

VILLAGE OF ITASCA, ILLINOIS

**REPORT ON ALLOCATION OF PENSION AMOUNTS
FOR THE ILLINOIS MUNICIPAL RETIREMENT FUND**

For the Year Ended
April 30, 2016



VILLAGE OF ITASCA, ILLINOIS
REPORT ON ALLOCATION OF PENSION AMOUNTS
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INDEPENDENT AUDITOR'S REPORT

The Honorable President
Members of the Board of Trustees
Village of Itasca, Illinois

Report on the Schedules

We have audited the accompanying Schedule of Employer Allocations of the Village of Itasca, Illinois (the Village) as of and for the year ended April 30, 2016 and the related notes. We have also audited the total for all entities of the columns net pension liability as of December 31, 2015, total deferred outflows of resources, total deferred inflows of resources, and total pension expense subject to allocation (specified column totals) included in the accompanying Schedule of Pension Amounts by Employer (Schedules) of the Village for the year ended December 31, 2015.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these Schedules 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 the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the Schedule of Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Employer Allocations and specified column totals included in the Schedule of Pension Amounts by Employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule of Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule of Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Employer, 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 Schedule of Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Employer 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 Village'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 Schedule of Employer Allocations and the specified column totals included in the Schedule of Pension Amounts by Employer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the Schedules referred to above present fairly, in all material respects, the employer allocations as of and for the year ended April 30, 2016 and the total of all participating entities of the Village of Itasca, Illinois for net pension liability as of December 31, 2015, and total deferred outflows of resources, total deferred inflows of resources, and total pension expense subjected to allocation for the total of all participating entities for the Village's participation in the Illinois Municipal Retirement Fund (IMRF) as of and for the year ended December 31, 2015.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Village as of and for the year ended April 30, 2016, and our report thereon, dated October 18, 2016, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of the Village of Itasca and the Itasca Community Library and is not intended to be, and should not be, used by anyone other than these specified parties.

Sikich LLP

Naperville, Illinois
October 18, 2016

VILLAGE OF ITASCA, ILLINOIS

**SCHEDULE OF EMPLOYER ALLOCATIONS
ILLINOIS MUNICIPAL RETIREMENT FUND**

For the Year Ended April 30, 2016

	<u>Contributions</u>	<u>Average</u>
EMPLOYER		
Village of Itasca	\$ 366,166	83.39%
Itasca Community Library	72,928	16.61%
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TOTAL	\$ 439,094	100.00%
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VILLAGE OF ITASCA, ILLINOIS

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
ILLINOIS MUNICIPAL RETIREMENT FUND

For the Year Ended December 31, 2015

Entity	Net Pension Liability	Deferred Outflows of Resources				Deferred Inflows of Resources				Proportionate Share of Plan Pension Expense
		Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Changes of Assumptions	Total Deferred Inflows of Resources		
Village	\$ 2,624,791	\$ 149,660	\$ 917,131	\$ 17,480	\$ 1,084,271	\$ -	\$ -	\$ -	\$ 718,885	
Library	522,773	29,807	182,663	3,481	215,951	-	-	-	143,178	
TOTAL	\$ 3,147,564	\$ 179,467	\$ 1,099,794	\$ 20,961	\$ 1,300,222	\$ -	\$ -	\$ -	\$ 862,063	

VILLAGE OF ITASCA, ILLINOIS

NOTES TO THE SCHEDULE OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER

December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Itasca, Illinois (the Village) contributes to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system. The benefits, benefit levels, employee contributions and employer contributions for the plan is governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. IMRF issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523 or at <https://www.imrf.org/>. As noted above, IMRF is an agent multiple-employer defined benefit pension plan. The Village and the Itasca Community Library (the Library), a non-employer contributing entity, both participate in the plan and therefore, the plan is treated as a cost-sharing plan.

All employees (other than those covered by the Police Pension Plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

a. Nature of Schedules

Employers participating in a cost-sharing pension plan are required to recognize their proportionate share of the collective pension amounts for pension benefits provided to members through the IMRF plan.

GASB Statement No. 68, paragraph 92, states that in determining the employer's portion of the collective net pension liability (NPL), the basis should be consistent with the manner in which contributions to the pension plan, excluding those to separately finance specific liabilities of the individual employer to the Plan, are determine, which is consistent with paragraphs 48-51. GASB Statement No. 68, paragraph 92 further states that in determining the non-employer's proportion of the collective NPL and corresponding pension amounts, the Village should follow the terms to determine the specific relationship of the contribution requirements of the non-employer contributing entity (the Library) to those of the employer (the Village).

The Schedule of Employer Allocations presents the actual fiscal year 2016 contributions used within the proportionate share calculation for the Village and the Library and respective allocation percentage. This percentage was also used to allocate the opening net position.

VILLAGE OF ITASCA, ILLINOIS
NOTES TO THE SCHEDULE OF EMPLOYER ALLOCATIONS
AND PENSION AMOUNTS BY EMPLOYER (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Nature of Schedules (Continued)

The Schedule of Pension Amounts by Employer presents the proportionate share of total net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense. The pension expense includes the amortization of the differences between expected and actual economic and demographic experience, differences between actual and projected investment earnings (net) on investments and the impact of changes of assumptions and future economic or demographic factors or other inputs.

b. Measurement Focus and Basis of Accounting

The financial transactions are recorded using the economic resources measurement focus and the accrual basis of accounting.

c. Use of Estimates in the Preparation of the Schedules

The preparation of the IMRF schedules in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts, and the changes therein, and disclosures. Actual results could differ from those estimates and differences could be material. IMRF uses an actuary to determine the total pension liability for the defined benefit plan and to calculate the actuarially determined contributions of the Village and Library.

d. Basis of Allocation

In determining the proportionate share of the net pension liability and corresponding employer pension amounts for a cost-sharing plan, the basis should be consistent with the manner in which contributions to IMRF are determined. The Village has determined that the actual contributions made to IMRF during fiscal year 2016 are appropriate as the basis because they are representative of future contributions.

The NPL is the Village's total pension liability less the fiduciary net position. The NPL was determined by an actuarial valuation measured as of December 31, 2015. The Village allocates a portion of the NPL to the Library based on the allocation percentage calculated within the Schedule of Employer Allocations.

VILLAGE OF ITASCA, ILLINOIS
NOTES TO THE SCHEDULE OF EMPLOYER ALLOCATIONS
AND PENSION AMOUNTS BY EMPLOYER (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Pension Expense and Amortization of Expense

Pension expense, as well as deferred outflows of resources and deferred inflows of resources related to pensions, should be recognized for the Village and the Library's proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

Deferred outflows of resources are the consumption of net position that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position. Deferred inflows of resources are the acquisition of net position that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position. Other than differences between projected and actual investment earnings, deferred inflows and outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through IMRF (active or inactive), determined as of the beginning of the measurement period.

Net deferred inflows (or outflows) of resources pertaining to differences between projected and actual investment earnings are similarly recognized over a closed five-year period.

The components of pension expense are:

Service cost	\$ 364,367
Interest	1,576,421
Difference between expected and actual experience	245,018
Changes in assumptions	28,617
Employee contributions	(161,265)
Net investment income	(98,753)
Other (net transfer)	207,880
Recognition of deferred inflows	-
Recognition of deferred outflows	<u>(1,300,222)</u>
 TOTAL	 <u><u>\$ 862,063</u></u>

The average of the expected remaining service lives of all members for calendar year 2015 is 3.7378 years.

VILLAGE OF ITASCA, ILLINOIS
NOTES TO THE SCHEDULE OF EMPLOYER ALLOCATIONS
AND PENSION AMOUNTS BY EMPLOYER (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Net Pension Liability

The net pension liability for fiscal year 2016 (measurement date December 31, 2015) is set forth in the following table:

NET PENSION LIABILITY (BEGINNING)	\$ 1,404,568
Total pension expense	862,063
Deferred outflows of resources	1,300,222
Deferred inflows of resources	-
Employer contributions	<u>(419,289)</u>
NET PENSION LIABILITY (ENDING)	<u>\$ 3,147,564</u>