

SKOKIE PUBLIC LIBRARY

Skokie, Illinois

FINANCIAL STATEMENTS

As of and for the Year Ended April 30, 2016

SKOKIE PUBLIC LIBRARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Skokie Public Library
Skokie, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Skokie Public Library, Illinois, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the Skokie Public Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Skokie Public Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Skokie Public Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Trustees
Skokie Public Library

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Skokie Public Library, Illinois, as of April 30, 2016 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the Skokie Public Library adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective May 1, 2015. Net position as of April 30, 2015 has been restated as a result of adopting these pronouncements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information 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 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

To the Board of Trustees
Skokie Public Library

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Skokie Public Library's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.


Oak Brook, Illinois
October 20, 2016

SKOKIE PUBLIC LIBRARY

STATEMENT OF NET POSITION As of April 30, 2016

| | Skokie Public Library |
|---|--------------------------|
| ASSETS | |
| Cash and investments | \$ 14,009,230 |
| Receivables | |
| Property taxes | 6,534,214 |
| Prepaid expense | 164,925 |
| Due from other governmental units | 206,272 |
| Capital Assets | |
| Capital assets not being depreciated | 1,488,336 |
| Capital assets being depreciated, net of depreciation | <u>14,093,009</u> |
| Total Assets | <u>36,495,986</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Unamortized loss on refunding | 239,024 |
| Deferred outflows of resources related to pensions | <u>2,144,720</u> |
| Total Deferred Outflows of Resources | <u>2,383,744</u> |
| LIABILITIES | |
| Accounts payable | 167,327 |
| Accrued payroll | 216,259 |
| Accrued interest | 83,635 |
| Unearned revenue | 6,520 |
| Noncurrent Liabilities | |
| Due within one year | 1,479,850 |
| Due in more than one year | <u>8,273,757</u> |
| Total Liabilities | <u>10,227,348</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Property taxes levied for future periods | <u>6,484,340</u> |
| Total Deferred Inflows of Resources | <u>6,484,340</u> |
| NET POSITION | |
| Net invested in capital assets | 9,533,425 |
| Restricted for | |
| Debt service | 263,578 |
| Unrestricted | <u>12,371,039</u> |
| TOTAL NET POSITION | <u>\$ 22,168,042</u> |

See accompanying notes to financial statements.

SKOKIE PUBLIC LIBRARY

STATEMENT OF ACTIVITIES For the Year Ended April 30, 2016

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position |
|--|----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| Culture, education and recreation | \$ 13,131,659 | \$ 189,601 | \$ 61,387 | \$ 14,655 | \$ (12,866,016) |
| Interest and fiscal charges | <u>171,553</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(171,553)</u> |
| Total Governmental Activities | <u>\$ 13,303,212</u> | <u>\$ 189,601</u> | <u>\$ 61,387</u> | <u>\$ 14,655</u> | <u>\$ (13,037,569)</u> |
| General Revenues | | | | | |
| Taxes | | | | | |
| Property | | | | | 12,689,327 |
| Other taxes | | | | | 365,511 |
| Investment income | | | | | 23,151 |
| Miscellaneous | | | | | <u>64,535</u> |
| Total General Revenues | | | | | <u>13,142,524</u> |
| Change in net position | | | | | 104,955 |
| NET POSITION - Beginning of Year (as restated) | | | | | <u>22,063,087</u> |
| NET POSITION - END OF YEAR | | | | | <u>\$ 22,168,042</u> |

See accompanying notes to financial statements.

SKOKIE PUBLIC LIBRARY

BALANCE SHEET GOVERNMENTAL FUNDS As of April 30, 2016

| | | | Reserve Fund for Site and Building | Nonmajor Governmental Fund <u>Fine Arts Acquisition</u> |
|--|----------------------|--|--|--|
| | <u>General</u> | <u>Series 2001 Library Project</u> | | |
| ASSETS | | | | |
| Cash and investments | \$ 6,126,064 | \$ 347,213 | \$ 7,522,416 | \$ 13,537 |
| Receivables | | | | |
| Property taxes | 5,524,214 | 1,010,000 | - | - |
| Prepaid expense | 164,925 | - | - | - |
| Due from other governments | <u>206,272</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 12,021,475</u> | <u>\$ 1,357,213</u> | <u>\$ 7,522,416</u> | <u>\$ 13,537</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 167,327 | \$ - | \$ - | \$ - |
| Accrued wages | 216,259 | - | - | - |
| Unearned revenue | <u>6,520</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>390,106</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred Inflows of Resources | | | | |
| Property taxes levied for future periods | <u>5,474,340</u> | <u>1,010,000</u> | <u>-</u> | <u>-</u> |
| Total Deferred Inflows of Resources | <u>5,474,340</u> | <u>1,010,000</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | | |
| Nonspendable for prepaid expenditures | 164,925 | - | - | - |
| Restricted for debt service purposes | - | 347,213 | - | - |
| Assigned for fine arts | - | - | - | 13,537 |
| Assigned for capital improvements | - | - | 7,522,416 | - |
| Unassigned | <u>5,992,104</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Fund Balances | <u>6,157,029</u> | <u>347,213</u> | <u>7,522,416</u> | <u>13,537</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 12,021,475</u> | <u>\$ 1,357,213</u> | <u>\$ 7,522,416</u> | <u>\$ 13,537</u> |

See accompanying notes to financial statements.

Totals

\$ 14,009,230

6,534,214

164,925

206,272

\$ 20,914,641

\$ 167,327

216,259

6,520

390,106

6,484,340

6,484,340

164,925

347,213

13,537

7,522,416

5,992,104

14,040,195

\$ 20,914,641

SKOKIE PUBLIC LIBRARY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of April 30, 2016

| | |
|--|---------------|
| Total Fund Balances - Governmental Funds | \$ 14,040,195 |
|--|---------------|

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 governmental funds. | 15,581,345 |
| Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the Governmental Funds Balance Sheet. | 2,144,720 |

Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.

| | |
|--|-------------|
| Refunding bonds payable | (5,735,000) |
| Unamortized premium on refunding bonds | (535,708) |
| Unamortized loss on refunding bonds | 239,024 |
| Compensated absences | (400,159) |
| Net pension liability | (3,066,504) |
| Capital lease | (16,236) |

| | |
|---|-----------------|
| Accrued interest on long-term liabilities is reported as a liability on the statement of net position | <u>(83,635)</u> |
|---|-----------------|

| | |
|--|------------------------------------|
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 22,168,042</u></u> |
|--|------------------------------------|

SKOKIE PUBLIC LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended April 30, 2016

| | General | Series 2001 Library Project | Reserve Fund for Site and Building | Nonmajor Governmental Fund Fine Arts Acquisition |
|--|---------------------|--------------------------------|--|--|
| REVENUES | | | | |
| Property taxes | \$ 11,428,101 | \$ 1,261,226 | \$ - | \$ - |
| Replacement taxes | 365,511 | - | - | - |
| Intergovernmental | 61,387 | - | - | - |
| Fines, forfeitures and penalties | 189,601 | - | - | - |
| Investment income | 4,045 | 280 | 18,826 | - |
| Donations | 14,655 | - | - | - |
| Other revenue | 64,234 | - | - | 301 |
| Total Revenues | <u>12,127,534</u> | <u>1,261,506</u> | <u>18,826</u> | <u>301</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Culture and education | 10,937,928 | - | - | - |
| Capital Outlay | 562,873 | - | - | - |
| Debt Service | | | | |
| Principal | 5,458 | 1,010,000 | - | - |
| Interest and fiscal charges | 707 | 251,225 | - | - |
| Total Expenditures | <u>11,506,966</u> | <u>1,261,225</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>620,568</u> | <u>281</u> | <u>18,826</u> | <u>301</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds of capital leases | 19,869 | - | - | - |
| Total Other Financing Sources (Uses) | <u>19,869</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | 640,437 | 281 | 18,826 | 301 |
| FUND BALANCES - Beginning of Year | <u>5,516,592</u> | <u>346,932</u> | <u>7,503,590</u> | <u>13,236</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 6,157,029</u> | <u>\$ 347,213</u> | <u>\$ 7,522,416</u> | <u>\$ 13,537</u> |

See accompanying notes to financial statements.

| | |
|----|-------------------|
| | <u>Totals</u> |
| \$ | 12,689,327 |
| | 365,511 |
| | 61,387 |
| | 189,601 |
| | 23,151 |
| | 14,655 |
| | <u>64,535</u> |
| | <u>13,408,167</u> |

| | |
|--|-------------------|
| | 10,937,928 |
| | 562,873 |
| | 1,015,458 |
| | <u>251,932</u> |
| | <u>12,768,191</u> |

| | |
|--|----------------|
| | <u>639,976</u> |
|--|----------------|

| | |
|--|---------------|
| | <u>19,869</u> |
| | <u>19,869</u> |

| | |
|--|---------|
| | 659,845 |
|--|---------|

| | |
|--|-------------------|
| | <u>13,380,350</u> |
|--|-------------------|

| | |
|----|-------------------|
| \$ | <u>14,040,195</u> |
|----|-------------------|

SKOKIE PUBLIC LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended April 30, 2016

| | |
|---|--------------------------|
| Net change in fund balances - total governmental funds | \$ 659,845 |
| 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 net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities. | |
| Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements | 1,456,694 |
| Depreciation is reported in the government-wide financial statements | (2,682,789) |
| The amortization of premium on long-term debt issued is reported as a reduction of expenses on the statement of activities | 107,141 |
| The amortization of the loss on refunding is reported as an expense on the statement of activities | (47,804) |
| Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | |
| Debt issued | (19,869) |
| Principal repaid | 1,015,458 |
| The increase in compensated absences is reported as an expenditure when due in the governmental funds but as a decrease in expenses in the statement of activities. | (12,798) |
| Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the Governmental Funds Balance Sheet. | 1,707,088 |
| Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | |
| Net pension liability | (2,099,053) |
| The change in accrued interest payable on long-term debt is reported as an expense on the statement of activities. | <u>21,042</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 104,955</u></u> |

SKOKIE PUBLIC LIBRARY

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SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Skokie Public Library (the Library) is located in Cook County, Illinois. The Library operates under a President-Trustee form of government and provides the following services as authorized by its charter. For financial reporting purposes the Library includes all funds, agencies, and boards that are responsible to the Library Board of Trustees. Responsibility to the Board of Trustees was determined on the basis of budget adoption, taxing authority, outstanding debt secured by receipts or general obligations of the Library and obligations of the Library to finance any debts that may occur.

The following is a summary of the significant accounting policies of the Skokie Public Library:

A. REPORTING ENTITY

This report includes all of the funds of the Library. The reporting entity for the Library consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The Library has not identified any organizations that meet this criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In June 2012, the GASB issued statement No. 68 - *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This standard was implemented effective May 1, 2015.

In November 2013, the GASB issued statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This standard was implemented effective May 1, 2015.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Government-Wide Financial Statements (cont.)

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

Fund Financial Statements

Financial statements of the Library are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Library or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund that met the 10% test is at least 5% of the corresponding total for all governmental funds combined.
- c. In addition, any other governmental fund that the Library believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Library reports the following major governmental funds:

- General Fund - accounts for the Library's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- The Series 2001 Library Project Fund - used to account for the retirement of the Library's bonded debt.
- The Reserve Fund for Site & Building - used to account for the accumulation of funds for anticipated capital improvements.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The Library reports the following nonmajor governmental fund:

Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Fine Arts Acquisition Fund

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided.

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 recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Intergovernmental aids and grants are recognized as revenues in the period the Library is entitled the resources and the amounts are available. Amounts owed to the Library which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services and interest. Other general revenues such as fines and forfeitures and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

Illinois Statutes authorize the Library to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool.

The Library has adopted an investment policy. That policy follows the state statute for allowable investments. It is the policy of the Library to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Library and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are, in order of priority, safety of principal, liquidity, and yield.

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 its investment policy, the Library limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for cash requirements for ongoing operations and investing in shorter-term securities, money market funds, or similar investment pools.

Credit Risk

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Library limits its exposure to credit risk by limiting investments to the safest types of securities; prequalifying the financial institutions, intermediaries, and advisors with which the Library will conduct business; and diversifying the investment portfolio so that potential losses on individual investments will be minimized.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Concentration of Credit Risk

Concentration of credit risk is the risk that the Library has a high percentage of its investments invested in one type of investment. The Library's investment policy requires diversification of investments to avoid unreasonable risk by limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities); limiting investment in securities that have higher credit risks; investing in securities with varying maturities; and continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs) or money market funds to ensure that proper liquidity is maintained in order to meet ongoing obligations.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Library's deposits may not be returned to it. The Library's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, at an amount not less than 110% of the fair market value of the funds secured, with the collateral held by the Library, an independent third party or the Federal Reserve Bank of Chicago.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Library will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Library's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by an independent third party custodian and evidenced by safekeeping receipts and a written custodial agreement. Illinois funds and IMET are not subject to custodial credit risk.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, the price for which the investments could be sold.

Illinois Metropolitan Investment Fund (IMET) is a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an investment company. Investments in IMET are valued at IMET's share price, the price for which the investment could be sold.

See Note II. A. for further information.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables

Property taxes for levy year 2015 attaches as an enforceable lien on January 1, 2015, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). The 2016 tax levy, which attached as an enforceable lien on the property as of January 1, 2016, has not been recorded as a receivable as of April 30, 2016, as the tax has not yet been levied by the Library and will not be levied until December 2016, and therefore, the levy is not measurable at April 30, 2016.

Tax bills for levy year 2015 are prepared by the County and issued on or about February 1, 2016 and August 1, 2016, and are payable in two installments, on or about March 1, 2016 and September 1, 2016 or within 30 days of the tax bills being issued.

The county collects such taxes and remits them periodically. The 2015 property tax levy is recognized as a receivable and deferred inflows of resources in fiscal 2016. As the taxes become available to finance current expenditures, they are recognized as revenues. At April 30, 2016, the property taxes receivable and deferred inflows of resources consisted of the estimated amount collectible from the 2015 levy.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

3. Prepaid Items

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. The Library uses the consumption method when recording prepaid assets.

4. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets, except for books for which the amount is \$15, are defined by the Library as assets with an initial, individual cost of more than \$5,000 for building improvements and \$1,000 for all other assets, and an estimated useful life in excess of 1 year. Such assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value or service capacity of the asset or materially extend asset lives are not capitalized.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

4. Capital Assets (cont.)

Government-Wide Statements (cont.)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

| | |
|-------------------------|----------|
| Buildings | 25 Years |
| Land Improvements | 20 Years |
| Building improvements | 20 Years |
| Furniture and equipment | 5 Years |
| Books and materials | 15 Years |

Fund Financial Statements

5. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

6. Compensated Absences

All vested vacation pay is accrued when incurred in the government-wide 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, and are payable with expendable resources.

7. Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of bonds payable and accrued compensated absences.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

7. Long-Term Obligations

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

8. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

9. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund balances are displayed as follows:

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

Fund Statements (cont.)

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Library Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Library Board that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The Board may take official action to assign amounts. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The Library considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Library would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

10. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE II - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The Library's deposits and investments at year end were comprised of the following:

| | Carrying Value | Statement Balances | Associated Risks |
|--------------------------------|----------------------|-----------------------|-------------------------------------|
| Deposits | \$ 8,381,521 | \$ 8,551,368 | Custodial credit risk - deposits |
| Illinois Funds | 5,624,570 | 5,624,570 | Credit risk |
| IMET - money market | 854 | 854 | Credit risk |
| Petty cash | <u>2,285</u> | <u>-</u> | N/A |
| Total Deposits and Investments | <u>\$ 14,009,230</u> | <u>\$ 14,176,792</u> | |

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Library's deposits may not be returned to the Library.

The Library does not have any deposits exposed to custodial credit risk.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Library does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE II - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk (cont.)

As of April 30, 2016, the Library's investments were rated as follows:

| Investment Type | Standard & Poors | Moody's Investors Services |
|---------------------------------------|---------------------|----------------------------------|
| Illinois Funds | AAAm | Not rated |
| Illinois Metropolitan Investment Fund | Not Rated | Aaa/MR1 |

See Note I.D.1. for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE II - DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2016, was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|----------------------|----------------------|------------------|----------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 1,488,336 | \$ - | \$ - | \$ 1,488,336 |
| Total Capital Assets Not Being depreciated | <u>1,488,336</u> | <u>-</u> | <u>-</u> | <u>1,488,336</u> |
| Capital assets being depreciated | | | | |
| Buildings | \$ 3,035,695 | \$ - | \$ - | \$ 3,035,695 |
| Building improvements | 28,487,195 | 109,835 | - | 28,597,030 |
| Land improvements | 837,129 | 27,675 | - | 864,804 |
| Furniture and equipment | 4,625,664 | 329,163 | 45,955 | 4,908,872 |
| Books and material | <u>11,949,444</u> | <u>990,021</u> | <u>1,044,825</u> | <u>11,894,640</u> |
| Total Capital Assets Being Depreciated | <u>48,935,127</u> | <u>1,456,694</u> | <u>1,090,780</u> | <u>49,301,041</u> |
| Total Capital Assets | <u>50,423,463</u> | <u>1,456,694</u> | <u>1,090,780</u> | <u>50,789,377</u> |
| Less: Accumulated depreciation for | | | | |
| Buildings | 3,035,695 | - | - | 3,035,695 |
| Building improvements | 20,597,114 | 1,286,405 | - | 21,883,519 |
| Land improvements | 292,213 | 42,548 | - | 334,761 |
| Furniture and equipment | 3,572,412 | 450,727 | 45,955 | 3,977,184 |
| Books and material | <u>6,118,589</u> | <u>903,109</u> | <u>1,044,825</u> | <u>5,976,873</u> |
| Total Accumulated depreciation | <u>33,616,023</u> | <u>2,682,789</u> | <u>1,090,780</u> | <u>35,208,032</u> |
| Net Capital Assets Being Depreciated | <u>15,319,104</u> | <u>(1,226,095)</u> | <u>-</u> | <u>14,093,009</u> |
| Total Governmental Activities Capital Assets, Net of Accumulated Depreciation | <u>\$ 16,807,440</u> | <u>\$(1,226,095)</u> | <u>\$ -</u> | <u>\$ 15,581,345</u> |

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE II - DETAILED NOTES ON ALL FUNDS (cont.)

D. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended April 30, 2016, was as follows:

| | Beginning Balance (as restated) | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---|---------------------------------------|--------------|--------------|-------------------|-----------------------------------|
| Governmental Activities | | | | | |
| Bonds and Notes Payable | | | | | |
| Intergovernmental payable | \$ 6,745,000 | \$ - | \$ 1,010,000 | \$ 5,735,000 | \$ 1,075,000 |
| Unamortized premium | 642,849 | - | 107,141 | 535,708 | - |
| Sub-totals | 7,387,849 | - | 1,117,141 | 6,270,708 | 1,075,000 |
| Other Liabilities | | | | | |
| Compensated absences | 387,361 | 185,183 | 172,385 | 400,159 | 400,159 |
| Capital leases | 1,825 | 19,869 | 5,458 | 16,236 | 4,691 |
| Net pension liability | 967,451 | 2,650,954 | 551,901 | 3,066,504 | - |
| Total Other Liabilities | 1,356,637 | 2,856,006 | 729,744 | 3,482,899 | 404,850 |
| Total Governmental Activities Long-Term Liabilities | \$ 8,744,486 | \$ 2,856,006 | \$ 1,846,885 | \$ 9,753,607 | \$ 1,479,850 |

The compensated absences and net pension liability will be paid out of the General Fund.

Intergovernmental Payable

The intergovernmental payable represents the principal outstanding on the Village of Skokie's Series 2010 Refunding Bonds which were issued for Library purposes and are being repaid by the Library. Although the bonds are legally the obligation of the Village, the Library has entered into an agreement with the Village, whereby the Library has retained full responsibility for the payment of debt. The intergovernmental payable will be retired by future property tax levies accumulated in the Series 2001 Library Project Fund.

Intergovernmental Payable at April 30, 2016 consist of the following:

| Governmental Activities | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance April 30, 2016 |
|---|----------------------|---------------------|-------------------|--------------------------|---------------------------|
| Intergovernmental Payable | | | | | |
| General Obligation Refunding Bonds, Series 2010 | September 9, 2010 | December 1, 2020 | 1.00% - 5.00% | \$ 14,885,000 | \$ 5,735,000 |
| Total Governmental Activities Intergovernmental Payable | | | | | \$ 5,735,000 |

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE II - DETAILED NOTES ON ALL FUNDS (cont.)

D. LONG-TERM OBLIGATIONS (cont.)

Debt service requirements to maturity are as follows:

| <u>Years</u> | Governmental Activities Intergovernmental Payable | |
|--------------|--|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2017 | \$ 1,075,000 | \$ 200,725 |
| 2018 | 1,105,000 | 163,100 |
| 2019 | 1,145,000 | 124,425 |
| 2020 | 1,180,000 | 84,350 |
| 2021 | <u>1,230,000</u> | <u>43,050</u> |
| Totals | <u>\$ 5,735,000</u> | <u>\$ 615,650</u> |

E. LEASE DISCLOSURES

Lessee - Capital Leases

On January 18, 2010 the Library acquired six copiers through a lease/purchase agreement. The gross amount of these assets under capital leases is \$37,200, which are included in capital assets in the governmental activities. In May of 2015, this capital lease ended. On May 15, 2016 the Library acquired five copiers through a new lease/purchase agreement. The gross amount of these assets under capital leases is \$19,869. Both capital leases are expected to be repaid from the General Fund. The future minimum lease obligations and the net present value on these minimum lease payments as of April 30, 2016, are as follows:

| <u>Years</u> | Governmental Activities | | |
|--------------|-------------------------|-----------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
| 2017 | \$ 4,691 | \$ 1,129 | \$ 5,820 |
| 2018 | 5,080 | 740 | 5,820 |
| 2019 | <u>6,465</u> | <u>325</u> | <u>6,790</u> |
| Totals | <u>\$ 16,236</u> | <u>\$ 2,194</u> | <u>\$ 18,430</u> |

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE II - DETAILED NOTES ON ALL FUNDS (cont.)

F. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and implementation of GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the net pension asset and related deferred outflows and deferred inflows, if any, to be reported in the financial statements. The details of this restatement are as follows:

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Net Position - April 30, 2015 (as reported) | \$ 22,592,906 |
| Add: Deferred outflows related to pensions | 437,632 |
| Less: Net pension liability | <u>(967,451)</u> |
| Net position - April 30, 2016 (as restated) | <u><u>\$ 22,063,087</u></u> |

NOTE III - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Illinois Municipal Retirement Fund

The Library contributes to the Illinois Municipal Retirement Fund (IMRF), an agent multiple employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois, through the Village of Skokie. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

The employees of the Library are pooled with the employees of the Village of Skokie for purposes of actuarial valuation. As the Library is participating under the Village's employer number, IMRF is considered to be a cost-sharing plan for the Library.

Plan description. All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF has a two tier plan. Members who first participated in IMRF or an Illinois Reciprocal System prior to January 1, 2011 participate in Tier 1. All other members participate in Tier 2. For Tier 1 participants, pension benefits vest after 8 years of service. Participating members who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1 2/3% of their final rate of earnings (average of the highest 48 consecutive months' earnings during the last 10 years) for credited service up to 15 years and 2% for each year thereafter.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE III - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

For Tier 2 participants, pension benefits vest after 10 years of service. Participating members who retire at or after age 67 with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1 2/3% of their final rate of earnings (average of the highest 96 consecutive months' earnings during the last 10 years, capped at \$106,800) for credited service up to 15 years and 2% for each year thereafter. However, an employee's total pension cannot exceed 75% of their final rate of earnings. If an employee retires after 10 years of service between the ages of 62 and 67, and has less than 30 years of service credit, the pension will be reduced by 1/2% for each month that the employee is under the age of 67. If an employee retires after 10 years of service between the ages of 62 and 67, and has between 30 and 35 years of service credit, the pension will be reduced by the lesser of 1/2% for each month that the employee is under the age of 67 or 1/2% for each month of service credit less than 35 years. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by Illinois Compiled Statutes.

Contributions. As set by statute, Library employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The statute requires the Library to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Library's actuarially determined contribution rate for calendar year 2015 was 11.34% percent of annual covered payroll. The Library also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Fiduciary net position. Detailed information about the IMRF fiduciary net position as of December 31, 2015 is available in the separately issued Village of Skokie, Illinois Comprehensive Annual Financial Report as of and for the year ended April 30, 2016.

Net pension liability/(asset). At April 30, 2016, the Library reported a liability for its proportionate share of the net pension liability that reflected the Library's portion of the total net pension liability associated with the Village's employer number. The amount recognized by the Library as its proportionate share of the net pension liability, the Village's share of the net pension liability, and the total net pension liability associated with the Village's employer number were as follows:

| | |
|---|----------------------|
| Village's proportionate share of the collective net pension liability | \$ 10,360,444 |
| Library's proportionate share of the collective net pension liability | <u>3,066,504</u> |
| Total | <u>\$ 13,426,948</u> |

The net pension liability was measured as of December 31, 2015. The Library's proportion of the net pension liability was based on the Library's share of contributions to IMRF for the fiscal year ended April 30, 2016, relative to the total contributions of the Library and Village during that period.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE III - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Summary of significant accounting policies. For purposes of measuring the collective net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of IMRF and additions to/deductions from IMRF fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Actuarial assumptions. The assumptions used to measure the total pension liability in the December 31, 2015 annual actuarial valuation included a 7.48% investment rate of return, (b) projected salary increases from 3.75% to 14.50%, including inflation, and (c) inflation of 3.00% and price inflation of 2.75%. The retirement age is based on experience-based table of rates that are specific to the type of eligibility condition. The tables were last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

Mortality. For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same 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 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Long-term expected real rate of return. The long-term expected rate of return on pension plan investments was determined using an asset allocation study in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce long-term expected rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Projected Returns/Risks | |
|------------------------|-------------------|-------------------------|--------------------|
| | | One Year Arithmetic | Ten Year Geometric |
| Equities | 38.00% | 8.85% | 7.39% |
| International Equities | 17.00% | 9.55% | 7.59% |
| Fixed income | 27.00% | 3.05% | 3.00% |
| Real estate | 8.00% | 7.20% | 6.00% |
| Alternatives | 4.50% | | |
| Private equity | | 13.15% | 8.15% |
| Hedge funds | | 5.55% | 5.25% |
| Commodities | | 4.40% | 2.75% |
| Cash equivalents | 1.90% | 2.25% | 2.25% |

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE III - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Discount rate. The discount rate used to measure the total pension liability for IMRF was 7.48%. The discount rate calculated using the December 31, 2014 measurement date was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments of 7.50% was blended with the index rate of 3.57% for tax exempt 20-year general obligation municipal bonds with an average AA credit rating at December 31, 2015 to arrive at a discount rate of 7.48% used to determine the total pension liability. The year ending December 31, 2086 is the last year in the 2015 to 2116 projection period for which projected benefit payments are fully funded.

Discount rate sensitivity. The following is a sensitivity analysis of the net pension liability/(asset) to changes in the discount rate. The table below presents the pension liability of the Library calculated using the discount rate of 7.48% as well as what the net pension liability/(asset) would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.48%) or 1 percentage point higher (8.48%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|--------------|
| Library's proportionate share of the collective net pension liability | \$ 7,057,916 | \$ 3,066,504 | \$ (225,078) |

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended April 30, 2016, the Library recognized pension expense of \$929,893. The Library reported deferred outflows and inflows of resources related to pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 49,139 | \$ - |
| Assumption changes | 56,196 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,615,726 | - |
| Contributions subsequent to the measurement date | 423,659 | - |
| Total | <u>\$ 2,144,720</u> | <u>\$ -</u> |

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE III - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The amount reported as deferred outflows resulting from contributions subsequent to the measurement date in the above table will be recognized as a reduction in the net pension liability/(asset) for the year ending December 31, 2015. The remaining amounts reported as deferred outflows and inflows of resources related to pensions (\$1,721,061) will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | <u>Library</u> |
|---------------------------------|---------------------|
| 2016 | \$ 436,855 |
| 2017 | 436,855 |
| 2018 | 436,855 |
| 2019 | <u>410,496</u> |
| Total | <u>\$ 1,721,061</u> |

B. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Public Entity Risk Pool

The Library participates in LIMRCC, a public entity risk pool with the transfer of risk. The Library is responsible for an annual premium payment and the pool is responsible for administering the program. If funds are insufficient in the judgment of the pool, the pool may assess the members' additional equal payments. The Library's policy is to record any related expenditures in the year in which they are notified of any additional assessments. The Library is not aware of any additional assessments owed as of April 30, 2016.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2016

NOTE III - OTHER INFORMATION (cont.)

C. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 72, *Fair Value Measurement and Application*
- Statement 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*
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- Statement No. 77, *Tax Abatement Disclosures*
- Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*
- Statement No. 79, *Certain External Investment Pools and Pool Participants*
- Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*
- Statement No. 81, *Irrevocable Split-Interest Agreements*
- Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SKOKIE PUBLIC LIBRARY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended April 30, 2016

| | Original and Final Budget | Actual |
|--------------------------------------|------------------------------|---------------------|
| REVENUES | | |
| Property taxes | \$ 11,817,463 | \$ 11,428,101 |
| Replacement taxes | 325,000 | 365,511 |
| State and other grants | 90,000 | 61,387 |
| Fines, forfeitures and penalties | 200,000 | 189,601 |
| Investment income | 15,000 | 4,045 |
| Donations | - | 14,655 |
| Other revenue | 65,000 | 64,234 |
| Total Revenues | <u>12,512,463</u> | <u>12,127,534</u> |
| EXPENDITURES | | |
| CURRENT | | |
| Current and education | | |
| Personnel | 7,458,907 | 7,176,043 |
| Contractual services | 2,167,500 | 2,144,191 |
| Commodities | 1,612,680 | 1,617,694 |
| Total current and education | <u>11,239,087</u> | <u>10,937,928</u> |
| Total Current | <u>11,239,087</u> | <u>10,937,928</u> |
| CAPITAL OUTLAY | | |
| Capital Outlay | <u>1,273,376</u> | <u>562,873</u> |
| Total Capital Outlay | <u>1,273,376</u> | <u>562,873</u> |
| DEBT SERVICE | | |
| Principal | - | 5,458 |
| Interest and fiscal charges | - | 707 |
| Total Debt Service | <u>-</u> | <u>6,165</u> |
| Total Expenditures | <u>12,512,463</u> | <u>11,506,966</u> |
| Excess of revenues over expenditures | <u>-</u> | <u>620,568</u> |
| OTHER FINANCING SOURCES | | |
| Proceeds of capital leases | - | 19,869 |
| Total Other Financing Sources | <u>-</u> | <u>19,869</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>640,437</u> |
| FUND BALANCE - Beginning of Year | | <u>5,516,592</u> |
| FUND BALANCE - END OF YEAR | | <u>\$ 6,157,029</u> |

See independent auditors' report and accompanying notes to required supplementary information.

SKOKIE PUBLIC LIBRARY

ILLINOIS MUNICIPAL RETIREMENT FUND

SCHEDULE OF THE LIBRARY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND LIBRARY CONTRIBUTIONS Most Recent Fiscal Year

| | <u>2016</u> |
|---|----------------------|
| Library's proportion of the net pension liability | 22.84% |
| Library's proportionate share of the net pension liability | \$ 3,066,504 |
| Village's proportionate share of the net pension liability | <u>10,360,444</u> |
| Total net pension liability | <u>\$ 13,426,948</u> |
| Covered-employee payroll | \$ 4,865,852 |
| Library's proportionate share of the net pension liability as a percentage of covered payroll | 63.02% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.31% |
| Contractually required contribution | \$ 529,405 |
| Contributions in relation to the contractually required contribution | <u>(551,901)</u> |
| Contribution deficiency (excess) | <u>\$ (22,496)</u> |
| Contributions as a percentage of covered employee payroll | 11.34% |

Note: The Library implemented GASB 68 in 2016. Information for fiscal years prior to 2016 is not applicable.

Notes to Schedule:

Amounts reported in 2016 reflect an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent and real return of 4.5 percent, and a salary increase assumption of 4.4 percent to 16.0 percent including inflation.

SKOKIE PUBLIC LIBRARY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION April 30, 2016

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budget amounts are as originally adopted by the Library Board of Trustees. All annual appropriations lapse at fiscal year end.

The budget is prepared for the General Fund and the Series 2001 Library Project Fund by function and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. The proposed budget is presented to the Library Board of Trustees for review. This governing body holds public meetings and may add to, subtract from, or change appropriations. The budget may be amended by the governing body. State statutes and local ordinances require that the budget be approved before the beginning of the fiscal year.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, no supplementary appropriations were necessary of any fund.

SUPPLEMENTARY INFORMATION

SKOKIE PUBLIC LIBRARY

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL GENERAL FUND For the Year Ended April 30, 2016

| | Original and Final Budget | Actual |
|---|------------------------------|------------------|
| PERSONNEL SERVICES | | |
| Salaries | \$ 6,241,657 | \$ 6,042,247 |
| Employer IMRF | 750,000 | 684,925 |
| Employer FICA | 467,250 | 436,683 |
| Health Services Account - Employer Contribution | - | 12,188 |
| Total personnel services | <u>7,458,907</u> | <u>7,176,043</u> |
| CONTRACTUAL SERVICES | | |
| Audit fees | 8,000 | 6,180 |
| Bank fees | - | 5,687 |
| Cable and media lab | 10,500 | 10,762 |
| Conferences | 105,000 | 135,006 |
| Contingency | 80,000 | 34,167 |
| Data processing | 3,000 | 3,000 |
| E-commerce | - | 5,514 |
| Insurance | | |
| Health/dental/life | 680,000 | 664,145 |
| General | 150,000 | 122,969 |
| Maintenance of automobile equipment | 20,000 | 5,031 |
| Maintenance of buildings and grounds | 202,000 | 210,380 |
| Maintenance of equipment | 71,000 | 68,423 |
| Material handling and Illinois access fees | 65,000 | 67,669 |
| Miscellaneous | - | 4,879 |
| Office expenditures and transportation | 2,000 | 2,408 |
| Position vacancy announcement | - | 932 |
| Postage | 26,000 | 29,977 |
| Printing and publicity | 77,000 | 79,973 |
| Professional services | 40,000 | 49,186 |
| Programming | 68,000 | 64,945 |
| Reception and entertainment | 17,000 | 14,295 |
| Section 125 reimbursements | - | 21,029 |
| Summer reading contribution | - | 13,824 |
| Technology/network | 460,000 | 461,077 |
| Utilities | 83,000 | 62,733 |
| Total contractual services | <u>2,167,500</u> | <u>2,144,191</u> |
| COMMODITIES | | |
| Physical Content | 1,023,000 | 922,322 |
| Leased content | 182,680 | 274,347 |
| Learning | 80,000 | 60,800 |
| Research | 175,000 | 178,420 |
| Janitorial supplies | 37,000 | 43,994 |
| Library supplies | 99,000 | 109,472 |
| Program sponsorship/Other Grants | - | 10,152 |
| Small equipment | 16,000 | 18,187 |
| Total commodities | <u>1,612,680</u> | <u>1,617,694</u> |

SKOKIE PUBLIC LIBRARY

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL GENERAL FUND For the Year Ended April 30, 2016

| | Original and Final Budget | Actual |
|---------------------------|------------------------------|-----------------------------|
| CAPITAL OUTLAY | | |
| Capital | \$ 1,238,376 | \$ 516,532 |
| Furniture and equipment | 35,000 | 46,341 |
| Total capital outlay | <u>1,273,376</u> | <u>562,873</u> |
| DEBT SERVICE | | |
| Principal | - | 5,458 |
| Interest | <u>-</u> | <u>707</u> |
| Total debt service | <u>-</u> | <u>6,165</u> |
| TOTAL EXPENDITURES | <u><u>\$ 12,512,463</u></u> | <u><u>\$ 11,506,966</u></u> |

SKOKIE PUBLIC LIBRARY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SERIES 2001 LIBRARY PROJECT FUND For the Year Ended April 30, 2016

| | Original and Final Budget | Actual |
|----------------------------------|------------------------------|-------------------|
| REVENUES | | |
| Property taxes | \$ 1,261,225 | \$ 1,261,226 |
| Investment income | - | 280 |
| Total Revenues | <u>1,261,225</u> | <u>1,261,506</u> |
| EXPENDITURES | | |
| DEBT SERVICE | | |
| Principal | 1,010,000 | 1,010,000 |
| Interest and fiscal charges | <u>251,225</u> | <u>251,225</u> |
| Total Expenditures | <u>1,261,225</u> | <u>1,261,225</u> |
| Net Change in Fund Balance | <u>\$ -</u> | 281 |
| FUND BALANCE - Beginning of Year | | <u>346,932</u> |
| FUND BALANCE - END OF YEAR | | <u>\$ 347,213</u> |