

SKOKIE PUBLIC LIBRARY

Skokie, Illinois

FINANCIAL STATEMENTS

As of and for the Year Ended April 30, 2017

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, 2017, 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, 2017 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.

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.

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.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
October 26, 2017

SKOKIE PUBLIC LIBRARY

STATEMENT OF NET POSITION As of April 30, 2017

	Skokie Public Library
ASSETS	
Cash and investments	\$ 14,587,471
Receivables	
Property taxes	6,593,825
Due from other governmental units	143,634
Capital Assets	
Capital assets not being depreciated	1,488,336
Capital assets being depreciated, net of depreciation	13,653,616
Total Assets	<u>36,466,882</u>
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized loss on refunding	191,220
Deferred outflows of resources related to pensions	<u>2,261,863</u>
Total Deferred Outflows of Resources	<u>2,453,083</u>
LIABILITIES	
Accounts payable	108,011
Accrued payroll	230,422
Accrued interest	67,958
Unearned revenue	4,500
Noncurrent Liabilities	
Due within one year	1,503,731
Due in more than one year	7,583,325
Total Liabilities	<u>9,497,947</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes levied for future periods	6,504,474
Deferred inflows of resources related to pensions	59,238
Total Deferred Inflows of Resources	<u>6,563,712</u>
NET POSITION	
Net invested in capital assets	10,233,060
Restricted for	
Debt service	280,476
Unrestricted	<u>12,344,770</u>
TOTAL NET POSITION	<u>\$ 22,858,306</u>

See accompanying notes to financial statements.

SKOKIE PUBLIC LIBRARY

STATEMENT OF ACTIVITIES For the Year Ended April 30, 2017

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	\$ 12,980,314	\$ 194,328	\$ 60,321	\$ 11,668	\$ (12,713,997)
Interest and fiscal charges	<u>126,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(126,840)</u>
Total Governmental Activities	<u>\$ 13,107,154</u>	<u>\$ 194,328</u>	<u>\$ 60,321</u>	<u>\$ 11,668</u>	<u>\$ (12,840,837)</u>
General Revenues					
Taxes					
Property					13,051,919
Other taxes					383,947
Investment income					39,353
Miscellaneous					<u>55,882</u>
Total General Revenues					<u>13,531,101</u>
Change in net position					690,264
NET POSITION - Beginning of Year					<u>22,168,042</u>
NET POSITION - END OF YEAR					<u>\$ 22,858,306</u>

See accompanying notes to financial statements.

SKOKIE PUBLIC LIBRARY

BALANCE SHEET GOVERNMENTAL FUNDS As of April 30, 2017

	General	Series 2001 Library Project	Reserve Fund for Site and Building	Nonmajor Governmental Fund <u>Fine Arts Acquisition</u>
ASSETS				
Cash and investments	\$ 6,471,108	\$ 248,071	\$ 7,854,753	\$ 13,539
Receivables				
Property taxes	5,963,987	629,838	-	-
Due from other governments	143,634	-	-	-
Due from other funds	-	100,363	-	-
TOTAL ASSETS	<u>\$ 12,578,729</u>	<u>\$ 978,272</u>	<u>\$ 7,854,753</u>	<u>\$ 13,539</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 108,011	\$ -	\$ -	\$ -
Accrued wages	230,422	-	-	-
Unearned revenue	4,500	-	-	-
Due to other funds	100,363	-	-	-
Total Liabilities	<u>443,296</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Property taxes levied for future periods	5,874,636	629,838	-	-
Unavailable due from other governments	50,301	-	-	-
Total Deferred Inflows of Resources	<u>5,924,937</u>	<u>629,838</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted for debt service purposes	-	348,434	-	-
Assigned for fine arts	-	-	-	13,539
Assigned for capital improvements	-	-	7,854,753	-
Unassigned	6,210,496	-	-	-
Total Fund Balances	<u>6,210,496</u>	<u>348,434</u>	<u>7,854,753</u>	<u>13,539</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 12,578,729</u>	<u>\$ 978,272</u>	<u>\$ 7,854,753</u>	<u>\$ 13,539</u>

See accompanying notes to financial statements.

Totals

\$ 14,587,471

6,593,825

143,634

100,363

\$ 21,425,293

\$ 108,011

230,422

4,500

100,363

443,296

6,504,474

50,301

6,554,775

348,434

13,539

7,854,753

6,210,496

14,427,222

\$ 21,425,293

SKOKIE PUBLIC LIBRARY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of April 30, 2017

Total Fund Balances - Governmental Funds	\$ 14,427,222
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.	15,141,952
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	50,301
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the Governmental Funds Balance Sheet.	2,261,863
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the Governmental Funds Balance Sheet.	(59,238)
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	(4,660,000)
Unamortized premium on refunding bonds	(428,567)
Unamortized loss on refunding bonds	191,220
Compensated absences	(393,651)
Net pension liability	(3,593,293)
Capital lease	(11,545)
Accrued interest on long-term liabilities is reported as a liability on the statement of net position	<u>(67,958)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 22,858,306</u>

SKOKIE PUBLIC LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended April 30, 2017

			Reserve Fund for Site and Building	Nonmajor Governmental Fund <u>Fine Arts Acquisition</u>
	<u>General</u>	<u>Series 2001 Library Project</u>		
REVENUES				
Property taxes	\$ 11,776,193	\$ 1,275,726	\$ -	\$ -
Replacement taxes	383,947	-	-	-
Intergovernmental	10,020	-	-	-
Fines, forfeitures and penalties	194,328	-	-	-
Investment income	5,796	1,220	32,337	-
Donations	11,668	-	-	-
Other revenue	55,880	-	-	2
Total Revenues	<u>12,437,832</u>	<u>1,276,946</u>	<u>32,337</u>	<u>2</u>
EXPENDITURES				
Current				
Culture and education	11,018,277	-	-	-
Capital Outlay	1,060,268	-	-	-
Debt Service				
Principal	4,691	1,075,000	-	-
Interest and fiscal charges	1,129	200,725	-	-
Total Expenditures	<u>12,084,365</u>	<u>1,275,725</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>353,467</u>	<u>1,221</u>	<u>32,337</u>	<u>2</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	300,000	-
Transfers out	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(300,000)</u>	<u>-</u>	<u>300,000</u>	<u>-</u>
Net Change in Fund Balances	53,467	1,221	332,337	2
FUND BALANCES - Beginning of Year	<u>6,157,029</u>	<u>347,213</u>	<u>7,522,416</u>	<u>13,537</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,210,496</u>	<u>\$ 348,434</u>	<u>\$ 7,854,753</u>	<u>\$ 13,539</u>

See accompanying notes to financial statements.

	<u>Totals</u>
\$	13,051,919
	383,947
	10,020
	194,328
	39,353
	11,668
	<u>55,882</u>
	<u>13,747,117</u>

	11,018,277
	1,060,268
	1,079,691
	<u>201,854</u>
	<u>13,360,090</u>

	<u>387,027</u>
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	300,000
	<u>(300,000)</u>
	<u>-</u>

	387,027
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	<u>14,040,195</u>
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\$	<u><u>14,427,222</u></u>
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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, 2017

Net change in fund balances - total governmental funds	\$	387,027
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		2,253,371
Depreciation is reported in the government-wide financial statements		(2,692,764)
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)
Receivables not currently available are reported as revenue when collected or currently unavailable in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		50,301
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.		
Principal repaid		1,079,691
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.		6,508
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the Governmental Funds Balance Sheet.		117,143
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the Governmental Funds Balance Sheet.		(59,238)
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		(526,789)
The change in accrued interest payable on long-term debt is reported as an expense on the statement of activities.		<u>15,677</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>690,264</u>

See accompanying notes to financial statements.

SKOKIE PUBLIC LIBRARY

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SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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

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.

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.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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

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

Fund Financial Statements (cont.)

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.

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

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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

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.

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.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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

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.

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.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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.)

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. Investment in IMET's 1-3 year fund may be redeemed with 5 business days' notice.

See Note II. A. for further information.

2. Receivables

Property taxes for levy year 2016 attaches as an enforceable lien on January 1, 2016, 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 2017 tax levy, which attached as an enforceable lien on the property as of January 1, 2017, has not been recorded as a receivable as of April 30, 2017, as the tax has not yet been levied by the Library and will not be levied until December 2017, and therefore, the levy is not measurable at April 30, 2017.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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 (cont.)

Tax bills for levy year 2016 are prepared by the County and issued on or about February 1, 2017 and August 1, 2017, and are payable in two installments, on or about March 1, 2017 and September 1, 2017 or within 30 days of the tax bills being issued.

The county collects such taxes and remits them periodically. The 2016 property tax levy is recognized as a receivable and deferred inflows in fiscal 2017, net the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At April 30, 2017, the property taxes receivable and related deferred inflows consisted of the estimated amount collectible from the 2017 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. 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.

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

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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 Financial Statements

4. 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.

5. 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.

6. 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.

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.

7. 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.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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.)

8. 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:

- 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.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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.)

- 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.

9. 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.

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	\$ 10,097,935	\$ 10,196,852	Custodial credit risk - deposits
Illinois Funds	4,486,390	4,486,390	Credit risk
IMET - money market	861	861	Credit risk
Petty cash	<u>2,285</u>	<u>-</u>	N/A
Total Deposits and Investments	<u>\$ 14,587,471</u>	<u>\$ 14,684,103</u>	

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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

A. DEPOSITS AND INVESTMENTS (cont.)

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.

As of April 30, 2017, 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, 2017

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

C. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2017, 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	28,597,030	53,585	-	28,650,615
Land improvements	864,804	75,203	-	940,007
Furniture and equipment	4,908,872	1,045,975	41,494	5,913,353
Books and material	<u>11,894,640</u>	<u>1,078,608</u>	<u>740,925</u>	<u>12,232,323</u>
Total Capital Assets Being Depreciated	<u>49,301,041</u>	<u>2,253,371</u>	<u>782,419</u>	<u>50,771,993</u>
Total Capital Assets	<u>50,789,377</u>	<u>2,253,371</u>	<u>782,419</u>	<u>52,260,329</u>
Less: Accumulated depreciation for				
Buildings	3,035,695	-	-	3,035,695
Building improvements	21,883,519	1,290,490	-	23,174,009
Land improvements	334,761	45,120	-	379,881
Furniture and equipment	3,977,184	475,437	41,494	4,411,127
Books and material	<u>5,976,873</u>	<u>881,717</u>	<u>740,925</u>	<u>6,117,665</u>
Total Accumulated depreciation	<u>35,208,032</u>	<u>2,692,764</u>	<u>782,419</u>	<u>37,118,377</u>
Net Capital Assets Being Depreciated	<u>14,093,009</u>	<u>(439,393)</u>	<u>-</u>	<u>13,653,616</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,581,345</u>	<u>\$ (439,393)</u>	<u>\$ -</u>	<u>\$ 15,141,952</u>

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Series 2001 Library Project	General	\$ 100,363
Total		<u>\$ 100,363</u>

All amounts are due within one year.

The interfund resulted from the time lag between the dates that property taxes were reported as revenue in the funds and cash was transferred from the General Fund accounts to the Series 2001 Library Project accounts.

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Reserve Fund for Site and Building	General Fund	\$ 300,000	To fund capital projects
Total - Fund Financial Statements		300,000	
Less: Government-wide eliminations		<u>(300,000)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ -</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the statement of activities, interfund transfers within the governmental activities are netted and eliminated.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended April 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
Intergovernmental payable	\$ 5,735,000	\$ -	\$ 1,075,000	\$ 4,660,000	\$ 1,105,000
Unamortized premium	535,708	-	107,141	428,567	-
Sub-totals	6,270,708	-	1,182,141	5,088,567	1,105,000
Other Liabilities					
Compensated absences	400,159	175,156	181,664	393,651	393,651
Capital leases	16,236	-	4,691	11,545	5,080
Net pension liability	3,066,504	1,103,250	576,461	3,593,293	-
Total Other Liabilities	3,482,899	1,278,406	762,816	3,998,489	398,731
Total Governmental Activities Long-Term Liabilities	<u>\$ 9,753,607</u>	<u>\$ 1,278,406</u>	<u>\$ 1,944,957</u>	<u>\$ 9,087,056</u>	<u>\$ 1,503,731</u>

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, 2017 consist of the following:

Governmental Activities	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance April 30, 2017
Intergovernmental Payable					
General Obligation Refunding Bonds, Series 2010	September 9, 2010	December 1, 2020	1.00% - 5.00%	\$ 14,885,000	\$ 4,660,000
Total Governmental Activities Intergovernmental Payable					<u>\$ 4,660,000</u>

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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

E. 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>
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>\$ 4,660,000</u>	<u>\$ 414,925</u>

F. LEASE DISCLOSURES

Lessee - Capital Leases

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. The capital lease is 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, 2017, are as follows:

<u>Years</u>	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 5,080	\$ 740	\$ 5,820
2019	<u>6,465</u>	<u>325</u>	<u>6,790</u>
Totals	<u>\$ 11,545</u>	<u>\$ 1,065</u>	<u>\$ 12,610</u>

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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.

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 2016 was 11.18% 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.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

NOTE III - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Fiduciary net position. Detailed information about the IMRF fiduciary net position as of December 31, 2016 is available in the separately issued Village of Skokie, Illinois Comprehensive Annual Financial Report as of and for the year ended April 30, 2017.

Net pension liability/(asset). At April 30, 2017, 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	\$ 12,245,761
Library's proportionate share of the collective net pension liability	<u>3,593,293</u>
Total	<u>\$ 15,839,054</u>

The net pension liability was measured as of December 31, 2016. 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, 2017, relative to the total contributions of the Library and Village during that period.

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, 2016 annual actuarial valuation included a 7.50% 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.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

NOTE III - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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	9.00%		
Private equity		13.15%	8.15%
Hedge funds		5.55%	5.25%
Commodities		4.40%	2.75%
Cash equivalents	1.00%	2.25%	2.25%

Discount rate. The discount rate used to measure the total pension liability for IMRF was 7.50%. The discount rate calculated using the December 31, 2015 measurement date was 7.48%. 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 3.78% for tax exempt 20-year general obligation municipal bonds with an average AA credit rating at December 31, 2016 to arrive at a discount rate of 7.50% used to determine the total pension liability. The year ending December 31, 2115 is the last year in the 2017 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 7.50% 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 (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Library's proportionate share of the collective net pension liability	\$ 7,811,136	\$ 3,593,293	\$ 107,921

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

NOTE III - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended April 30, 2017, the Library recognized pension expense of \$814,706. 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	\$ 681,660	\$ -
Assumption changes	38,374	59,238
Net difference between projected and actual earnings on pension plan investments	1,353,954	-
Contributions subsequent to the measurement date	187,875	-
Total	<u>\$ 2,261,863</u>	<u>\$ 59,238</u>

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, 2016. The remaining amounts reported as deferred outflows and inflows of resources related to pensions (\$2,014,750) will be recognized in pension expense as follows:

Year Ending December 31,	Library
2016	\$ 655,869
2017	655,869
2018	629,686
2019	73,326
Total	<u>\$ 2,014,750</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, 2017.

SKOKIE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended April 30, 2017

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. 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. 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*
- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 85, *Omnibus 2017*
- Statement No. 86, *Certain Debt Extinguishment Issues*
- Statement No. 87, *Leases*

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, 2017

	Original and Final Budget	Actual
REVENUES		
Property taxes	\$ 11,933,750	\$ 11,776,193
Replacement taxes	350,000	383,947
State and other grants	90,000	10,020
Fines, forfeitures and penalties	200,000	194,328
Investment income	20,000	5,796
Donations	-	11,668
Other revenue	65,000	55,880
Total Revenues	<u>12,658,750</u>	<u>12,437,832</u>
EXPENDITURES		
CURRENT		
Current and education		
Personnel	7,719,907	7,249,244
Contractual services	2,254,000	2,203,278
Commodities	1,604,000	1,565,755
Total current and education	<u>11,577,907</u>	<u>11,018,277</u>
Total Current	<u>11,577,907</u>	<u>11,018,277</u>
CAPITAL OUTLAY		
Capital Outlay	1,074,843	1,060,268
Total Capital Outlay	<u>1,074,843</u>	<u>1,060,268</u>
DEBT SERVICE		
Principal	6,000	4,691
Interest and fiscal charges	-	1,129
Total Debt Service	<u>6,000</u>	<u>5,820</u>
Total Expenditures	<u>12,658,750</u>	<u>12,084,365</u>
Excess of revenues over expenditures	-	<u>353,467</u>
OTHER FINANCING SOURCES		
Transfers out	-	(300,000)
Total Other Financing Sources	-	<u>(300,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	53,467
FUND BALANCE - Beginning of Year		<u>6,157,029</u>
FUND BALANCE - END OF YEAR		<u>\$ 6,210,496</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 Last Two Fiscal Years

	2016	2017
Library's proportion of the net pension liability	22.84%	22.69%
Library's proportionate share of the net pension liability	\$ 3,066,504	\$ 3,593,293
Village's proportionate share of the net pension liability	10,360,444	12,245,761
Total net pension liability	<u>\$ 13,426,948</u>	<u>\$ 15,839,054</u>
Covered-employee payroll	\$ 4,865,852	\$ 5,121,002
Library's proportionate share of the net pension liability as a percentage of covered payroll	63.02%	70.17%
Plan fiduciary net position as a percentage of the total pension liability	90.31%	89.26%
Contractually required contribution	\$ 529,405	\$ 559,726
Contributions in relation to the contractually required contribution	<u>(551,901)</u>	<u>(576,461)</u>
Contribution deficiency (excess)	<u>\$ (22,496)</u>	<u>\$ (16,735)</u>
Contributions as a percentage of covered employee payroll	11.34%	11.18%

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

Notes to Schedule:

Amounts reported 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, 2017

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, 2017

	Original and Final Budget	Actual
PERSONNEL SERVICES		
Salaries	\$ 6,455,907	\$ 6,110,827
Employer IMRF	760,000	670,016
Employer FICA	480,000	438,776
Health services account - employer contribution	24,000	29,625
Total personnel services	<u>7,719,907</u>	<u>7,249,244</u>
CONTRACTUAL SERVICES		
Audit fees	8,000	7,100
Bank fees	-	6,046
Cable and media lab	10,500	10,827
Conferences	108,000	116,172
Contingency	80,000	53,656
Data processing	3,000	-
E-commerce	-	6,942
Insurance		
Health/dental/life	700,000	696,773
General	150,000	133,164
Maintenance of automobile equipment	20,000	1,707
Maintenance of buildings and grounds	205,000	204,643
Maintenance of equipment	100,000	90,720
Material handling and Illinois access fees	100,000	96,124
Miscellaneous	-	4,263
Office expenditures and transportation	2,500	2,859
Parking lease expense	-	3,215
Position vacancy announcement	-	100
Postage	32,000	27,655
Printing and publicity	82,000	82,928
Professional services	40,000	39,524
Programming	73,000	67,914
Reception and entertainment	17,000	21,154
Section 125 reimbursements	-	6,542
Summer reading contribution	-	11,555
Technology/network	440,000	436,951
Utilities	83,000	74,244
Total contractual services	<u>2,254,000</u>	<u>2,203,278</u>
COMMODITIES		
Physical content	981,000	941,677
Leased content	245,000	245,000
Learning	80,000	65,279
Research	175,000	169,979
Janitorial supplies	38,000	40,391
Library supplies	69,000	81,424
Program sponsorship/other grants	-	8,883
Small equipment	16,000	13,122
Total commodities	<u>1,604,000</u>	<u>1,565,755</u>

SKOKIE PUBLIC LIBRARY

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended April 30, 2017

	Original and Final Budget	Actual
CAPITAL OUTLAY		
Capital	\$ 1,039,843	\$ 1,028,787
Furniture and equipment	35,000	31,481
Total capital outlay	<u>1,074,843</u>	<u>1,060,268</u>
DEBT SERVICE		
Principal	6,000	4,691
Interest	<u>-</u>	<u>1,129</u>
Total debt service	<u>6,000</u>	<u>5,820</u>
TOTAL EXPENDITURES	<u><u>\$ 12,658,750</u></u>	<u><u>\$ 12,084,365</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, 2017

	Original and Final Budget	Actual
REVENUES		
Property taxes	\$ 1,275,725	\$ 1,275,726
Investment income	-	1,220
Total Revenues	<u>1,275,725</u>	<u>1,276,946</u>
EXPENDITURES		
DEBT SERVICE		
Principal	1,075,000	1,075,000
Interest and fiscal charges	<u>200,725</u>	<u>200,725</u>
Total Expenditures	<u>1,275,725</u>	<u>1,275,725</u>
Net Change in Fund Balance	<u>\$ -</u>	1,221
FUND BALANCE - Beginning of Year		<u>347,213</u>
FUND BALANCE - END OF YEAR		<u>\$ 348,434</u>