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Palatine Public Library District, Illinois

Annual Financial Report
With Supplementary Information

For the Year Ended June 30, 2016

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

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Year ended June 30, 2016

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PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

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INDEPENDENT AUDITOR'S REPORT

To the President and Members of the Board of Trustees
of the Palatine Public Library District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palatine Public Library District, Illinois as of and for the year ended June 30, 2016, which collectively comprise the Palatine Public Library District, Illinois' basic financial statements as listed in the accompanying 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.

Auditor's 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 of 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 auditor's 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 entity'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 entity'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 financial statement 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.

Opinions

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

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2016, as discussed in Note 1 to the financial statements:

Statement No. 68 – Accounting and Financial Reporting for Pensions

The emphasis of this matter does not constitute modifications to our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information 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.

Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise Palatine Public Library District, Illinois financial statements as a whole. The individual fund financial statements and schedules and other information listed as schedules and other supplementary information in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial statements and schedules and other information listed as schedules and other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

George Roach & Associates, P.C.

George Roach & Associates, P.C.
Crystal Lake, Illinois
September 22, 2016

REQUIRED SUPPLEMENTARY INFORMATION –
MANAGEMENT DISCUSSION AND ANALYSIS -
UNAUDITED

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Management's Discussion and Analysis - Unaudited

Year Ended June 30, 2016

As management of the Palatine Public Library District, Illinois (Library), we offer readers of the Library's statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

- The Library implemented Government Accounting Standards Board (GASB) No. 68 Accounting and Financial Reporting for Pensions in the fiscal year ending June 30, 2015. GASB 68 requires all government agencies to report Pension Expense, Net Pension Liability, and Pension Related Deferred Inflows and Outflows in fiscal year audited financial statements. The Library's Statement of Net Position remains sound even though the Government Accounting Standards Board (GASB) required all agencies to report the unfunded net pension liability in the liability section. GASB 68 is for financial reporting purposes only and its changes are limited to the Library financial statements presentation. To comply with GASB 68, the Library reported \$2,875,633 in pension liabilities and \$1,347,486 of deferred outflows.
- The assets and deferred outflows of the Library exceeded its liabilities and deferred inflows at June 30, 2016 by \$14,437,512 (*net position*). Of this amount, \$1,796,634 (*unrestricted net position*) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net position decreased by \$979,547. Of this decrease, \$415,339 is related to GASB 68 implementation.
- At June 30, 2016, the Library's governmental funds reported combined ending fund balances of \$5,043,815, an increase of \$184,721 from the prior year.
- At June 30, 2016, the fund balance for the General Fund was \$3,471,220.
- The Library's total net fixed assets decreased by \$689,522 during the year ended June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Management's Discussion and Analysis - Unaudited

Year Ended June 30, 2016

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Library's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The Statement of Activities presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Library's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Management's Discussion and Analysis - Unaudited

Year Ended June 30, 2016

Notes to the financial statements

Notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the basic financial statements. Required supplementary information consists of more detailed data on budget to actual revenues and appropriations with expenditures.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Library's progress in meeting its obligation to provide as fully adequate as possible services to its residents.

The Library adopts an annual budget and appropriation ordinance for all funds. An appropriation comparison statement has been provided for the General Fund to demonstrate compliance with the appropriation ordinance.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets and deferred outflows exceeded liabilities and deferred inflows by \$14,437,512 at June 30, 2016. Of the Library's net position, \$11,068,283 reflects its investment in capital assets (e.g., land, construction in progress, buildings, systems and equipment); less any related outstanding debt used to acquire those assets. The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Library's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Library's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,796,634) may be used to meet the Library's ongoing obligations to citizens and creditors.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Management's Discussion and Analysis - Unaudited

Year Ended June 30, 2016

At June 30, 2016, the Library is able to report positive balances in all three categories of net position.

Palatine Library District's Net Position

	<u>6/30/2016</u>	<u>6/30/2015</u>
Current and Other Assets	\$ 8,255,787	\$ 8,030,981
Fixed Assets	11,068,283	11,757,805
Total Assets	<u>\$ 19,324,070</u>	<u>\$ 19,788,786</u>
Deferred Outflows of Pension Resources - IMRF	<u>\$ 1,347,486</u>	<u>\$ 781,721</u>
Other Liabilities	\$ 3,191,887 *	\$ 2,139,709 *
Total Liabilities	<u>3,191,887</u>	<u>2,139,709</u>
Deferred Inflows - Property Taxes	<u>3,042,157</u>	<u>3,013,739</u>
Net Position		
Net Investment in Capital Assets	11,068,283	11,757,805
Restricted - net position	1,572,595	1,190,215
Unrestricted - net position	1,796,634	2,469,039
Total Net Position	<u>\$ 14,437,512</u>	<u>\$ 15,417,059</u>

* The Other Liabilities for 2016 include \$2,875,633 and 2015 includes \$1,894,529 related to GASB 68 implementation as previously discussed on page 4 of Management's Discussion and Analysis.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Management's Discussion and Analysis - Unaudited

Year Ended June 30, 2016

Governmental activities

Governmental activities decreased the Library's net position by \$979,547. Key elements of the changes to net position by governmental activities are as follows:

	Governmental Activities	
	<u>6/30/2016</u>	<u>6/30/2015</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 175,637	\$ 180,967
Operating Grants and Contributions	114,229	111,229
General Revenues:		
Property Taxes	6,075,586	5,920,389
Replacement Taxes	62,738	68,152
Gifts and Donations	36,022	26,870
Gain on sale of equipment	1,571	81,000
Other	20,739	26,035
Interest	12,683	9,478
Total Revenues:	<u>6,499,205</u>	<u>6,424,120</u>
Total Governmental Expenses	<u>7,478,752</u>	<u>8,026,111</u>
Increase/(Decrease) in Net Position	(979,547)	(1,601,991)
Net Position - Beginning of Year	<u>15,417,059</u>	<u>17,019,050</u>
Net Position - End of Year	<u>\$14,437,512</u>	<u>\$15,417,059</u>

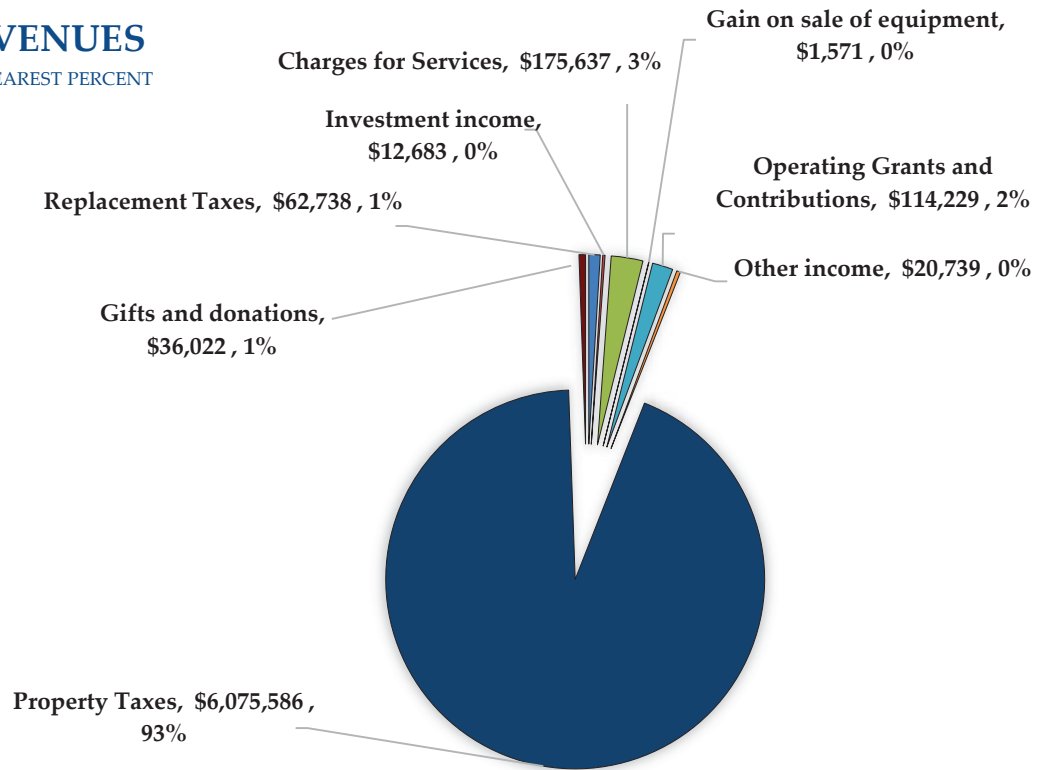
PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Management's Discussion and Analysis - Unaudited

Year Ended June 30, 2016

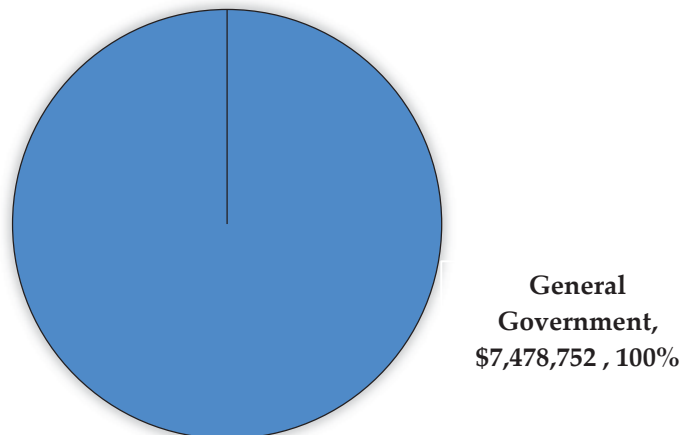
2016 REVENUES

ROUNDED TO NEAREST PERCENT



2016 EXPENSES

ROUNDED TO NEAREST PERCENT



PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Management's Discussion and Analysis - Unaudited

Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Library's net resources available for spending at the end of the fiscal year.

At June 30, 2016, the Library's governmental funds reported combined ending fund balances of \$5,043,815, an increase of \$184,721 in comparison with the prior year.

The General Fund is the chief operating fund of the Library. At June 30, 2016, the fund balance of the General Fund was \$3,471,220. This represents an increase of \$2,341 compared to the prior fiscal year.

General Fund Budgetary Highlights

There were no differences between the original budget and the final budget for the year ended June 30, 2016. Total differences between the final budget and the actual revenues and expenditures are summarized as follows:

- The difference between the General Fund budgeted revenues and the actual revenues was \$53,817 (favorable).
- The difference between the General Fund appropriated expenditures and the actual expenditures was \$1,442,410 (favorable).

FIXED ASSETS

The Library's fixed assets for its governmental activities as of June 30, 2016 amount to \$11,068,283 (net of accumulated depreciation). This investment in fixed assets includes land, buildings, improvements, furniture, fixtures, and equipment.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

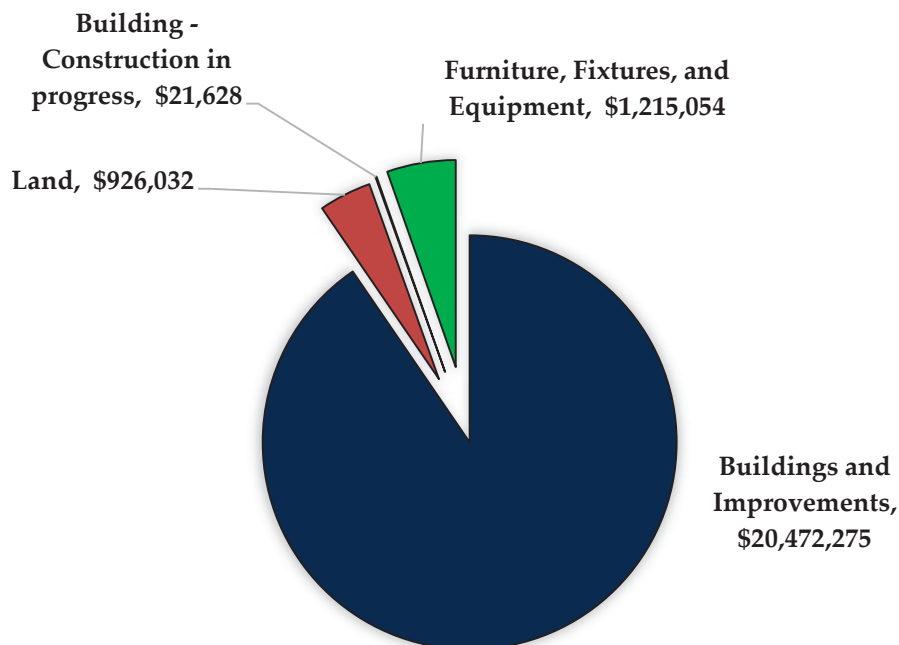
Management's Discussion and Analysis - Unaudited

Year Ended June 30, 2016

Major fixed asset events during the current fiscal year included the following:

Fixed Assets	Balance	Increases	Decreases	Balance
	July 1, 2015			July 30, 2016
General Fund:				
Buildings and Improvements	\$ 20,447,603	\$ 24,672	\$ -	\$ 20,472,275
Building - construction in progress	21,628	-	-	21,628
Land	926,032	-	-	926,032
Furniture, Fixtures, and Equipment	1,196,225	18,829	-	1,215,054
Total Fixed Assets	22,591,488	43,501	-	22,634,989
Less: Accumulated Depreciated	10,833,683	733,023	-	11,566,706
Fixed Assets (Net)	\$ 11,757,805	\$ (689,522)	\$ -	\$ 11,068,283

CAPITAL ASSETS



PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Management's Discussion and Analysis - Unaudited

Year Ended June 30, 2016

ECONOMIC FACTORS AND PROPERTY TAXES

The equalized assessed valuation (EAV) of the Library for 2015 is \$2,012,240,568. That represents a decrease in EAV of \$57,199,024 over the prior year's EAV. Taxes recorded in these financial statements are from the 2014 and 2015 levies. A summary of the assessed valuations and extensions for tax years 2015, 2014, and 2013 is as follows:

ASSESSED VALUATIONS, EXTENDED TAX RATES PERCENTAGE ALLOCATIONS AND AMOUNTS BY FUNDS

TAX LEVY YEAR	2015		2014		2013	
Assessed Valuation						
Cook County	\$ 2,012,240,568		\$ 2,069,439,592		\$ 2,046,738,728	
Tax Rates and Percentage Allocations by Fund						
Funds	Rate	Percentage	Rate	Percentage	Rate	Percentage
General Fund	0.2813	85.74	0.2678	85.48	0.2524	86.32
I.M.R.F.	0.0179	5.46	0.0165	5.27	0.0142	4.86
Social Security	0.0128	3.90	0.0119	3.80	0.0095	3.25
Audit	0.0002	0.06	0.0002	0.06	0.0002	0.07
Tort Immunity	0.0026	0.79	0.0040	1.28	0.0038	1.30
Building & Maintenance	0.0133	4.05	0.0129	4.12	0.0123	4.21
Totals	0.3281	100.000	0.3133	100.000	0.2924	100.000
Property Tax Extensions						
Funds	2015		2014		2013	
General Fund	\$	5,298,229	\$	5,206,710	\$	5,165,968
I.M.R.F.		338,056		320,763		290,636
Social Security		241,468		231,777		194,440
Audit		4,024		4,138		4,093
Tort Immunity		48,293		78,638		77,776
Building & Maintenance		251,530		250,402		251,748
Totals	\$	6,181,600	\$	6,092,428	\$	5,984,661

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Management's Discussion and Analysis - Unaudited

Year Ended June 30, 2016

DESCRIPTION OF CURRENT OR EXPECTED CONDITIONS

Currently, management is not aware of any other significant changes in conditions that could have a significant effect on the financial position or results of activities of the Library in the near future. However, management continues to monitor items that may impact future receipts, especially noting a potential decline in state funds as well as losses due to the tax cap.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director, Palatine Public Library District, 700 N. North Court, Palatine, Illinois, 60067.

BASIC FINANCIAL STATEMENTS

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Government-wide Statement of Net Position

Year Ended June 30, 2016

Assets	
Cash and cash equivalent	\$ 5,213,630
Property tax receivable	3,042,157
Fixed Assets	11,068,283
Total Assets	\$ 19,324,070
Deferred Outflows of Pension Resources - IMRF	\$ 1,347,486
Liabilities	
Accounts payable/accruals	\$ 92,151
Accrued compensation	77,664
Deferred compensation - noncurrent	146,439
Net Pension Liability - noncurrent	2,875,633
Total Liabilities	3,191,887
Deferred Inflows - property taxes	3,042,157
Net Position	
Net investment in Capital Assets	11,068,283
Restricted - Net Position	1,572,595
Unrestricted - Net Position	1,796,634
Total Net Position	\$ 14,437,512

The accompanying notes are an integral part of these financial statements.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Government-wide Statement of Activities and Changes in Net Position

Year Ended June 30, 2016

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
General Government	\$ 7,478,752	\$ 175,637	\$ 114,229	\$ (7,188,886)
Total Governmental Activities	<u>\$ 7,478,752</u>	<u>\$ 175,637</u>	<u>\$ 114,229</u>	<u>\$ (7,188,886)</u>
General Revenues:				
				\$ 6,075,586
				62,738
				36,022
				12,683
				1,571
				20,739
			Total Revenues	<u>6,209,339</u>
			Change in Net Position	(979,547)
			Net Position Beginning of Year	<u>15,417,059</u>
				<u>\$ 14,437,512</u>

The accompanying notes are an integral part of these financial statements.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Combined Balance Sheet

Year Ended June 30, 2016

	Governmental Fund Types			
	General	Nonmajor Funds	Special Reserve	Total
Assets				
Cash and cash equivalent	\$ 3,632,994	\$ 434,272	\$ 1,146,364	\$ 5,213,630
Property tax receivable	2,630,259	411,898	-	3,042,157
Total Assets	\$ 6,263,253	\$ 846,170	\$ 1,146,364	\$ 8,255,787
Liabilities				
Accounts payable	\$ 84,110	\$ 8,041	\$ -	\$ 92,151
Accrued payroll	77,664	-	-	77,664
Total Liabilities	161,774	8,041	-	169,815
Deferred Inflows - property taxes	2,630,259	411,898	-	3,042,157
Library Fund Balance				
Nonspendable	-	-	-	-
Restricted	-	426,231	-	426,231
Committed	-	-	-	-
Assigned - for capital projects	-	-	1,146,364	1,146,364
Unassigned	3,471,220	-	-	3,471,220
Total Library Fund Balance	3,471,220	426,231	1,146,364	5,043,815
Total Liabilities and Fund Balance	\$ 6,263,253	\$ 846,170	\$ 1,146,364	\$ 8,255,787

The accompanying notes are an integral part of these financial statements.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Combined Statement of Revenue, Expenditures and Changes in Fund Balance

Year Ended June 30, 2016

	Governmental Fund Types			Total
	General	Nonmajor Funds	Special Reserve	
Revenue				
Property taxes - prior years	\$ 2,510,238	\$ 383,842	\$ -	\$ 2,894,080
Property taxes - 2015 1st half	2,716,263	465,243	-	3,181,506
Replacement taxes	12,548	50,190	-	62,738
Fines and fees	99,597	-	-	99,597
Nonresident fees	12,689	-	-	12,689
Gifts and donations	36,022	-	-	36,022
Interest	12,683	-	-	12,683
Grants	114,229	-	-	114,229
Book recovery service	18,258	-	-	18,258
Sale of equipment	1,571	-	-	1,571
Other	65,832	-	-	65,832
Total Revenue	5,599,930	899,275	-	6,499,205
Expenditures				
Salaries and benefits	3,317,726	-	-	3,317,726
Materials	939,562	-	-	939,562
Utilities	269,297	-	-	269,297
Equipment	158,897	-	-	158,897
Contractual services	328,128	-	-	328,128
Supplies	87,683	-	-	87,683
Operating expenses	249,074	867,687	-	1,116,761
Auxiliary projects	47,222	-	-	47,222
Capital expenses	-	-	49,208	49,208
Total Expenditures	5,397,589	867,687	49,208	6,314,484
Excess (Deficiency) of				
Revenue Over (Under) Expenditures	202,341	31,588	(49,208)	184,721
Other Financing Sources (Uses):				
Operational Transfers In (Out)	(200,000)	35,000	165,000	-
Net Change in Fund Balance	2,341	66,588	115,792	184,721
District Fund Balance				
Balance, beginning of year	3,468,879	359,643	1,030,572	4,859,094
Total District Fund Balance	\$ 3,471,220	\$ 426,231	\$ 1,146,364	\$ 5,043,815

The accompanying notes are an integral part of these financial statements.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Reconciliation of the Governmental Fund Balance to the Statement of Net Position and the Statement of Activities and Changes in Net Position Year Ended June 30, 2016

Reconciliation of the Governmental Fund Balance to the Statement of Net Position

Total Fund Balances--Total Governmental Funds	\$ 5,043,815
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	11,068,283
Deferred Compensation is not reported in funds	(146,439)
Deferred Outflows and Net Pension Liabilities are not reported in the funds	(1,528,147)
Net Position of Governmental Activities	<u>\$ 14,437,512</u>

Reconciliation of the Governmental Fund Statement of Revenue Expenditures and Changes in Fund Balance to the Statement of Activities and Changes in Net Position

Excess (Deficiency) of Revenue Over Expenditures Governmental Funds	\$ 184,721
Amounts reported for governmental activities in the Statement of Revenue, Expenditures, and Changes in Fund Balance are different because:	
Capital expenditures are recorded as assets and not expensed in the Statement of Activities	43,501
Depreciation is shown as an expense in the Statement of Activities and not in the governmental funds	(733,023)
Change in deferred outflows and net pension liabilities are not reported in the funds	(415,339)
Change in deferred compensation and other benefits are not recorded as an expense in governmental funds	(59,407)
Changes in Net Position	<u>\$ (979,547)</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC
FINANCIAL STATEMENTS

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Palatine Public Library District (Library) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

REPORTING ENTITY

The Library is located in the Village of Palatine, Illinois and is governed by a Board of Trustees. The Library is primarily funded through a tax levy, fines and fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Net Position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Governmental fund financial statements are reported using the current financial resources measurement focus and the accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The primary sources of revenue are property taxes, state-shared revenue, and interest associated with the current fiscal period. All are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

LIBRARY REPORTS THE FOLLOWING MAJOR GOVERNMENTAL FUNDS

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund, while the Library Special Reserve Fund accounts for the resources and expenditures for capital projects.

FINANCIAL STATEMENT AMOUNTS

Bank Deposits and Investments - The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. The Library maintains a cash and investment pool which is available for use by the General and Special Revenue Funds.

The Library's investment policies are governed by state statutes. All funds are deposited in federally insured banks and savings and loans. The cash and investments reflected in the combined balance sheet consist of demand accounts and deposits in the Illinois Funds.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Property taxes are levied on December 1st based on the taxable valuation of the property as of the preceding December 31st.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building and improvements	20-40 years
Equipment, furniture, and fixtures	5-10 years

Compensated Absences (Vacation and Sick Leave) - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund - General Fund only for employee terminations as of year-end.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

The Library has a pension plan covering substantially all the full time employees. Employees are covered by the Illinois Municipal Retirement Fund.

The budget represents departmental appropriations as authorized by the Library's appropriation ordinance and includes revisions authorized by the Library Board to reflect changes in departmental programs. At June 30, 2016, unexpended appropriations of the budgetary funds (general fund and special revenue funds) automatically lapse. The budget is prepared on the modified cash basis. The 2016 appropriations ordinance was adopted September 9, 2015.

FUND BALANCE CLASSIFICATION

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Library is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

NONSPENDABLE

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Library has not classified any items as being Nonspendable.

RESTRICTED

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and are restricted

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

through debt covenants. Infrastructure projects are restricted by State Statute and County laws and are legally segregated for funding of infrastructure improvements.

COMMITTED

This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Library Board. These amounts cannot be used for any other purpose unless the Library Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Library did not have any committed resources as of June 30, 2016.

ASSIGNED

This classification includes amounts that are constrained by the Library's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Library Board or through the Library Board delegating this responsibility to the Library manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

UNASSIGNED

This classification includes the residual fund balance for the General Fund and the amount established for Minimum Funding which represents the portion of the General Fund balance that has been established by the board to be used for debt service or in emergency situations.

The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Library would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

GASB Statement No. 68 – In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, therefore, the Library implemented this Statement in fiscal year ending June 30, 2015.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 2 – CASH AND INVESTMENTS

The Library's investment policies are governed by state statutes whereby Library money must be deposited in FDIC insured banks located within the state. Permissible investments include demand accounts and certificates of deposits.

The Library's pooled and nonpooled deposits are categorized to give an indication of the level of risk assumed by the Library at June 30, 2016. The categories are described as follows:

- Category 1 Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 Uncollateralized.

	Category			Bank Balance	Carrying Value
	1	2	3		
Pooled deposits					
Checking/Savings	\$ 1,250,000	\$ 4,144,728	\$ -	\$ 5,394,728	\$ 5,213,630
Totals	<u>\$ 1,250,000</u>	<u>\$ 4,144,728</u>	<u>\$ -</u>	<u>\$ 5,394,728</u>	<u>\$ 5,213,630</u>

NOTE 3 – CHANGES IN GENERAL FIXED ASSETS

	Balance July 1, 2015	Acquisitions	Balance June 30, 2016
Buildings and Improvements	\$ 20,447,603	\$ 24,672	\$ 20,472,275
Building - construction in progress	21,628	-	21,628
Land	926,032	-	926,032
Furniture, Fixtures, and Equipment	1,196,225	18,829	1,215,054
Total	<u>22,591,488</u>	<u>\$ 43,501</u>	<u>22,634,989</u>
Less: Accumulated Depreciation	(10,833,683)		(11,566,706)
Net Assets	<u>\$ 11,757,805</u>		<u>\$ 11,068,283</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 4 – LEASE OBLIGATIONS

The library is obligated under three operating leases for extension occupancy space, computer conversion contract, and equipment. Minimum future rental commitments expire through 2018 as follows:

Year Ending June 30,	Rand Road Lease	Hoffman Estates Lease	Sierra Subscription Services	Copier Operating Lease	Total
2017	4,720	30,000	112,184	7,620	154,524
2018	-	7,500	-	-	7,500
Totals	\$ 4,720	\$ 37,500	\$ 112,184	\$ 7,620	\$ 162,024

NOTE 5 – DEFERRED COMPENSATION PLAN

The Library maintains for its employees a deferred compensation plan structured and operated in accordance with the provisions of Internal Revenue Code 457. The plan, available to all Library District employees, permits them to defer a portion of their salary until future years. The deferred compensation and accumulated earnings thereon are not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan is fully funded by the Library District as the deferred compensation is earned by employees. Payroll withholdings and payments to a trustee are accounted for in the Employees' Deferred Compensation Fund, an agency fund. The investments are held by the Library District's Employees' Deferred Compensation Fund.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are, until paid or made available to the employee or other beneficiary, solely the property and rights of the Library District and are not restricted to the provision of benefits under the plan. Plan assets are subject to the claims of the Library District's general creditors. Participant's rights under the plan are equal to those of general creditors of the Library District in an amount equal to the fair market value of the deferred amount for each participant.

In the Library District's opinion, it has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The Library District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 6 – ILLINOIS MUNICIPAL RETIREMENT FUND

IMRF PLAN DESCRIPTION

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 6 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

BENEFITS PROVIDED

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit 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 consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit 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 on January 1 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.

EMPLOYEES COVERED BY BENEFIT TERMS

As of December 31, 2015, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	112
Inactive Plan Members entitled to but not yet receiving benefits	128
Active Plan Members	<u>83</u>
Total	323

CONTRIBUTIONS

As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's annual contribution rate for calendar

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 6 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

year 2015 was 13.49%. For the fiscal year ended June 30, 2016, the District contributed \$373,556 to the plan. The District 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

NET PENSION LIABILITY

The District's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUMPTIONS

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 3.5%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) 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 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 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 6 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	<u>1%</u>	2.25%
Total	100%	

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 6 – ILLINOIS MUNICIPAL RETIREMENT FUND (CONTINUED)

EXECUTIVE SUMMARY AS OF DECEMBER 31, 2015

Actuarial Valuation Date	December 31, 2015
Measurement Date of the Net Pension Liability	December 31, 2015
Fiscal Year end	June 30, 2016
Membership	
Number of	
-Retirees and Beneficiaries	112
-Inactive, Non-Retires Members	128
-Active Members	83
-Total	323
Covered Valuation Payroll	\$ 2,880,524
Net Pension Liability	
Total Pension Liability/(Assets)	\$ 18,296,418
Plan Fiduciary Net Position	15,420,785
Net Pension Liability/(Assets)	\$ 2,875,633
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.28%
Net Pension Liability as a Percentage of Covered Valuation Payroll	99.83%
Development of the Single Discount Rate as of December 31, 2015	
Long-Term Expected Rate of Investment Return	7.50%
Long-Term Municipal Bond Rate*	99.83%
Last year ending December 31 in the 2016 to 2115 projection for which projected benefit payments are fully funded	2,083
Resulting Single Discount Rate based on the above development	7.47%
Single Discount Rate calculated using December 31, 2014 Measurement Date	7.48%
Total Pension Expense/(Income)	\$ 776,845

Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	Deferred Outflow of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 160,432	0
Changes in assumptions	200,079	0
Net differences between projected and actual earnings on pension plan investments	986,975	0
Total	\$ 1,347,486	\$ -

* Source: "State & local bonds" rate from Federal Reserve statistical release (H.15) as of December 31, 2015

The statistical release describes this rate as "Bond Buyer Index, general obligation, 20 years to maturity, mixed quality." In describing this index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Act Aa2 rating and Standard & Poor's Corp.'s AA.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 6 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

SINGLE DISCOUNT RATE

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.56%, and the resulting single discount rate is 7.49%.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.49%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 6 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

SCHEDULE OF SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS CURRENT PERIOD CALENDAR YEAR ENDED DECEMBER 31, 2015

A. Total pension liability		
1. Service Cost		\$ 307,597
2. Interest on the Total Pension Liability		1,278,726
3. Changes of benefit terms		-
4. Difference between expected and actual experience of the Total Pension Liability		148,829
5. Changes of assumptions		21,921
6. Benefit payments, including refunds of employee contributions		(804,258)
7. Net change in total pension liability		952,815
8. Total pension liability - beginning		17,343,603
9. Total pension liability - ending		<u>\$ 18,296,418</u>
B. Plan fiduciary net position		
1. Contributions - employer		\$ 361,506
2. Contributions -employee		131,133
3. Net investment income		76,466
4. Benefit payments, including refunds of employee contributions		(804,258)
5. Other (Net Transfer)		206,864
6. Net change in plan fiduciary net position		(28,289)
7. Plan fiduciary net position - beginning		15,449,074
8. Plan fiduciary net position - ending		<u>\$ 15,420,785</u>
C. Net pension liability/(asset)		<u>\$ 2,875,633</u>
D. Plan fiduciary net position as percentage of the total pension liability		84.28%
E. Covered Valuation payroll		\$ 2,880,524
F. Net pension liability as a percentage of covered valuation payroll		99.83%

Sensitivity of Net Pension Liability/(Asset) to the Single discount rate Assumption

	1% Decrease 6.48%	Current Single Discount Rate Assumption 7.48%	1% Increase 8.48%
Total Pension Liability	\$ 20,684,579	\$ 18,296,418	\$ 16,340,412
Plan Fiduciary Net Positic	15,420,785	15,420,785	15,420,785
Net Pension Liability/(Asset)	<u>\$ 5,263,794</u>	<u>\$ 2,875,633</u>	<u>\$ 919,627</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 6 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the District recognized pension expense of \$373,556. At June 30, 2016, the District reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 160,432	\$ -
Changes of assumptions	200,079	-
Net difference between projected and actual earnings on pension plan investments	<u>986,975</u>	<u>-</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>\$ 1,347,486</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending <u>December 31</u>	Net Deferred <u>Outflows of Resources</u>	Net Deferred <u>Inflows of Resources</u>
2016	\$ 575,386	\$ -
2017	299,335	-
2018	257,107	-
2019	215,658	-
2020	-	-
Thereafter	<u>-</u>	<u>-</u>
Total	<u>\$ 1,347,486</u>	<u>\$ -</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 6 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATION OF THE 2015 CONTRIBUTION RATE *

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period.) Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).
Asset Valuation Method	5-Year smoothed market, 20% corridor
Wage growth	4.00%
Price Inflation	3.0% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	4.40% to 16.00% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008-2010.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes There were no benefit changes during the year

*Based on Valuation Assumptions used in the December 31, 2013 actuarial valuation

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Financial Statements

Year ended June 30, 2016

NOTE 7 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

No fund had expenditures that exceeded the appropriations

NOTE 8 – RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 9 – CONTINGENCIES

The Library is not aware of any pending litigation or potential non-disclosed liabilities that management believes would have a material adverse effect on the financial statements.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial Statements are issued, or are available to be issued. There are two types of subsequent events: recognized (events that relate to conditions present at the balance sheet date) and non-recognized (events or conditions that did not exist at the balance sheet date but arose after that date).

There have been no other recognized or non-recognized subsequent events that have occurred between June 30, 2016 and the date of this audit report requiring disclosure in the financial statements.

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

As of these financial statements, the Library has adopted GASB Statement No. 65, which redefined how certain financial statement elements are presented in the statement of financial position. The elements are classified as follows:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources (\$1,347,486, see Note 6) reported in the governmental funds are all from implementation of GASB 68, as presented in Note 1.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources (\$3,042,157) reported in the governmental funds for unavailable revenues are all from property taxes to be received in the following year.

REQUIRED SUPPLEMENTARY INFORMATION

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

General Fund - Statement of Expenditures and Comparison with Appropriations
Year Ended June 30, 2016

	Appropriations		Actual
	Original	Final	Amounts
Salaries			
Salaries	\$ 3,400,000	\$ 3,400,000	\$ 3,058,468
Employee health insurance	400,000	400,000	259,258
Total salaries	3,800,000	3,800,000	3,317,726
Materials			
Books/audio-visual	800,000	800,000	673,741
Continuations	80,000	80,000	41,775
Electronic references	250,000	250,000	224,046
Total materials	1,130,000	1,130,000	939,562
Utilities			
Gas	60,000	60,000	21,484
Electricity	275,000	275,000	232,643
Water	25,000	25,000	15,170
Total utilities	360,000	360,000	269,297
Equipment purchases			
Furniture	100,000	100,000	49,167
Office equipment	10,000	10,000	-
Computers	180,000	180,000	109,730
Total uncapitalized equipment	290,000	290,000	158,897
Contractual services			
Copier maintenance	32,000	32,000	23,616
Technology support	40,000	40,000	25,009
Postage machines	5,000	5,000	1,891
LAN management	80,000	80,000	76,220
Library information services	120,000	120,000	104,254
Internet service	40,000	40,000	5,991
Bibliographic support	10,000	10,000	2,949
Book Recovery Services	15,000	15,000	6,034
Accounting	35,000	35,000	21,689
Consultants	50,000	50,000	19,350
Office equipment	10,000	10,000	88
Leases (branch and copiers)	60,000	60,000	41,037
Total contractual services	497,000	497,000	328,128

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS*General Fund - Statement of Expenditures and Comparison with Appropriations**Year Ended June 30, 2016*

	Appropriations		Actual
	Original	Final	Amounts
Supplies			
Office and kitchen	\$ 7,000	\$ 7,000	\$ 4,214
Art and printing	15,000	15,000	8,354
Copiers	15,000	15,000	9,280
Library services	75,000	75,000	51,202
Program	25,000	25,000	14,633
Total supplies	137,000	137,000	87,683
Operating expenses			
General/tort/other insurance	215,000	215,000	65,433
Interlibrary loan/reprints	15,000	15,000	2,857
Telephone	50,000	50,000	34,901
Postage	20,000	20,000	5,542
Cultural and educational training	50,000	50,000	32,297
In-services training	50,000	50,000	35,172
Memberships	15,000	15,000	7,456
Community information	30,000	30,000	4,103
Legal	40,000	40,000	8,475
Special purchases	10,000	10,000	2,213
Want ads/legal notices	10,000	10,000	1,548
Expenditures of public gifts	150,000	150,000	36,136
Reimbursements	4,000	4,000	415
Shared Administrative costs	15,000	15,000	10,000
Grant expenditures	75,000	75,000	2,527
Total operating expense	749,000	749,000	249,075
Auxiliary Projects			
Newsletters	70,000	70,000	43,942
Volunteer programs	7,000	7,000	3,280
Total auxiliary projects	77,000	77,000	47,222
Total general expenditures	7,040,000	7,040,000	5,397,590
Operating Transfers Out	-	-	200,000
Total General Fund	\$ 7,040,000	\$ 7,040,000	\$ 5,597,590

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

**Schedule of Required Supplemental Information
Multi-year Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Calendar Years**

(Schedule to be built prospectively from 2014)

Calendar Year Ending	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service Cost	\$ 307,597	\$ 338,111								
Interest on the Total Pension Liability	1,278,726	1,154,512								
Benefit Changes	-	-								
Difference between Expected and Actual Experience	148,829	260,271								
Assumption Changes	21,921	717,562								
Benefit Payments and Refunds	(804,258)	(702,586)								
Net Change in Total Pension Liability	952,815	1,767,870								
Total Pension Liability - Beginning	17,343,603	15,575,733								
Total Pension Liability - Ending (a)	\$ 18,296,418	\$ 17,343,603								
Plan Fiduciary Net Position										
Employer Contributions	361,506	359,636								
Employee Contributions	131,133	129,056								
Pension Plan Net Investment Income	76,466	889,681								
Benefit Payments and Refunds	(804,258)	(702,586)								
Other	206,864	81,400								
Net Change in Plan Fiduciary Net Position	(28,289)	757,187								
Plan Fiduciary Net Position - Beginning	15,449,074	14,691,887								
Plan Fiduciary Net Position - Ending (b)	\$ 15,420,785	\$ 15,449,074								
Net Pension Liability/(Asset) - Ending (a) - (b)	2,875,633	1,894,529								
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.28%	89.08%								
Covered Valuation Payroll	\$ 2,880,524	\$ 2,867,909								
Net Pension Liability as a Percentage of Covered Valuation Payroll	99.83%	66.06%								

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

**Schedule of Required Supplemental Information
Multi-year Schedule of Contributions
Last 10 Calendar Years**

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2014	\$ 339,939	\$ 359,636	\$ (19,697)	\$ 2,710,838	13.27%
2015	\$ 361,506 *	\$ 361,506	\$ -	\$ 2,880,524	12.55%

* Estimated based on a contribution rate of 12.55% and covered valuation payroll of \$2,880,524.

NOTES TO REQUIRED
SUPPLEMENTARY INFORMATION

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to Required Supplementary Information

Year ended June 30, 2016

The accounting policies of the Library District include the preparation of financial statements on the modified accrual basis of accounting. The Library District also prepares its budget on the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recorded when receivable and expenditures are recorded when payable. General capital assets acquisitions are reported as expenditures in the governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgets are adopted at the function level in the General Fund and total General Fund expenditures disbursed may not legally exceed the budgeted amount. Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year.

The Library District procedures in establishing the budgetary data reflected in the General Fund Financial Statements is presented below:

- Prior to September 15th the Library District Board receives a proposed operating budget (appropriation ordinance) for the fiscal year commencing on preceding July 1st. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted at a public meeting to obtain taxpayers comments.
- The budget is legally enacted through passage of an ordinance prior to September 30th.
- The Library District Treasurer, in consultation with the Board of Trustees, is authorized to expend the un-expensed balance of any item or items of any general appropriation in making up any deficiency in any item or items of the same general appropriation.
- The original budget was not amended during the fiscal year.
- Formal budgetary integration is not employed as a management control device during the year for any fund.
- Budgetary comparisons presented in the accompanying financial statements are prepared on the modified accrual basis of accounting. All funds utilize the same basis of accounting for both budgetary purposes and actual results.
- Expenditures cannot legally exceed appropriations at the fund level.
- All appropriations lapse at year-end.

SUPPLEMENTARY DATA

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

General Fund - Statement of Revenue and Comparison with Estimated Revenue
Year Ended June 30, 2016

General Fund - Revenue

	<u>Budgeted</u>	<u>Modified Accrual Basis</u>
Property taxes - prior years	\$ 2,595,943	2,510,238
Property taxes - 2015 1st half	2,595,942	2,716,263
Replacement tax	13,000	12,548
Interest	9,000	12,683
Fines	110,000	99,597
Special purchases	4,000	2,899
Replacement fees	14,000	17,054
Book recovery service	16,000	18,258
Coin machine income	8,000	8,355
Printing fees	13,000	17,466
Vending machines	2,000	2,045
Meeting room fees	10,000	10,573
Interlibrary loans	500	251
Nonresident fees	10,000	12,689
Per Capita Grants	111,228	111,229
Gifts and donations	20,000	36,022
Other grants	5,000	3,000
Miscellaneous	500	1,340
Used materials	6,000	5,849
Sale of equipment	2,000	1,571
	<hr/>	<hr/>
Total Revenue	5,546,113	5,599,930
	<hr/>	<hr/>
Total Revenue and Other Sources	<u>\$ 5,546,113</u>	<u>\$ 5,599,930</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Special Revenue Funds - Combining Balance Sheet

Year Ended June 30, 2016

	Audit	Illinois Municipal Retirement	Social Security	Building Maintenance	Total
Assets					
Cash and cash equivalent	\$ 3,687	\$ 150,659	\$ 63,640	\$ 216,286	\$ 434,272
Property tax receivable	2,156	166,643	119,030	124,069	411,898
Total Assets	\$ 5,843	\$ 317,302	\$ 182,670	\$ 340,355	\$ 846,170
Liabilities					
Accounts payable	-	-	-	8,041	8,041
Total Liabilities	-	-	-	8,041	8,041
Deferred Inflows - property taxes	2,156	166,643	119,030	124,069	411,898
Library District Fund Balance					
Fund balance	3,687	150,659	63,640	208,245	426,231
Total Liabilities and Fund Balance	\$ 5,843	\$ 317,302	\$ 182,670	\$ 340,355	\$ 846,170

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Special Revenue Funds - Combining Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2016

	Audit	Illinois Municipal Retirement	Social Security	Building Maintenance	Total
Revenue					
Property taxes - prior years	\$ 1,755	\$ 152,363	\$ 110,179	\$ 119,545	\$ 383,842
Property taxes - 2015 1st half	1,868	213,476	122,438	127,461	465,243
Replacement taxes	-	50,190	-	-	50,190
Total Revenue	3,623	416,029	232,617	247,006	899,275
Expenditures					
Operating Expenses	5,600	373,556	227,384	261,147	867,687
Operating Expenditures	5,600	373,556	227,384	261,147	867,687
Excess (Deficiency) of Revenue Over (Under) Disbursements	(1,977)	42,473	5,233	(14,141)	31,588
Other Financing Sources:					
Operational Transfer In (Out)	-	35,000	-	-	35,000
Net Change in Fund Balance	(1,977)	77,473	5,233	(14,141)	66,588
Fund Balances					
Balance, beginning of year	5,664	73,186	58,407	222,386	359,643
Fund Balances, end of year	\$ 3,687	\$ 150,659	\$ 63,640	\$ 208,245	\$ 426,231

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Audit Fund - Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2016

	Appropriations		Actual Amounts
	Original	Final	
Revenue			
Property taxes - prior years	\$ 4,000	\$ 4,000	\$ 1,755
Property taxes - 2015 1st half	-	-	1,868
Total Revenue	<u>4,000</u>	<u>4,000</u>	<u>3,623</u>
Expenditures			
Accounting	<u>7,000</u>	<u>7,000</u>	<u>5,600</u>
Total Expenditures	<u>7,000</u>	<u>7,000</u>	<u>5,600</u>
Net Change in Fund Balance	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	(1,977)
Fund Balance			
Balance, beginning of year			<u>5,664</u>
Total Fund Balance			<u>\$ 3,687</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

*Social Security Fund - Statement of Revenue, Expenditures and Changes in Fund Balance
Year Ended June 30, 2016*

	Appropriations		Actual Amounts
	Original	Final	
Revenue			
Property taxes - prior years	\$ 100,000	\$ 100,000	\$ 110,179
Property taxes - 2015 1st half	110,000	110,000	122,438
Total Revenue	210,000	210,000	232,617
Expenditures			
Employer's contribution	260,000	260,000	227,384
Total Expenditures	260,000	260,000	227,384
Net Change in Fund Balance	\$ (50,000)	\$ (50,000)	5,233
Fund Balance			
Balance, beginning of year			58,407
Total Fund Balance			\$ 63,640

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Social Security Fund - Statement of Revenue, Expenditures and Changes in Fund Balance
Year Ended June 30, 2016

	Appropriations		Actual Amounts
	Original	Final	
Revenue			
Property taxes - prior years	\$ 100,000	\$ 100,000	\$ 110,179
Property taxes - 2015 1st half	110,000	110,000	122,438
Total Revenue	<u>210,000</u>	<u>210,000</u>	<u>232,617</u>
Expenditures			
Employer's contribution	<u>260,000</u>	<u>260,000</u>	<u>227,384</u>
Total Expenditures	<u>260,000</u>	<u>260,000</u>	<u>227,384</u>
Net Change in Fund Balance	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	5,233
Fund Balance			
Balance, beginning of year			<u>58,407</u>
Total Fund Balance			<u>\$ 63,640</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Building and Maintenance Fund - Statement of Revenue, Expenditures and Changes in Fund Balance

Year Ended June 30, 2016

	Appropriations		Actual
	Original	Final	Amounts
Revenue			
Property taxes - prior years	\$ 120,000	\$ 120,000	\$ 119,545
Property taxes - 2015 1st half	130,000	130,000	127,461
Total Revenue	<u>250,000</u>	<u>250,000</u>	<u>247,006</u>
Expenditures			
Cleaning service	95,000	95,000	73,828
Equipment	20,000	20,000	5,147
Trash	12,000	12,000	4,335
Landscaping	25,000	25,000	9,356
Fire and security	20,000	20,000	17,204
Elevator	25,000	25,000	21,358
Building maintenance	60,000	60,000	24,410
Snow removal	15,000	15,000	5,774
Heating, ventilating and air conditioning	60,000	60,000	30,975
Bookmobile maintenance	-	-	2,200
Roof maintenance	7,000	7,000	(330)
Van maintenance	15,000	15,000	4,200
Parking lot	15,000	15,000	4,640
Maintenance supplies	75,000	75,000	58,050
Total Expenditures	<u>444,000</u>	<u>444,000</u>	<u>261,147</u>
Net Change in Fund Balance	<u>\$ (194,000)</u>	<u>\$ (194,000)</u>	(14,141)
Balance, beginning of year			<u>222,386</u>
Total Fund Balance			<u>\$ 208,245</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Special Reserve Fund - Statement of Revenue, Expenditures and Changes in Fund Balance
Year Ended June 30, 2016

	Appropriations		Actual
	Original	Final	Amounts
Revenue			
Property taxes - prior years	\$ -	\$ -	\$ -
Property taxes - 2015 1st half	-	-	-
Replacement tax	-	-	-
Total Revenue	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Other Expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>49,208</u>
Total Expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>49,208</u>
Net Change in Fund Balance	(1,000,000)	(1,000,000)	(49,208)
Operational Transfers In	<u>-</u>	<u>-</u>	<u>165,000</u>
Net Change in Fund Balance	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>	115,792
Fund Balance			
Balance, beginning of year			<u>1,030,572</u>
Total Fund Balance			<u>\$ 1,146,364</u>