

LAKE FOREST LIBRARY

(A Component Unit of the City of Lake Forest)
Lake Forest, Illinois

FINANCIAL STATEMENTS

As of and for the year ended April 30, 2018

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Candor. Insight. Results.

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LAKE FOREST LIBRARY
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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Lake Forest Library Board of Trustees
Lake Forest Library
Lake Forest, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lake Forest Library, a component unit of the City of Lake Forest, as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the Lake Forest 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 Lake Forest 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 Lake Forest 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 Lake Forest Library Board of Trustees
Lake Forest 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 and the major fund of the Lake Forest Library, as of April 30, 2018, and the respective changes in financial position 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.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
October 18, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Lake Forest Public Library

Management's Discussion and Analysis (UNAUDITED)

As of and for the Year Ended April 30, 2018

The discussion and analysis of the Lake Forest Library's (the "Library") financial performance provides an overall review of the Library's financial activities for the year ended April 30, 2018. The Library is a discretely presented component of the City of Lake Forest, Illinois (the "City") pursuant to GASB Statement No. 61, since the City is financially accountable for the Library. The management of the Library encourages readers to consider the information presented herein in conjunction with the basic financial statements, as well as the City's annual financial report, to enhance their understanding of the Library's financial performance. Certain comparative information between the current year and the prior is presented in the Management's Discussion and Analysis (the "MD&A").

Financial Highlights

- > The Library's total net position increased by \$546,684, largely due to gifts, increased investment, and income and a 2.1% CPI increase in property taxes.
- > As of the close of the current fiscal year, the Library's governmental fund reported combined ending fund balances of \$3,587,906 an increase of \$789,160 from the prior year. In part due to increased revenues, and responsible fiscal spending.
- > Property taxes accounted for \$3,948,138 or 91.59% of all 2018 revenues. Grant awards and contributions accounted for \$182,817 or 4.24% of all 2018 revenues. The Library generated an additional \$144,244 or 3.35% in investment income and other income. Overall revenues increased \$248,157 from \$4,062,335 in 2017 to \$4,310,492 in 2018.
- > The Library received \$35,293 in impact fees in 2018.

Overview of the Financial Statements

This discussion is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components:

- > Government-wide financial statements,
- > Fund financial statements, and
- > Notes to the financial statements.

This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements (see pages 9 to 10) are designed to be corporate-like in that all governmental activities are consolidated into columns which add to a total for the Primary Government. The focus of the Statement of Net Position (the Unrestricted Net Position) is designed to be similar to bottom line results for the Library and its activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term obligations using the accrual basis of accounting and economic resources measurement focus.

Lake Forest Public Library
Management's Discussion and Analysis (UNAUDITED)
As of and for the Year Ended April 30, 2018

The Statement of Activities (see page 10) is focused on both the gross and net cost of various activities, which are supported by the government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various governmental services of Library activities. The Governmental Activities reflect the Library's basic services. Property taxes finance the majority of these services.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements (see pages 11-14) presentation more familiar.

While the General Fund column on the Governmental Fund Financial Statements is essentially the same as the Governmental Activities column on the Government-Wide Financial Statement, the Governmental Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement. The flow of current financial resources will reflect capital expenditures as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (pension and others) into the Governmental Activities column (in the Government-wide statements).

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to understanding the government-wide financial statements and the various fund financial statements.

Other Information

Other information is also included in this report. The other information includes the pension information of the Illinois Municipal Retirement Fund and budget to actual comparisons.

Lake Forest Public Library
Management's Discussion and Analysis (UNAUDITED)
As of and for the Year Ended April 30, 2018

Government-Wide Financial Analysis

The Library's combined net position increased \$546,684 from \$5,071,311 to \$5,617,995. Total assets increased \$738,674 from \$10,150,425 to \$10,889,099.

Table 1
Condensed Statement of Net Position

	<u>2017</u>	<u>2018</u>
Current and other assets	\$6,832,290	\$7,764,298
Capital assets, net	<u>3,318,135</u>	<u>3,124,801</u>
Total assets	<u>10,150,425</u>	<u>10,889,099</u>
Deferred Outflows of Resources	<u>672,819</u>	<u>82,127</u>
Total liabilities	<u>1,769,286</u>	<u>620,830</u>
Deferred Inflows of Resources	<u>3,982,647</u>	<u>4,733,536</u>
Net investment in capital assets	3,259,399	3,094,112
Unrestricted	<u>1,811,912</u>	<u>2,523,883</u>
Total net position	<u>\$5,071,311</u>	<u>\$5,617,995</u>

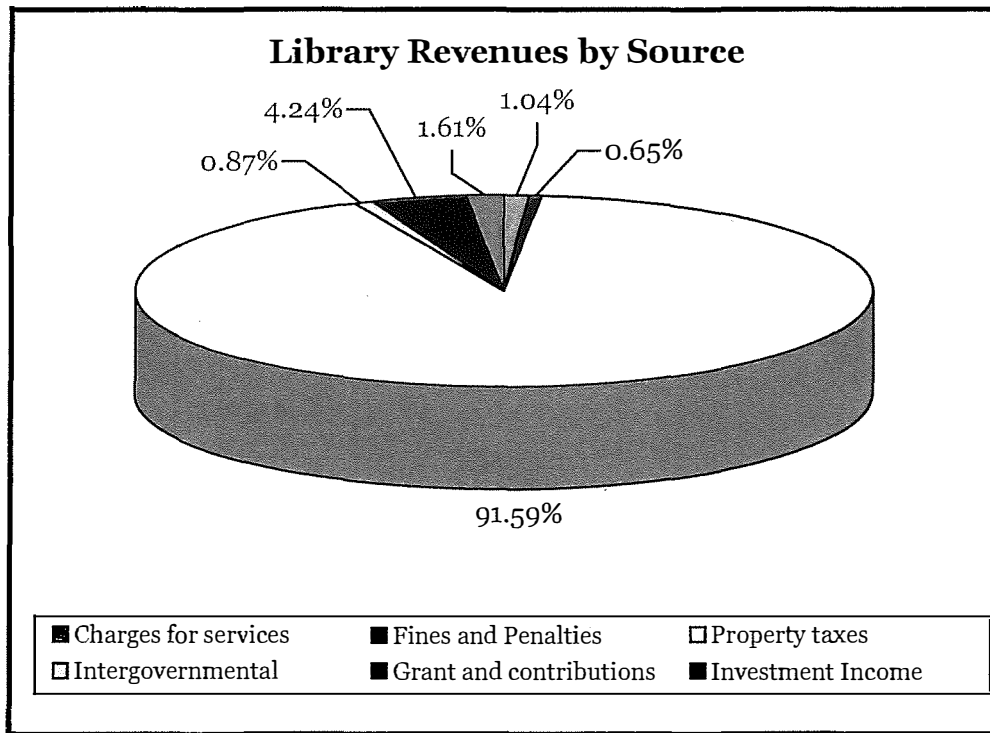
The Library's total revenues increased \$248,157 from \$4,062,335 in 2017 to \$4,310,492 in 2018. Property taxes accounted for \$3,948,138 or 91.59% of all 2018 revenues. Grant awards and contributions accounted for \$182,817 or 4.24% of all 2018 revenues. The Library generated an additional \$144,244 or 3.35% in investment income and other income; and received impact fees of \$35,293.

Lake Forest Public Library
Management's Discussion and Analysis (UNAUDITED)
As of and for the Year Ended April 30, 2018

Table 2
Changes in Fund Balance

	<u>2017</u>	<u>2018</u>
Revenues		
Property taxes	\$ 3,910,955	\$ 3,948,138
Intergovernmental	36,677	37,364
Grants and contributions	35,010	182,817
Charges for services (including impact fees)	15,374	44,795
Fines and penalties	36,746	27,192
Investment income	<u>27,573</u>	<u>69,186</u>
Total revenues	<u>4,062,335</u>	<u>4,310,492</u>
Expenditures		
Library services	3,144,171	3,180,453
Library building	277,313	257,437
Capital Outlay	137,159	54,923
Debt Service	<u>26,134</u>	<u>28,510</u>
Total expenditures	<u>3,584,777</u>	<u>3,521,332</u>
Excess of Revenues Over Expenditures	477,558	789,160
Other Financing Sources (uses)	<u>84,225</u>	-
Total Other Financing Sources	<u>84,225</u>	-
Net Change in fund balance	561,783	789,160
Fund balance, beginning of year	<u>2,263,963</u>	<u>2,789,746</u>
Fund balance, end of year	<u>\$ 2,798,746</u>	<u>\$ 3,587,906</u>

**Lake Forest Public Library
Management’s Discussion and Analysis (UNAUDITED)
As of and for the Year Ended April 30, 2018**



Note: Charges for services include receipt of \$35,293 in impact fees.

Financial Analysis of the Government Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than fund types.

The Governmental Fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

General Fund Budgetary Highlights

The actual revenues were greater than projected revenues by \$259,453 in the General Fund for the year ended April 30, 2018. This is due to the Library receiving more grants and contributions than expected, impact fees, and increased investment income.

The actual expenditures for fiscal 2018 were less than revenues by \$789,160; a result of Library services and capital expenditures falling below expectations. As a result, the Library Fund balance as of April 30, 2018 is \$3,587,906.

Lake Forest Public Library
Management's Discussion and Analysis (UNAUDITED)
As of and for the Year Ended April 30, 2018

Capital Assets

At the end of fiscal 2018, the Library had total capital assets (net of accumulated depreciation) of \$3,124,801 invested in a broad range of capital assets including art, equipment, buildings, land, land improvements, and library materials.

The total increase in the Library's cost value of capital assets for the current year was \$347,800. A majority of the capital asset acquisitions in fiscal 2018 related to replacement of equipment and the purchase of library materials. All retirements in fiscal 2018 related to library materials and equipment. Additional information on capital assets can be found in Note 3 of the basic financial statements (page 20).

	<u>2017</u>	<u>2018</u>
Land	\$ 70,000	\$ 70,000
Art	149,000	168,500
Buildings	480,065	456,727
Improvements other than buildings	992,581	853,287
Machinery and equipment	<u>1,626,489</u>	<u>1,576,287</u>
Total	<u>\$ 3,318,135</u>	<u>\$ 3,124,801</u>

Debt Outstanding

The Library has no bonded indebtedness currently outstanding.

Requests for Information

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives.

Questions concerning this report or requests for additional financial information should be directed to Catherine A. Lemmer, Library Director, Lake Forest Library, 360 East Deerpath Road, Lake Forest, IL 60045.

BASIC FINANCIAL STATEMENTS

The basic financial Statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- **Government-wide Financial Statements**
- **Fund Financial Statements – Governmental Fund**

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

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LAKE FOREST LIBRARY
STATEMENT OF NET POSITION
As of April 30, 2018

**GOVERNMENTAL
ACTIVITIES**

Assets	
Cash and cash equivalents	\$ 3,701,986
Receivables (net of allowance for uncollectibles):	
Property taxes	4,010,981
Other taxes	7,332
Miscellaneous	1,135
Prepaid items	43,999
Capital assets:	
Capital assets not being depreciated	238,500
Capital assets being depreciated (net of accumulated depreciation)	<u>2,886,301</u>
 Total assets	 <u>10,890,234</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	<u>82,127</u>
 Total deferred outflows of resources	 <u>82,127</u>
Liabilities	
Accounts payable	87,290
Accrued liabilities	79,256
Long-term obligations:	
Due within one year	33,333
Due in more than one year	<u>420,951</u>
Total liabilities	<u>620,830</u>
Deferred Inflows of Resources	
Property taxes levied for future periods	4,010,981
Deferred inflows of resources related to pensions	<u>722,555</u>
 Total deferred inflows of resources	 <u>4,733,536</u>
Net position	
Net investment in capital assets	3,094,112
Unrestricted	<u>2,523,883</u>
 Total net position	 <u>\$ 5,617,995</u>

The notes to the financial statements are an integral part of this statement

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LAKE FOREST LIBRARY
STATEMENT OF ACTIVITIES
For the Year Ended April 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Governmental activities				
Library services	\$ 3,763,808	\$ 72,987	\$ 182,817	\$ (3,508,004)
Total governmental activities	<u>\$ 3,763,808</u>	<u>\$ 72,987</u>	<u>\$ 182,817</u>	<u>\$ (3,508,004)</u>
General revenues:				
Property taxes				3,948,138
Replacement taxes				37,364
Investment income				<u>69,186</u>
Total general revenues				<u>4,054,688</u>
Change in net position				546,684
Net position, beginning of year				<u>5,071,311</u>
Net position, end of year				<u>\$ 5,617,995</u>

The notes to the financial statements are an integral part of this statement

LAKE FOREST LIBRARY

GOVERNMENTAL FUND

BALANCE SHEET

As of April 30, 2018

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 3,701,986
Receivables (net of allowance for doubtful accounts):	
Property taxes	4,010,981
Other taxes	7,332
Miscellaneous	1,135
Prepaid items	<u>43,999</u>
 Total assets	 <u>\$ 7,765,433</u>
Liabilities, deferred inflows of resources, and fund balance	
Liabilities	
Accounts payable	\$ 87,290
Accrued liabilities	<u>79,256</u>
 Total liabilities	 <u>166,546</u>
Deferred inflows of resources	
Property taxes levied for future periods	<u>4,010,981</u>
 Total deferred inflows of resources	 <u>4,010,981</u>
Fund balance	
Nonspendable for prepaid items	43,999
Unassigned	<u>3,543,907</u>
 Total fund balance	 <u>3,587,906</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 7,765,433</u>

The notes to the financial statements are an integral part of this statement

LAKE FOREST LIBRARY
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
As of April 30, 2018

Total fund balances - governmental funds	\$	3,587,906
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> <p>The cost of capital assets (buildings and improvements, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the Library as a whole.</p>		
Cost of capital assets	\$ 7,681,276	
Depreciation expense to date	<u>(4,556,475)</u>	
		3,124,801
<p>Deferred outflows of resources related to pensions do not relate to current financial resources and are not included in the Governmental Funds Balance Sheet.</p>		
		82,127
<p>Deferred inflows of resources related to pensions do not relate to current financial resources and are not included in the Governmental Funds Balance Sheet.</p>		
		(722,555)
<p>Long-term liabilities applicable to the Library's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities - both current and long-term, are reported in the Statement of Net Position.</p>		
Compensated absences	(204,555)	
Capital Lease	(30,685)	
Net OPEB obligation	(91,530)	
Net pension liability	<u>(127,514)</u>	
		<u>(454,284)</u>
Net position of governmental activities	\$	<u>5,617,995</u>

LAKE FOREST LIBRARY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND For the Year Ended April 30, 2018

	<u>General Fund</u>
Revenues	
Property taxes	\$ 3,948,138
Intergovernmental	37,364
Grants and contributions	182,817
Charges for services	44,795
Fines and penalties	28,192
Investment income	<u>69,186</u>
Total revenues	<u>4,310,492</u>
Expenditures	
Library services	
Personnel services	2,346,123
Other	834,330
Library building	
Personnel services	130,104
Other	127,333
Capital Outlay	
Building and office	3,009
Capital improvements	51,923
Debt Service	
Principal	28,051
Interest	<u>459</u>
Total expenditures	<u>3,521,332</u>
Net change in fund balance	789,160
Fund balance, beginning of year	<u>2,798,746</u>
Fund balance, end of year	<u>\$ 3,587,906</u>

The notes to the financial statements are an integral part of this statement

LAKE FOREST LIBRARY
 RECONCILIATION OF THE GOVERNMENTAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 For the Year Ended April 30, 2018

Net change in fund balances - total governmental funds	\$	789,160
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.</p>		
Depreciation expense	\$	(541,134)
Capital outlay		<u>347,800</u>
		(193,334)
<p>In the Statement of Activities, operating expenses are measured by the amounts incurred during the year. However, several of these items are included in the governmental funds only to the extent that they require the expenditure of current financial resources:</p>		
Compensated absences		(13,062)
Capital lease repaid		28,051
Other post-employment benefits		(20,821)
Net pension liability		1,193,353
Deferred outflows of resources related to pensions		(590,692)
Deferred inflows of resources related to pensions		<u>(645,971)</u>
		<u>(49,142)</u>
Change in net position - governmental activities	\$	<u>546,684</u>

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LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lake Forest Library ("the Library"), Illinois have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units (hereinafter referred to as general accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

Reporting Entity

The Library is a discretely presented component of the City of Lake Forest, Illinois (the City) pursuant to GASB Statement No. 61, since the City is financially accountable for the Library.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Library. Governmental activities generally are financed through property taxes. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues instead.

Fund Financial Statements

The accounts of the Library in the governmental fund financial statements are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Separate financial statements are provided for the governmental (General) fund, the only fund of the Library.

Measurement Focus, Basis of Accounting, and Financial Statement Preparation

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

Governmental funds are used to account for the Library's general government activities. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they are both "measurable and available".

"Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Library considers all revenues, except for property taxes, available if they are collected within 90 days after year-end. Revenues for property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Measurement Focus, Basis of Accounting, and Financial Statement Preparation (cont.)

Property taxes, replacement taxes, and interest on investments associated with the current fiscal period are susceptible to accrual and are recognized as revenues of the current fiscal period. Other receipts become measurable and available when cash is received by the Library and are recognized as revenue at that time.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly, when such funds are received they are recorded as unearned revenues until earned.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, 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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Deposits and Investments

The Library considers all highly liquid investments with a maturity date within three months of the date acquired to be cash equivalents.

The Library is authorized to invest in the following types of securities under Illinois law:

- Bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America;
- Bonds, notes, debentures, or other similar obligations of the U.S. government or its agencies;
- Interest-bearing bonds of any county, township, city, incorporated town, municipal corporation, or school district, and the bonds shall be registered in the name of the Library or held under a custodial agreement at a bank, provided the bonds shall be rated at the time of purchase within the four highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;
- Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et. seq.), provided, however, that such investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation (FDIC);
- Commercial paper – issuer must be a United States corporation with more than \$500 million in assets, rating must be within the highest tier (e.g., A-1, P-1, F-1, D-1, or higher) by two standard rating services, must mature within 180 days of purchase, such purchases cannot exceed 10% of the corporation's outstanding obligations, and such purchases cannot exceed one-third of funds;
- Money Market Mutual Funds – registered under the Investment Company Act of 1940 (15 U.S.C.A. § 80a-1 et. seq.), provided the portfolio is limited to bonds, notes, certificates, treasury bills, or other securities which are guaranteed by the full faith and credit of the federal government as to principal and interest;
- Short-term discount obligations of the Federal National Mortgage Association (established by or under the National Housing Act (1201 U.S.C. 1701 et. seq.)), or in shares or other forms of securities legally issuable by savings banks or savings and loans associations incorporated under the laws of Illinois or any other state or under the laws of the United States, provided, however, that the shares or investment certificates of such savings banks or savings and loans associations are insured by the Federal Deposit Insurance Corporation;

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (cont.)

Deposits and Investments (cont.)

- Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the law of the State of Illinois or the laws of the United States; provided, however, the principal office of the credit unions must be located within the State of Illinois; and, provided further, that such investments may be made only in those credit union accounts of which are insured by applicable law;
- The Public Treasurer's Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17) or in a fund managed, operated, and administered by a bank subsidiary of a bank, or subsidiary of a bank holding company, or use the services of such an entity to hold and invest or advice regarding the investment of any public funds; and
- Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 (15 U.S.C.A § 780-5) subject to the provisions of that Act and the regulations issued thereunder, provided, however, that such government securities, unless registered or inscribed in the name of the Library, shall be purchased through banks or trust companies authorized to do business in the State of Illinois; and such other repurchase agreements as are authorized in subsection (h) of Section 2 of the Public Funds Investment Act (30 ILCS 235/2). Repurchase agreements may be executed only with approved financial institutions or broker/dealers meeting the Library's established standards, which shall include mutual execution of a Master Repurchase Agreement adopted by the Library.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits 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's investments are made on its behalf by the City in accordance with the Public Funds Investment Act (30 ILCS 235/1) (the Act) and the City's investment policy. The City's investment policy requires that deposits that exceed the amount insured by FDIC, NCUA, and/or SIPC insurance protection be collateralized, at the rate of 110 percent of such deposits, by U.S. Government securities, obligations of Federal instrumentalities, obligations of the State of Illinois, or general obligation bonds of the City.

Credit Risk

Credit risk is the risk that an issuer or other counterparty will not fulfill its obligation. The Library's investment policy limits the Library's exposure to credit risk by limiting investments to the safest types as described above.

Property Tax Receivable

Tax bills for levy year 2017 are prepared by Lake County and issued in May 2018 and are payable in two installments, on or about June 1, 2018 and September 1, 2018 or within 30 days of the tax bills being issued.

The county collects such taxes and remits them periodically. The 2017 property tax levy is recognized as a receivable and deferral in fiscal 2018, net the 1.5% allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At April 30, 2018, the property taxes receivable and property taxes levied for future periods consisted of the estimated amount collectible from the 2016 levy.

Property taxes for levy year 2018 attaches as an enforceable lien on January 1, 2018, 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, 2018, has not been recorded as a receivable as of April 30, 2018, as the tax has not yet been levied by the City and will not be levied until December 2018, and therefore, the levy is not measurable at April 30, 2018.

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 cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (cont.)

Capital Assets

Capital assets, which include property, buildings, equipment, art, and intangible assets (software) are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$10,000 and a useful life greater than 1 year, with the exception of books and materials. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Depreciation of capital assets is provided using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30 – 50
Improvements other than buildings	40 – 80
Vehicles, machinery, equipment, and software	3 – 20
Books and materials	6

Deferred Outflows of Resources

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

Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. All vested vacation and sick leave pay is accrued when incurred in the government-wide 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.

Deferred Inflows of Resources

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

Equity Classifications

Fund Balances

GAAP establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. Within the governmental fund types, the Library's fund balances are reported in one of the following classifications:

Nonspendable – includes amounts that cannot be spent because they are either: a) not in spendable form; or b) legally or contractually required to be maintained intact.

Restricted – includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (cont.)

Equity Classifications (cont.)

Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Library’s highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Library removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Library’s highest level of decision-making authority rests with the Library Board of Trustees. The Library passes formal resolutions to commit their fund balances.

Assigned – includes amounts that are constrained by the Library’s *intent* to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: a) the Library Board itself; or b) a body or official to which the Board has delegated the authority to assign amounts to be used for specific purposes. The Board has not delegated this to anyone at this time.

Unassigned – includes the residual fund balance that has not been restricted, committed or assigned.

In the General Fund, it is the Library’s policy to consider restricted resources to have been spent first when an expenditure is incurred for which both restricted and unrestricted (i.e. committed, assigned, or unassigned) fund balances are available, followed by committed, and then assigned fund balances. Unassigned amounts are only used after the other resources have been used.

Net Position

In the government-wide financial statements, equity is being displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions of enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Library’s policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 – DEPOSITS AND INVESTMENTS

For disclosure purposes, for the Lake Forest Library, cash and cash equivalents are segregated into the following components:

	<i>Cash and Cash Equivalents</i>
Cash on hand	\$ 350
Deposits with financial institutions	3,701,636
Total	\$ 3,701,986

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

CUSTODIAL CREDIT RISK - DEPOSITS

As of April 30, 2018, the Library's bank balances were not subject to custodial credit risk as they were either insured or collateralized with investments held by the Library or its agent, in the Library's name.

Note 3 – Capital Assets

The Library's capital asset activity for the year ended April 30, 2018, was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Capital assets not being depreciated:				
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Art	149,000	19,500	-	168,500
Total capital assets not being depreciated	<u>219,000</u>	<u>19,500</u>	<u>-</u>	<u>238,500</u>
Capital assets being depreciated:				
Buildings	1,180,907	-	-	1,180,907
Improvements other than buildings	2,271,093	-	-	2,271,093
Machinery and equipment	4,020,374	328,300	357,898	3,990,776
Total capital assets being depreciated	<u>7,472,374</u>	<u>328,300</u>	<u>357,898</u>	<u>7,442,776</u>
Less accumulated depreciation for:				
Buildings	700,842	23,338	-	724,180
Improvements other than buildings	1,278,512	139,294	-	1,417,806
Machinery and equipment	2,393,885	378,502	357,898	2,414,489
Total accumulated depreciation	<u>4,373,239</u>	<u>541,134</u>	<u>357,898</u>	<u>4,556,475</u>
Net capital assets being depreciated	<u>3,099,135</u>	<u>(212,834)</u>	<u>-</u>	<u>2,886,301</u>
Total Governmental activities capital assets, net of accumulated depreciation	<u>\$ 3,318,135</u>	<u>\$ (193,334)</u>	<u>\$ -</u>	<u>\$ 3,124,801</u>

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2018

NOTE 4 – LONG-TERM LIABILITIES

During the year ended April 30, 2018, the following is the long-term liability activity for the Library:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>	<i>Amounts Due Within One Year</i>
Governmental activities:					
Capital lease	\$ 58,736	\$ -	\$ 28,051	\$ 30,685	\$ 28,333
Net OPEB obligation	70,709	31,537	10,716	91,530	-
Net pension liability	1,320,867	-	1,193,353	127,514	-
Compensated absences	191,493	165,782	152,720	204,555	5,000
Total long-term liabilities	\$ 1,641,805	\$ 197,319	\$ 1,384,840	\$ 454,284	\$ 33,333

The Library's long-term obligations will be liquidated by the Library's General Fund.

Lessee – Capital Leases

In 2017 the Library acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$84,225, which are included in capital assets. The future minimum lease obligations and the net present value on these minimum lease payments as of April 30, 2018, are as follows:

Years	Principal	Interest	Total
2019	\$ 28,333	\$ 177	\$ 28,510
2020	2,352	2	2,354
Total	\$ 30,685	\$ 179	\$ 30,864

NOTE 5 – RETIREMENT SYSTEMS

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 City of Lake Forest. 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 may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

The employees of the Library are pooled with the employees of the City of Lake Forest for purposes of actuarial valuation. As the Library is participating under the City'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 age 55 (at reduced benefits) or after age 60 (at full benefits) 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 3% for each year thereafter.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2018

NOTE 5 – RETIREMENT SYSTEMS (cont.)

For Tier 2 participants, pension benefits vest after 10 years of service. Participating members who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) 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 for the first 15 years of service credit, plus 2% for each year of service after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased every year after retirement, upon reaching age 67, by the lesser of 3% of the original pension amount or 1/2 of the increase in the Consumer Price Index of the original pension amount.

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 2017 was 12.57% 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, 2017 is available in the separately issued City of Lake Forest, Illinois Comprehensive Annual Financial Report as of and for the year ended April 30, 2018.

Net Pension Liability. At April 30, 2018, 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 City's employer number. The amount recognized by the Library as its proportionate share of the net pension liability, the City's share of the net pension liability, and the total net pension liability associated with the City's employer number were as follows:

Library's proportionate share of the collective net pension liability	\$	127,514
City's proportionate share of the collective net pension liability		<u>1,068,344</u>
 Total	 \$	 <u>1,195,858</u>

The net pension liability was measured as of December 31, 2017. 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, 2018, relative to the total contributions of the Library and the City during that period. At April 30, 2018, the Library's proportion was 10.90%. The Library's proportion at April 30, 2017 was 10.90%.

Summary of Significant Accounting Policies. For purposes of measuring the collective net pension liability, 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, 2017 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) 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.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2018

NOTE 5 – RETIREMENT SYSTEMS (cont.)

Mortality. For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

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/Risk	
		One Year Arithmetic	Ten Year Geometric
Equities	37.00 %	8.30 %	6.85 %
International equities	18.00 %	8.45 %	6.75 %
Fixed income	28.00 %	3.05 %	3.00 %
Real estate	9.00 %	6.90 %	5.75 %
Alternatives	7.00 %		
Private equity		12.45 %	7.35 %
Hedge funds		5.35 %	5.05 %
Commodities		4.25 %	2.65 %
Cash equivalents	1.00 %	2.25 %	2.25 %

Discount Rate. The discount rate used to measure the total collective pension liability for IMRF was 7.50%. The discount rate calculated using the December 31, 2016 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 the City's and Library's 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 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2018

NOTE 5 – RETIREMENT SYSTEMS (cont.)

Discount Rate Sensitivity. The following is a sensitivity analysis of the Library's proportionate share of the net pension liability to changes in the discount rate. The table below presents the Library's proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as what the Library's proportionate share of the net pension liability 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Library's proportionate share of the collective net pension liability (asset)	\$ 1,536,941	\$ 127,514	\$ (1,037,328)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended April 30, 2018, the Library recognized pension expense of \$245,690. The Library reported deferred outflows and inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 13,570	\$ 30,719
Changes in assumptions	889	240,451
Net difference between projected and actual earnings on pension plan investments	-	451,385
Contributions subsequent to the measurement date	67,668	-
Total	\$ 82,127	\$ 722,555

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 April 30, 2019. The remaining amounts reported as deferred outflows and inflows of resources related to pensions \$708,096 will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2018	\$ 132,918
2019	142,194
2020	230,629
2021	202,355
Total	\$ 708,096

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2018

NOTE 6 – OTHER POST EMPLOYMENT (OPEB)

Plan Description. In addition to providing the pension benefits described in Note 5, the Library (through the City) provides post-employment health care benefits (OPEB) for retired employees. Hereinafter, the medical and dental plan benefits offered are referred to as the "Plan." The Plan offers several medical and dental insurance benefit options to eligible retirees and their dependents. The benefits, benefit levels, employee contributions, and employer contributions are governed by the Board and can only be amended by the Board. The Plan is not accounted for as a trust fund and an irrevocable trust has not been established. The Library does not issue a Plan report.

Funding Policy. The contribution requirements of plan members and the Library are established and may be amended by the Board and are detailed in the various plan benefit booklets provided to employees. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2018, the Library contributed \$10,716, representing current premiums.

Annual OPEB Cost and Net OPEB Obligation. The annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the net OPEB obligation to the Plan: The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2018 was as follows:

Annual required contribution (ARC)	\$	31,066
Interest on net OPEB obligation		2,828
Adjustment to annual required contribution		<u>(2,357)</u>
Annual OPEB cost		31,537
Contributions made		<u>(10,716)</u>
Increase in net OPEB obligation		20,821
Net OPEB obligation beginning of the year		<u>70,709</u>
Net OPEB obligation end of the year	\$	<u><u>91,530</u></u>

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2018

Note 6 – Other Post Employment (OPEB) (cont.)

Annual OPEB Cost and Net OPEB Obligation (continued)

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
4/30/2018	\$ 31,537	34.0 %	\$ 91,530
4/30/2017	30,196	27.3 %	70,709
4/30/2016	24,039	26.5 %	48,771

Funding Status and Funding Progress. As of April 30, 2017, the Plan was 100 percent unfunded. The actuarial accrued liability for benefits was \$286,873, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$286,873. The covered payroll (annual payroll of active employees covered by the plan) was \$1,778,891, and the ratio of the UAAL to the covered payroll was 16.13 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actual Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2017 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent ultimately. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2017 was 30 years.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2018

NOTE 7 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library purchases commercial insurance to cover its risks. The Library has not had significant reductions in insurance coverage during the year nor did settlements exceed insurance coverage in any of the last three years.

NOTE 8 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 85, *Omnibus 2017*, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, GASB Statement No. 87, *Leases*, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, and GASB Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*. Application of these standards may restate portions of these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

LAKE FOREST LIBRARY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended April 30, 2018

	ORIGINAL AND FINAL BUDGET	2018 ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues			
Property taxes	\$ 3,965,539	\$ 3,948,138	\$ (17,401)
Intergovernmental	15,000	37,364	22,364
Grants and contributions	10,000	182,817	172,817
Charges for services	16,000	44,795	28,795
Fines and penalties	32,000	28,192	(3,808)
Investment income	12,500	69,186	56,686
	<u>4,051,039</u>	<u>4,310,492</u>	<u>259,453</u>
Total revenues	<u>4,051,039</u>	<u>4,310,492</u>	<u>259,453</u>
Expenditures			
Library services			
Personnel services	2,480,589	2,346,123	134,466
Other	1,061,886	834,330	227,556
Library building			
Personnel services	143,564	130,104	13,460
Other	185,000	127,333	57,667
Capital Outlay			
Building and office	80,000	3,009	76,991
Capital improvements	100,000	51,923	48,077
Debt Service			
Principal	-	28,051	(28,051)
Interest	-	459	(459)
Contingency	405,104	-	405,104
	<u>4,456,143</u>	<u>3,521,332</u>	<u>934,811</u>
Total expenditures	<u>4,456,143</u>	<u>3,521,332</u>	<u>934,811</u>
Net change in fund balance	<u>\$ (405,104)</u>	<u>789,160</u>	<u>\$ 1,194,264</u>
Fund balance, beginning of year		<u>2,798,746</u>	
Fund balance, end of year		<u>\$ 3,587,906</u>	

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

LAKE FOREST LIBRARY
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF LIBRARY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY AND LIBRARY CONTRIBUTIONS
Three Most Recent Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Library's proportion of the net pension liability	11.84%	10.90%	10.66%
Library's proportionate share of the net pension liability	\$ 1,526,764	\$ 1,320,867	\$ 127,514
City's proportionate share of the net pension liability	<u>11,368,286</u>	<u>10,802,554</u>	<u>1,068,344</u>
Total net pension liability	<u>\$ 12,895,050</u>	<u>\$ 12,123,421</u>	<u>\$ 1,195,858</u>
Covered-employee payroll	\$ 1,585,497	\$ 1,431,183	\$ 1,412,607
Library's proportionate share of the net pension liability as a percentage of covered payroll	96.30%	92.29%	9.03%
Plan fiduciary net position as a percentage of the total pension liability	86.95%	88.04%	98.83%
Contractually required contribution	\$ 233,902	\$ 177,896	\$ 172,745
Contributions in relation to the contractually required contribution	<u>(235,978)</u>	<u>(182,795)</u>	<u>(177,258)</u>
Contribution deficiency (excess)	<u>\$ (2,077)</u>	<u>\$ (4,899)</u>	<u>\$ (4,513)</u>
Contributions as a percentage of covered employee payroll	14.88%	12.77%	12.55%

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

Notes to Schedule:

Amounts reported in 2017 reflect an investment rate of return of 7.5 percent, an inflation rate of 2.75 percent and real return of 4.5 percent, and a salary increase assumption of 3.75 percent to 14.50 percent including inflation.

LAKE FOREST LIBRARY
 OTHER POST EMPLOYMENT BENEFIT PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED APRIL 30, 2018

Fiscal Year End	Actuarial Required Contributions	Percentage Contributed
4/30/2018	\$ 31,066	34.5%
4/30/2017	29,871	27.7%
4/30/2016	23,831	26.8%
4/30/2015	22,915	-
4/30/2014	3,786	-
4/30/2013	2,727	-

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
4/30/2017	-	\$ 286,873	\$ 286,876	0%	\$ 1,778,891	16.13%
4/30/2015	-	272,766	272,766	0%	1,288,196	21.17%
4/30/2013	-	34,113	34,113	0%	1,306,979	2.61%

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

LAKE FOREST LIBRARY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED APRIL 30, 2018

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

Budget Process

The budget amounts represent the operating budget for the Library and the appropriations represent the Library's legal expenditure limit. The budget amounts are principally prepared on the cash basis of accounting. The difference from accounting principles generally accepted in the United States of America is not material. The Library Board follows these procedures in establishing the budgetary and appropriations data reflected in the financial statements.

- 1) The Library's Finance Committee (four members) submits to the Library Board (nine members) a proposed operating budget in February for the following fiscal year beginning May 1st. The operating budget includes proposed expenditures and estimated revenues.
- 2) Public budget and appropriations meetings are conducted by the Library to obtain taxpayer comments.
- 3) The budget is legally enacted through action of the Library Board at its March meeting. Once enacted, the budget cannot be amended without approval from the Library Board. Funds may have expenditures in excess of budgeted amounts, but legally may not have expenditures in excess of appropriations. As has been the practice of the Library Board to be included in what the City of Lake Forest does, every July, the Library's budget that was approved in March is increased by 10 percent and is included in the Appropriation Ordinance. The Appropriation Ordinance provides for a 10 percent contingency for all City funds and is approved by the City Council.
- 4) The legal level of budgetary control is the fund level. Management may make transfers of appropriations within a fund. Any expenditures that exceed the total appropriations at the fund level must be approved by the Library Board. No supplemental appropriations were made during the year.

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