

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, 2016



BAKER TILLY

Candor. Insight. Results.

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LAKE FOREST LIBRARY
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



Baker Tilly Virchow Krause, LLP
1301 W 22nd St, Ste 400
Oak Brook, IL 60523-3389
tel 630 990 3131
fax 630 990 0039
bakertilly.com

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, 2016, 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, 2016 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.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Management has omitted the 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.

Baker Tilly Vichow Krause, LLP

Oak Brook, Illinois
October 20, 2016

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.

LAKE FOREST LIBRARY
STATEMENT OF NET POSITION
As of April 30, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>
Assets	
Cash and cash equivalents	\$ 2,351,899
Receivables (net of allowance for uncollectibles):	
Property taxes	3,859,683
Other taxes	5,141
Prepaid items	44,382
Capital assets:	
Capital assets not being depreciated	219,000
Capital assets being depreciated (net of accumulated depreciation)	<u>3,196,179</u>
 Total assets	 <u>9,676,284</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	<u>1,072,564</u>
 Total deferred outflows of resources	 <u>1,072,564</u>
Liabilities	
Accounts payable	68,780
Accrued liabilities	95,679
Long-term obligations:	
Due within one year	5,000
Due in more than one year	<u>1,720,722</u>
Total liabilities	<u>1,890,181</u>
Deferred Inflows of Resources	
Property taxes levied for future periods	3,859,683
Deferred inflows of resources related to pensions	<u>14,003</u>
 Total deferred inflows of resources	 <u>3,873,686</u>
Net position	
Net investment in capital assets	3,415,179
Unrestricted	<u>1,569,802</u>
 Total net position	 <u>\$ 4,984,981</u>

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

LAKE FOREST LIBRARY

STATEMENT OF ACTIVITIES For the Year Ended April 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Governmental activities				
Library services	\$ 3,410,169	\$ 103,017	\$ 26,400	\$ (3,280,752)
Total governmental activities	<u>\$ 3,410,169</u>	<u>\$ 103,017</u>	<u>\$ 26,400</u>	<u>\$ (3,280,752)</u>
General revenues:				
Property taxes				3,871,122
Replacement taxes				27,435
Investment income				<u>15,717</u>
Total general revenues				<u>3,914,274</u>
Change in net position				633,522
Net position, beginning of year (as restated)				<u>4,351,459</u>
Net position, end of year				<u>\$ 4,984,981</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, 2016

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 2,351,899
Receivables (net of allowance for doubtful accounts):	
Property taxes	3,859,683
Other taxes	5,141
Prepaid items	<u>44,382</u>
 Total assets	 <u>\$ 6,261,105</u>
Liabilities, deferred inflows of resources, and fund balance	
Liabilities	
Accounts payable	\$ 68,780
Accrued liabilities	<u>95,679</u>
 Total liabilities	 <u>164,459</u>
Deferred inflows of resources	
Property taxes levied for future periods	<u>3,859,683</u>
 Total deferred inflows of resources	 <u>3,859,683</u>
Fund balance	
Nonspendable for prepaid items	44,382
Unassigned	<u>2,192,581</u>
 Total fund balance	 <u>2,236,963</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 6,261,105</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, 2016

Total fund balances - governmental funds	\$	2,236,963
<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	\$ 7,634,989	
Depreciation expense to date	<u>(4,219,810)</u>	3,415,179
<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>		
		1,072,564
<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>		
		(14,003)
<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	(150,187)	
Net OPEB obligation	(48,771)	
Net pension liability	<u>(1,526,764)</u>	<u>(1,725,722)</u>
Net position of governmental activities	\$	<u><u>4,984,981</u></u>

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

LAKE FOREST LIBRARY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
For the Year Ended April 30, 2016

	<u>General Fund</u>
Revenues	
Property taxes	\$ 3,871,122
Intergovernmental	27,435
Grants and contributions	26,400
Charges for services	64,391
Fines and penalties	38,626
Investment income	<u>15,717</u>
 Total revenues	 <u>4,043,691</u>
Expenditures	
Library services	
Personnel services	2,363,445
Other	864,870
Library building	
Personnel services	152,666
Other	139,675
Capital Outlay:	
Building and office	66,918
Capital improvements	<u>50,272</u>
 Total expenditures	 <u>3,637,846</u>
 Net change in fund balance	 405,845
 Fund balance, beginning of year	 <u>1,831,118</u>
 Fund balance, end of year	 <u>\$ 2,236,963</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, 2016

Net change in fund balances - total governmental funds \$ 405,845

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

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.

Depreciation expense	\$ (532,507)	
Capital outlay	<u>368,439</u>	
		(164,068)

Some revenues not collected as of the year end are not considered available revenues in governmental funds. This is the change in the amounts that were not considered available in the current year.

In the Statement of Activities, operating expenses are measured by the amounts incurred during the year. However, certain of these items are included in the governmental funds only to the extent that they require the expenditure of current financial resources:

Compensated absences	41,614	
Capital lease repaid	25,538	
Other post-employment benefits	(17,657)	
Net pension liability	(655,241)	
Deferred outflows of resources related to pensions	1,011,494	
Deferred inflows of resources related to pensions	<u>(14,003)</u>	
		<u>391,745</u>

Change in net position - governmental activities \$ 633,522

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

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.

Changes in Accounting Principles

In June 2012, the GASB issued statement No. 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. This statement establishes standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pension. In November 2013, the GASB issued Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement addressed an issue regarding application of the transition provisions of Statement No. 68. These standards were implemented May 1, 2015.

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".

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

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

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

"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.

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, 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;

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

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.)

- 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;
- 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.

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.

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 in accordance with the Public Funds Investment Act (30 ILCS 235/1) (the Act) and the City's investment policy. 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. 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.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

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

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

Property Tax Receivable

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

The county collects such taxes and remits them periodically. The 2015 property tax levy is recognized as a receivable and deferral in fiscal 2016, net the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At April 30, 2016, the property taxes receivable and property taxes levied for future periods consisted of the estimated amount collectible from the 2015 levy.

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

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.

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 estimated fair 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:

<u>Assets</u>	<u>Years</u>
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 fund only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

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

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

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.

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.

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.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

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.)

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	2,302,077
Illinois Funds	<u>49,472</u>
Total	<u>\$ 2,351,899</u>

Custodial Credit Risk - Deposits

As of April 30, 2016, 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.

Credit Risk

Illinois Funds are rated AAA by Standard & Poors.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

NOTE 3 – CAPITAL ASSETS

The Library's capital asset activity for the year ended April 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Art	149,000	-	-	149,000
Total capital assets not being depreciated	<u>219,000</u>	<u>-</u>	<u>-</u>	<u>219,000</u>
Capital assets being depreciated:				
Buildings	1,180,907	-	-	1,180,907
Improvements other than buildings	2,331,505	-	-	2,331,505
Machinery and equipment	3,854,882	368,439	319,744	3,903,577
Total capital assets being depreciated	<u>7,586,294</u>	<u>368,439</u>	<u>319,744</u>	<u>7,415,989</u>
Less accumulated depreciation for:				
Buildings	654,166	23,338	-	677,504
Improvements other than buildings	1,074,456	162,935	-	1,237,391
Machinery and equipment	2,278,425	346,234	319,744	2,304,915
Total accumulated depreciation	<u>4,007,047</u>	<u>532,507</u>	<u>319,744</u>	<u>4,219,810</u>
Net capital assets being depreciated	<u>3,579,247</u>	<u>(164,068)</u>	<u>-</u>	<u>3,196,179</u>
Total Governmental activities capital assets, net of accumulated depreciation	<u>\$ 3,579,247</u>	<u>\$ (164,068)</u>	<u>\$ -</u>	<u>\$ 3,415,179</u>

NOTE 4 – LONG-TERM LIABILITIES

During the year ended April 30, 2016, the following is the long-term liability activity for the Library:

	<u>Beginning Balance (as restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Capital lease	\$ 25,538	\$ -	\$ 25,538	\$ -	-
Net OPEB obligation	31,114	17,657	-	48,771	-
Net pension liability	871,523	655,241	-	1,526,764	-
Compensated absences	191,801	170,770	212,384	150,187	5,000
Total long-term liabilities	<u>\$ 1,119,976</u>	<u>\$ 843,668</u>	<u>\$ 237,922</u>	<u>\$ 1,725,722</u>	<u>\$ 5,000</u>

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

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

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 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 2015 was 14.88% percent of annual covered payroll. The Library also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

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

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

NOTE 5 – RETIREMENT SYSTEMS (cont.)

Net Pension Liability. At April 30, 2016, the Library reported a liability for its proportionate share of the net pension liability that reflected the Library's portion of the total net pension liability associated with the 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	\$	1,526,764
City's proportionate share of the collective net pension liability		11,368,286
 Total	 \$	 <u>12,895,050</u>

The net pension liability was measured as of December 31, 2015. The Library's proportion of the net pension liability was based on the Library's share of contributions to IMRF for the fiscal year ended April 30, 2016, relative to the total contributions of the Library and the City during that period. At April 30, 2016, the Library's proportion was 11.84%. The Library's proportion at April 30, 2015 was 11.84%.

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, 2015 annual actuarial valuation included a 7.48% investment rate of return, (b) projected salary increases from 3.75% to 14.50%, including inflation, and (c) 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.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

NOTE 5 – RETIREMENT SYSTEMS (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/Risk	
		One Year Arithmetic	Ten Year Geometric
Equities	63.20 %	9.15 %	7.60 %
International equities	2.60 %	9.80 %	7.80 %
Fixed income	23.50 %	3.05 %	3.00 %
Real estate	4.30 %	7.35 %	6.15 %
Alternatives	4.50 %		
Private equity		13.55 %	8.50 %
Hedge funds		5.55 %	5.25 %
Commodities		4.40 %	2.75 %
Cash equivalents	1.90 %	2.25 %	2.25 %

Discount Rate. The discount rate used to measure the total collective pension liability for IMRF was 7.48%. The discount rate calculated using the December 31, 2014 measurement date was 7.49%. 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'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 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 3.56% for tax exempt 20-year general obligation municipal bonds with an average AA credit rating at December 31, 2015 to arrive at a discount rate of 7.48% used to determine the total pension liability. The year ending December 31, 2086 is the last year in the 2015 to 2114 projection period for which projected benefit payments are fully funded.

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 7.48% 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 (6.48%) or 1 percentage point higher (8.48%) 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	\$ <u>3,033,590</u>	\$ <u>1,526,764</u>	\$ <u>291,891</u>

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

NOTE 5 – RETIREMENT SYSTEMS (cont.)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended April 30, 2016, the Library recognized pension expense of \$342,250. 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	\$ 73,837	\$ 14,003
Changes in assumptions	159,913	-
Net difference between projected and actual earnings on pension plan investments	762,615	-
Contributions subsequent to the measurement date	76,199	-
Total	\$ 1,072,564	\$ 14,003

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, 2017. The remaining amounts reported as deferred outflows and inflows of resources related to pensions \$982,362 will be recognized in pension expense as follows:

Year Ending December 31	Amount
2016	\$ 359,989
2017	248,567
2018	207,292
2019	166,514
Total	\$ 982,362

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

NOTE 6 – OTHER POST EMPLOYMENT (OPEB)

Plan Description. In addition to providing the pension benefits described in Note 7, 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 2016, the Library contributed \$6,382, 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 2016 was as follows:

Annual required contribution (ARC)	\$	23,831
Interest on net OPEB obligation		1,245
Adjustment to annual required contribution		<u>(1,037)</u>
Annual OPEB cost		24,039
Contributions made		<u>(6,382)</u>
Increase in net OPEB obligation		17,657
Net OPEB obligation beginning of the year		<u>31,114</u>
Net OPEB obligation end of the year	\$	<u><u>48,771</u></u>

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

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 for 2016 was as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
4/30/2016	\$ 24,039	26.5 %	\$ 48,771
4/30/2015	22,996	17.9 %	31,114
4/30/2014	3,842	0.0 %	12,212

Funding Status and Funding Progress. As of April 30, 2015, the Plan was 100 percent unfunded. The actuarial accrued liability for benefits was \$272,766, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$272,766. The covered payroll (annual payroll of active employees covered by the plan) was \$1,288,196, and the ratio of the UAAL to the covered payroll was 21.17 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, 2015 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 10 percent initially, reduced by decrements to an ultimate rate of 5.5 percent ultimately. Both rates included a 4.0 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, 2015 was 30 years.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2016

NOTE 7 – RESTATEMENT

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

		Governmental Activities
Net position as of April 30, 2015 (as reported)	\$	5,161,912
Adjustment to record the net pension liability as of April 30, 2015		(871,523)
Adjustment to record deferred outflows of resources related to pensions as of April 30, 2015		61,070
Net position as of April 30, 2015 (as restated)	\$	4,351,459

NOTE 8 – 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 9 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 72, *Fair Value Measurement and Application*, GASB 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*, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, 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*, and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. 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, 2016

	ORIGINAL AND FINAL BUDGET	2016 ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues			
Property taxes	\$ 3,879,470	\$ 3,871,122	\$ (8,348)
Intergovernmental	25,000	27,435	2,435
Grants and contributions	5,000	26,400	21,400
Charges for services	8,800	64,391	55,591
Fines and penalties	44,000	38,626	(5,374)
Investment income	8,000	15,717	7,717
Total revenues	<u>3,970,270</u>	<u>4,043,691</u>	<u>73,421</u>
Expenditures			
Library services			
Personnel services	2,493,721	2,363,445	(130,276)
Other	956,400	864,870	(91,530)
Library building			
Personnel services	161,340	152,666	(8,674)
Other	167,000	139,675	(27,325)
Capital Outlay:			
Building and office	150,000	66,918	(83,082)
Capital improvements	75,000	50,272	(24,728)
Total expenditures	<u>4,003,461</u>	<u>3,637,846</u>	<u>(365,615)</u>
Net change in fund balance	<u>\$ (33,191)</u>	405,845	<u>\$ 439,036</u>
Fund balance, beginning of year		<u>1,831,118</u>	
Fund balance, end of year		<u>\$ 2,236,963</u>	

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

	2016
Library's proportion of the net pension liability	16.65%
Library's proportionate share of the net pension liability	\$ 1,526,764
City's proportionate share of the net pension liability	11,368,286
Total net pension liability	\$ 12,895,050
Covered-employee payroll	\$ 1,585,497
Library's proportionate share of the net pension liability as a percentage of covered payroll	96.30%
Plan fiduciary net position as a percentage of the total pension liability	86.95%
Contractually required contribution	\$ 233,902
Contributions in relation to the contractually required contribution	(235,978)
Contribution deficiency (excess)	\$ (2,076)
Contributions as a percentage of covered employee payroll	14.88%

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

Notes to Schedule:

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

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

LAKE FOREST LIBRARY
 OTHER POST EMPLOYMENT BENEFIT PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED APRIL 30, 2016

Fiscal Year End	Actuarial Required Contributions	Percentage Contributed
4/30/2016	\$ 23,831	26.8%
4/30/2015	22,915	17.8%
4/30/2014	3,786	-
4/30/2013	2,727	-
4/30/2012	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
4/30/2015	-	\$ 272,766	\$ 272,766	0%	\$ 1,288,196	21.17%
4/30/2013	-	34,113	34,113	0%	1,306,979	2.61%
4/30/2011	-	22,590	22,590	0%	1,246,633	1.81%

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, 2016

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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