms	33,000	37,273
Total supplies and materials	\$ 173,800	\$ 148,800

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 8 of 15

	Original and Final Budget	Actual
EXPENDITURES (Continued)		
Police Department (Continued)		
Repairs and maintenance:		
Building	\$ 15,000	\$ 9,272
Equipment	86,500	68,554
Vehicle	22,500	28,840
Total repairs and maintenance	124,000	106,666
Miscellaneous:		
Community promotions	500	736
Dues and subscriptions	3,000	2,770
Licenses/fees	6,000	9,188
Meetings and seminars	700	1,188
Travel/transportation	500	2,785
Grant pass through expenditures	-	575
Total miscellaneous	10,700	17,242
Capital expenditures	35,000	-
Total police department	4,090,800	3,929,243
9-1-1 Department		
Salaries and benefits:		
Full-time salaries	680,000	630,320
Part-time salaries	50,000	90,691
Overtime salaries	100,000	111,824
Illinois Municipal Retirement Fund	120,500	119,484
Payroll taxes-FICA and Medicare	62,750	61,225
Total salaries and benefits	1,013,250	1,013,544
Services:		
Computers and software	2,500	1,918
Equipment maintenance contracts	49,000	48,152
Telephone	130,000	122,255
Training	6,500	6,799
Utilities	1,080	1,006
Total services	\$ 189,080	\$ 180,130

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 9 of 15

	Original and Final Budget	Actual
EXPENDITURES (Continued)		
9-1-1 Department (Continued)		
Supplies and materials:		
Maintenance supplies	\$ 2,500	\$ 1,063
Office equipment	15,000	-
Printing, postage, and office supplies	600	806
Radios and other equipment	500	-
Uniforms	9,100	9,050
Total supplies and materials	27,700	10,919
Repairs and maintenance:		
Building	5,000	3,648
Equipment	2,600	1,901
Total repairs and maintenance	7,600	5,549
Miscellaneous:		
Dues and subscriptions	260	-
Travel/transportation	100	-
Total miscellaneous	360	-
Capital expenditures	800	15,217
Total 9-1-1 department	1,238,790	1,225,359
Fire Department		
Salaries and benefits:		
Full-time salaries	1,505,000	1,665,523
Overtime salaries	60,000	50,405
Illinois Municipal Retirement Fund	5,750	5,683
Payroll taxes-FICA and Medicare	23,930	24,980
Total salaries and benefits	\$ 1,594,680	\$ 1,746,591

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 10 of 15

	Original and Final Budget	Actual
EXPENDITURES (Continued)		
Fire Department (Continued)		
Services:		
Ambulance processing fee	\$ 50,000	\$ 53,773
Computers and software	3,500	3,174
Other contractual services	1,750	-
Professional consulting	5,500	4,750
Telephone	1,000	892
Training	6,000	262
Total services	67,750	62,851
Supplies and materials:		
Gasoline and oil for vehicles	6,000	2,886
Maintenance supplies	4,000	4,315
Operating supplies	3,500	2,643
Printing, postage, and office supplies	1,850	1,912
Small equipment	34,350	17,813
Uniforms	26,000	23,116
Utilities	1,200	1,153
Total supplies and materials	76,900	53,838
Repairs and maintenance:		
Building	4,000	12,238
Equipment	9,000	8,007
Vehicle	40,250	31,165
Total repairs and maintenance	53,250	51,410
Miscellaneous:		
Community promotions	750	-
Dues and subscriptions	4,650	4,640
Employee/office services	500	-
Licenses/fees	400	109
Meetings and seminars	1,000	-
Physical exams	3,200	5,145
Rentals and leasing fees	900	682
Travel/transportation	250	-
State/federal grant match	13,000	-
Grant pass through expenditures	120,000	10
Total miscellaneous	\$ 144,650	\$ 10,586

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 11 of 15

	Original and Final Budget	Actual
EXPENDITURES (Continued)		
Fire Department (Continued)		
Capital expenditures	\$ 135,000	\$ 132,284
Total fire department	2,072,230	2,057,560
Public Works Department		
Salaries and benefits:		
Full-time salaries	476,500	431,998
Part-time salaries	45,000	29,907
Overtime salaries	42,000	25,749
Illinois Municipal Retirement Fund	83,000	69,295
Payroll taxes-FICA and Medicare	43,200	33,407
Total salaries and benefits	689,700	590,356
Services:		
Computers and software	500	3,017
Engineering	35,000	45,632
Garbage and recycling	1,317,000	1,407,845
Snow removal	22,000	-
Telephone	500	-
Training	1,000	-
Utilities	262,825	288,499
Total services	1,638,825	1,744,993
Supplies and materials:		
Building and street signs	8,000	7,727
Concrete/asphalt/stone	20,000	23,401
Gasoline and oil for vehicles	50,000	32,279
Maintenance supplies	25,000	19,062
Printing, postage, and office supplies	950	880
Small equipment	10,300	6,344
Tool expense	1,000	612
Total supplies and materials	\$ 115,250	\$ 90,305

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 12 of 15

	Original and Final Budget	Actual
EXPENDITURES (Continued)		
Public Works Department (Continued)		
Repairs and maintenance:		
Building	\$ 10,000	\$ 1,504
Equipment	28,600	10,257
Equipment rental	500	442
Parking lot maintenance	10,000	6,575
Outside contractors	500	495
Street lighting system	20,000	14,701
Traffic signals	5,000	3,021
Tree program	75,000	66,992
Vehicle	37,500	17,940
Total repairs and maintenance	187,100	121,927
Miscellaneous:		
Dues and subscriptions	50	15
Employee/office services	700	577
Licenses/fees	100	60
Meetings and seminars	300	148
Travel/transportation	100	58
Pass through grant expenditures	250,000	21,526
Total miscellaneous	251,250	22,384
Capital expenditures:		
Machinery and equipment	30,000	25,170
Vehicles	185,000	157,734
Total capital expenditures	215,000	182,904
Total public works department	\$ 3,097,125	\$ 2,752,869

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 13 of 15

	Original and Final Budget	Actual
EXPENDITURES (Continued)		
Insurance Department		
Employee insurance benefits:		
Employee medical insurance	\$ 1,950,000	\$ 1,629,617
Life/unemployment insurance	8,000	10,682
Total employee insurance benefits	1,958,000	1,640,299
Services:		
Auto/property damage claims	25,000	28,740
Insurance-buildings/vehicles	70,000	62,720
Insurance fees	45,000	13,527
Liability claim expense	150,000	55,993
Personal injury claims	593,000	18,521
Workers compensation disability medical claims	285,000	177,124
Total services	1,168,000	356,625
Total insurance department	3,126,000	1,996,924
Civil Service Commission		
Professional consulting	500	600
Personnel hiring/exams	30,000	19,895
Legal fees	30,000	7,446
Legal notices	1,000	-
Total civil service commission	\$ 61,500	\$ 27,941

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 14 of 15

	Original and Final Budget	Actual
EXPENDITURES (Continued)		
Marketing Department		
Salaries and benefits:		
Full-time salaries	\$ 50,000	\$ -
Part-time salaries	27,000	22,108
Illinois Municipal Retirement Fund	11,500	3,237
Payroll taxes-FICA and Medicare	6,050	1,684
Total salaries and benefits	94,550	27,029
Services:		
Computers and software	8,000	-
Insurance	17,500	-
Total services	25,500	-
Supplies and materials:		
Printing, postage, and office supplies	3,800	8,986
Total supplies and materials	3,800	8,986
Miscellaneous:		
Advertising and marketing	2,000	790
Community promotions	37,500	51,295
Meetings and seminars	250	188
Pass through grant expenditures	500,000	-
State/federal grant match	50,000	-
Total miscellaneous	589,750	52,273
Capital expenditures	32,000	213,893
Total marketing department	745,600	302,181
Total expenditures	18,146,541	15,193,781
Excess (deficiency) of revenues over (under) expenditures	\$ (1,410,965)	\$ 160,886

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Page 15 of 15

	Original and Final Budget	Actual
OTHER FINANCING SOURCES (USES)		
Tax anticipation warrant proceeds	\$ 500,000	\$ -
Bond proceeds	375,000	505,444
Transfers out	-	(408,680)
Net other financing sources (uses)	875,000	96,764
Net change in fund balance	\$ (535,965)	257,650
Fund balance at beginning of year (deficit)		(2,754,733)
Prior period adjustments		(1,124,308)
Fund balance at end of year (deficit)		\$ (3,621,391)

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULE –GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- The Appropriation Ordinance is prepared in tentative form by the Finance Director, reviewed and approved by the City Aldermen, and is made available for public inspection at least ten days prior to final Board action. A public hearing is held on the tentative Appropriation Ordinance to obtain taxpayer comments.
- Prior to April 1, the appropriation is legally enacted through the passage of an Appropriation Ordinance. All actual expenditures contained herein have been compared to the annual appropriation. The City Council passed the appropriation ordinance on March 8, 2016.
- The City Aldermen may:
 - By two-thirds vote transfer within any department amounts appropriated for an object or purpose to another object or purpose. No object or purpose can be reduced below an amount sufficient to provide for all obligations incurred or to be incurred against the appropriation.
 - Adopt a supplemental Appropriation Ordinance in an amount not to exceed any additional revenue available, including unappropriated fund balances, or amounts estimated to be received after adoption of the annual Appropriation Ordinance.
- No other appropriation can be adopted during the fiscal year, unless approved by a petition signed by fifty (50) percent of the number of individuals who voted for Mayor at the last general municipal election, or by a majority of individuals voting on the question in a regular general election or an emergency referendum.
- Management cannot amend the Appropriation Ordinance. However, expenditures may exceed appropriations at the sub-object level. The City Aldermen, as outlined above, must approve expenditures that exceed individual appropriations at the object level.

For the year ended December 31, 2016, there were no supplemental appropriations.

SUPPLEMENTAL INFORMATION

CITY OF BLUE ISLAND, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	Governmental Fund Types			
	Special Revenue Funds	General Obligation Bond Fund Series 2011	Capital Projects - CDBG Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 890,597	\$ -	\$ 200,116	\$ 1,090,713
Receivables:				
Property taxes-net	2,584,119	290,007	-	2,874,126
Other	261,050	-	-	261,050
Due from other funds	101,525	6,837	-	108,362
Prepaid items	5,184	-	-	5,184
Total assets	<u>\$ 3,842,475</u>	<u>\$ 296,844</u>	<u>\$ 200,116</u>	<u>\$ 4,339,435</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 214,034	\$ -	\$ 216,340	\$ 430,374
Due to other funds	74,195	-	-	74,195
Due to other government units	160,382	-	-	160,382
Total liabilities	<u>448,611</u>	<u>-</u>	<u>216,340</u>	<u>664,951</u>
Deferred Inflows of Resources:				
Property taxes	2,584,119	290,007	-	2,874,126
Special revenue fund	53,000	-	-	53,000
Total deferred inflows of resources	<u>2,637,119</u>	<u>290,007</u>	<u>-</u>	<u>2,927,126</u>
Fund Balance:				
Nonspendable	5,184	-	-	5,184
Restricted for public safety-grants	177,909	-	-	177,909
Restricted under statutes	640,618	-	-	640,618
Restricted for debt service	-	6,837	-	6,837
Unassigned	(66,966)	-	(16,224)	(83,190)
Total fund balance	<u>756,745</u>	<u>6,837</u>	<u>(16,224)</u>	<u>747,358</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,842,475</u>	<u>\$ 296,844</u>	<u>\$ 200,116</u>	<u>\$ 4,339,435</u>

CITY OF BLUE ISLAND, ILLINOIS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Governmental Fund Types			Total Nonmajor Governmental Funds
	Special Revenue Funds	General Obligation Bond Fund Series 2011	Capital Projects - CDBG Fund	
REVENUES				
Property taxes-net	\$ 2,258,364	\$ 122,611	\$ -	\$ 2,380,975
Personal property and replacement taxes	42,266	-	-	42,266
State allotments	603,570	-	-	603,570
Grants	-	-	484,975	484,975
Interest	612	-	7	619
Forfeiture income	29,284	-	-	29,284
Other	634,943	-	-	634,943
Total revenues	<u>3,569,039</u>	<u>122,611</u>	<u>484,982</u>	<u>4,176,632</u>
EXPENDITURES				
Current:				
General government	71,611	-	-	71,611
Pension contributions	2,276,209	-	-	2,276,209
Street maintenance	784,776	-	414,720	1,199,496
Debt service:				
Principal	-	165,000	-	165,000
Interest	-	30,865	-	30,865
Capital outlay	502,345	-	215,000	717,345
Total expenditures	<u>3,634,941</u>	<u>195,865</u>	<u>629,720</u>	<u>4,460,526</u>
Excess (deficiency) of revenues over expenditures before other sources	<u>(65,902)</u>	<u>(73,254)</u>	<u>(144,738)</u>	<u>(283,894)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	74,831	-	128,405	203,236
Net changes in fund balance	8,929	(73,254)	(16,333)	(80,658)
Fund balances at beginning of year (deficit)	1,172,950	84,966	109	1,258,025
Prior period adjustments	(425,134)	(4,875)	-	(430,009)
Fund balances at end of year	<u>\$ 756,745</u>	<u>\$ 6,837</u>	<u>\$ (16,224)</u>	<u>\$ 747,358</u>

CITY OF BLUE ISLAND, ILLINOIS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	Business District	Motor Fuel Tax Fund	Special Revenue Allocation Fund IV	Special Revenue Allocation Fund VI	Special Revenue Allocation Fund VII	Foreign Fire Tax Fund	State Asset Seizure Funds	Federal Asset Seizure Fund	Police Pension Fund	Firefighters' Pension Fund	Total
ASSETS											
Cash and investments	\$ 385,904	\$ 144,723	\$ 21,679	\$ -	\$ -	\$ 41,211	\$ 249,589	\$ 47,491	\$ -	\$ -	\$ 890,597
Receivables:											
Property taxes-net	-	-	-	-	-	-	-	-	1,609,064	975,055	2,584,119
Grants	-	-	-	-	-	-	-	-	-	-	-
Other	162,547	56,237	-	-	-	-	-	-	23,588	18,678	261,050
Due from other funds	-	101,525	-	-	-	-	-	-	-	-	101,525
Prepaid items	-	-	-	-	-	-	-	5,184	-	-	5,184.00
Total assets	\$ 548,451	\$ 302,485	\$ 21,679	\$ -	\$ -	\$ 41,211	\$ 249,589	\$ 52,675	\$ 1,632,652	\$ 993,733	\$ 3,842,475
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE											
Liabilities:											
Accounts payable	\$ 43,528	\$ 113,790	\$ -	\$ -	\$ 14,450	\$ -	\$ -	\$ -	\$ 23,588	\$ 18,678	\$ 214,034
Due to other funds	-	-	26,752	37,155	10,288	-	-	-	-	-	74,195
Due to other government units	-	-	-	-	-	-	160,382	-	-	-	160,382
Total liabilities	43,528	113,790	26,752	37,155	24,738	-	160,382	-	23,588	18,678	448,611
Deferred Inflows of Resources											
Property taxes	53,000	-	-	-	-	-	-	-	1,609,064	975,055	2,584,119
Other	53,000	-	-	-	-	-	-	-	1,609,064	975,055	53,000
Total deferred inflows of resources	106,000	-	-	-	-	-	-	-	3,218,128	1,950,110	2,637,119
Fund Balance											
Nonspendable	-	-	-	-	-	-	-	5,184	-	-	5,184
Restricted for public safety	-	-	-	-	-	41,211	89,207	47,491	-	-	177,909
Restricted under statutes	451,923	188,695	-	-	-	-	-	-	-	-	640,618
Unassigned	-	-	(5,073)	(37,155)	(24,738)	-	-	-	-	-	(66,966)
Total fund balance	451,923	188,695	(5,073)	(37,155)	(24,738)	41,211	89,207	52,675	-	-	756,745
Total liabilities, deferred inflows of resources and fund balances	\$ 548,451	\$ 302,485	\$ 21,679	\$ -	\$ -	\$ 41,211	\$ 249,589	\$ 52,675	\$ 1,632,652	\$ 993,733	\$ 3,842,475

CITY OF BLUE ISLAND, ILLINOIS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business District	Motor Fuel Tax Fund	Special Tax Increment Allocation Fund IV	Special Tax Increment Allocation Fund VI	Special Revenue Allocation Fund VII	Foreign Fire Tax Fund	State Asset Seizure Funds	Federal Asset Seizure Fund	Police Pension Fund	Firefighters' Pension Fund	Total
REVENUES											
Property taxes-net	\$ -	\$ -	\$ 24,421	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,426,135	\$ 807,808	\$ 2,258,364
Personal property and replacement taxes	-	-	-	-	-	-	-	-	23,588	18,678	42,266
State allotments	-	603,570	-	-	-	-	-	-	-	-	603,570
Interest	-	550	40	-	-	-	26	16	-	-	612
Forfeiture income	-	-	-	-	-	-	29,085	199	-	-	29,284
Other	605,249	-	-	-	-	29,694	-	-	-	-	634,943
Total revenues	605,249	604,100	24,461	-	-	29,694	29,111	215	1,449,723	826,486	3,569,039
EXPENDITURES											
Current:											
General government	12,400	-	4,010	-	24,738	22,967	-	7,496	-	-	71,611
Pension contribution	-	-	-	-	-	-	-	-	1,449,723	826,486	2,276,209
Street maintenance	-	784,776	-	-	-	-	-	-	-	-	784,776
Capital outlay	360,384	141,961	-	-	-	-	-	-	-	-	502,345
Total expenditures	372,784	926,737	4,010	-	24,738	22,967	-	7,496	1,449,723	826,486	3,634,941
Revenues over (under) expenditures before other financing sources	232,465	(322,637)	20,451	-	(24,738)	6,727	29,111	(7,281)	-	-	(65,902)
Other financing sources	-	74,831	-	-	-	-	-	-	-	-	74,831
Transfer in	-	-	-	-	-	-	-	-	-	-	-
Net changes in fund balance (deficit)	232,465	(247,806)	20,451	-	(24,738)	6,727	29,111	(7,281)	-	-	8,929
Fund balances at beginning of year (deficit)	219,458	436,501	(25,524)	(37,155)	-	-	60,096	59,956	299,360	160,258	1,172,950
Prior period adjustments	-	-	-	-	-	34,484	-	-	(299,360)	(160,258)	(425,134)
Fund balances at end of year (deficit)	\$ 451,923	\$ 188,695	\$ (5,073)	\$ (37,155)	\$ (24,738)	\$ 41,211	\$ 89,207	\$ 52,675	\$ -	\$ -	\$ 736,745

CITY OF BLUE ISLAND, ILLINOIS
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
DECEMBER 31, 2016

	Police Pension Fund	Firefighters Pension Fund	Total
ASSETS			
Cash and cash equivalents	\$ 6,500	\$ 194,080	\$ 200,580
Interest receivable	14,931	20,931	35,862
Personal property replacement taxes receivable	23,588	18,678	42,266
Investments:			
US treasury	292,359	763,763	1,056,122
US government securities	1,873,949	396,122	2,270,071
US government agencies	31,112	437,634	468,746
Mutual funds	6,705,221	1,212,340	7,917,561
Corporate obligations	1,099,669	897,627	1,997,296
Common stock	-	507,847	507,847
Pooled equity funds	-	447,020	447,020
Money market mutual funds	524,711	-	524,711
Due from members	11,523	-	11,523
Total assets	10,583,563	4,896,042	15,479,605
LIABILITIES AND NET POSITION			
Liabilities:			
Accounts payable	8,681	-	8,681
Total liabilities	8,681	-	8,681
Net Position:			
Net position held in trust for pension benefit	\$ 10,574,882	\$ 4,896,042	\$ 15,470,924

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
NET POSITION-PENSION TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Police Pension Fund	Firefighter's Pension Fund	Total
ADDITIONS			
Contributions:			
Employee contributions	\$ 266,787	\$ 149,420	\$ 416,207
Employer contributions	1,451,138	826,486	2,277,624
Total contributions	<u>1,717,925</u>	<u>975,906</u>	<u>2,693,831</u>
Investment income:			
Investment income	573,286	278,047	851,333
Investment fees	(25,212)	(19,803)	(45,015)
Total investment income	<u>548,074</u>	<u>258,244</u>	<u>806,318</u>
Other income	1,903	2,243	4,146
Total additions	<u>2,267,902</u>	<u>1,236,393</u>	<u>3,504,295</u>
DEDUCTIONS			
Benefits and refunds	1,700,906	1,243,408	2,944,314
Administrative costs	38,706	38,196	76,902
Total deductions	<u>1,739,612</u>	<u>1,281,604</u>	<u>3,021,216</u>
Net change in plan net position	528,290	(45,211)	483,079
Net position held in trust for pension benefits at beginning of year	<u>10,046,592</u>	<u>4,941,253</u>	<u>14,987,845</u>
Net position held in trust for pension benefits at end of year	<u>\$ 10,574,882</u>	<u>\$ 4,896,042</u>	<u>\$ 15,470,924</u>

The accompanying notes are an integral part of this statement.

CITY OF BLUE ISLAND, ILLINOIS
SCHEDULE OF VALUATIONS, RATES AND EXTENSIONS
FOR TAX LEVIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Tax Levy Year	Assessed Valuation	Extended Tax Rate
2006	\$ 252,498,526	2.0950
2007	253,651,868	2.2158
2008	301,871,416	2.4988
2009	303,600,890	2.4019
2010	302,729,252	2.5914
2011	245,174,072	3.0379
2012	223,319,634	3.3069
2013	209,449,861	3.9485
2014	201,553,201	3.0730
2015	197,423,852	3.2280
2016	204,634,824	3.2900

The 2016 gross tax levy is analyzed below:

	Rate	Percent	Amount
General:			
Corporate	0.2940	8.94	\$ 602,317
Garbage	0.1496	4.55	306,133
Illinois Municipal Retirement Fund	0.1703	5.18	348,493
Liability insurance	0.0463	1.40	94,132
Street and bridge	0.0789	2.40	161,456
Fire protection	0.3235	9.83	661,993
Police protection	0.4833	14.69	989,000
Social Security	0.1359	4.13	278,098
Auditing	0.0119	0.36	24,351
Workers' compensation	0.1021	3.10	208,932
Total general	1.7958	54.58	3,674,905
Bond and interest	0.1508	4.58	308,518
Police pension	0.8365	25.43	1,711,770
Firefighters' pension	0.5069	15.41	1,037,293
Total	3.2900	100.00	\$ 6,732,486

CITY OF BLUE ISLAND, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION DEBT TO MATURITY
DECEMBER 31, 2016

Fiscal Year Ended December 31,	Total		General Obligation Illinois Finance Authority General Obligation Bond		General Obligation Judgment Bonds Series 2011 Dated December 16, 2011	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 223,161	\$ 72,004	\$ 113,161	\$ 55,494	\$ 110,000	\$ 16,510
2018	226,608	48,969	116,608	35,605	110,000	13,364
2019	230,159	42,325	120,159	32,107	110,000	10,218
2020	233,819	35,596	123,819	28,502	110,000	7,094
2021	237,590	28,714	127,590	24,788	110,000	3,926
2022-2026	753,663	64,137	698,663	64,137	55,000	-
See Note *	(794,556)	-	(794,556)	-	-	-
	<u>\$ 1,110,444</u>	<u>\$ 291,745</u>	<u>\$ 505,444</u>	<u>\$ 240,633</u>	<u>\$ 605,000</u>	<u>\$ 51,112</u>

Fiscal Year Ended December 31,	Total		2013 Illinois Environmental Protection Agency Public Water Supply Loan Program Business-type activities		General Obligations Bonds 2006 Waterworks & Sewerage Bonds Business-type activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 317,765	\$ 130,382	\$ 42,765	\$ 9,244	\$ 275,000	\$ 121,138
2018	333,302	117,470	43,302	8,707	290,000	108,763
2019	348,845	103,877	43,845	8,164	305,000	95,713
2020	359,394	89,241	44,394	7,615	315,000	81,626
2021	374,951	74,096	44,951	7,058	330,000	67,038
2022-2026	1,323,352	131,907	233,352	26,694	1,090,000	105,213
2027-2031	248,354	11,692	248,354	11,692	-	-
2032-2036	49,198	454	49,198	454	-	-
	<u>\$ 3,355,161</u>	<u>\$ 659,119</u>	<u>\$ 750,161</u>	<u>\$ 79,628</u>	<u>\$ 2,605,000</u>	<u>\$ 579,491</u>

Note * - Schedule includes amortization based on IFA agreement, but full amount has not been received.

CITY OF BLUE ISLAND, ILLINOIS
LEGAL DEBT MARGIN
DECEMBER 31, 2016

	<u>2016 Tax Levy Year</u>
Assessed valuation	<u>\$ 204,634,824</u>
Statutory debt limitation (8.625% of assessed valuation)	\$ 17,649,754
Total debt:	
General Obligation debt outstanding at December 31, 2016	<u>1,110,444</u>
Legal Debt Margin	<u>\$ 16,539,310</u>