



**PALATINE PUBLIC LIBRARY
DISTRICT, ILLINOIS**

*Annual Financial Report
With Supplementary Information*

Year Ended June 30, 2015

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

CONTENTS

Year ended June 30, 2015

	<u>Pages</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Financial Statements:	
Government-wide Statement of Net Position	9
Government-wide Statement of Activities, and Changes in Net Position	10
Combined Balance Sheet	11
Combined Statement of Revenue, Expenditures, and Changes in Fund Balance	12
Reconciliation of the Governmental Fund Balance to the Statement of Net Position, and Statement of Activities and Changes in Net Position	13
Notes to Financial Statements	14-25
Required Supplementary Information:	
General Fund – Statement of Revenue and Expenditures and Changes in Fund Balance, and Comparison with Appropriations	26-27
Multi-year Schedule of Changes in Net Pension Liability and Related Ratios	28
Multi-year Schedule of Contributions	29
Notes to Required Supplemental Information	30
Supplementary Data:	
General Fund – Statement of Revenue and Comparison with Estimated	31
Special Revenue Funds - Combining Balance Sheet	32
Combining Statement of Revenue and Expenditures, and Changes in Fund Balance	33
Audit Fund – Statement of Revenue and Expenditures, and Comparison with Estimated Revenue and Appropriations, and Changes in Fund Balance	34

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

CONTENTS (concluded)

Year ended June 30, 2015

	<u>Pages</u>
Illinois Municipal Retirement Fund – Statement of Revenue and Expenditures, and Comparison with Estimated Revenue and Appropriations, and Changes in Fund Balance	35
Social Security Fund – Statement of Revenue and Expenditures, and Comparison with Estimated Revenue and Appropriations, and Changes in Fund Balance	36
Building and Maintenance Fund – Statement of Revenue and Expenditures, and Comparison with Estimated Revenue and Appropriations, and Changes in Fund Balance	37
Special Reserve Fund – Statement of Revenue and Expenditures, and Comparison with Estimated Revenue and Appropriations and Changes in Fund Balance	38



accounting • auditing • consulting

GEORGE ROACH
ASSOCIATES, PC

•
44 N. Walkup Avenue
Crystal Lake, IL 60014
T: 815-459-0700

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, 2015, 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, 2015, 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, 2015 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

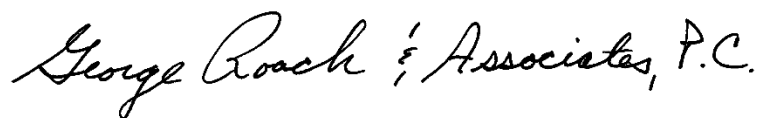
Required Supplementary Information

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.
Crystal Lake, Illinois
September 15, 2015

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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, 2015.

FINANCIAL HIGHLIGHTS

- The Library implemented Government Accounting Standards Board (GASB) No. 68 Accounting and Financial Reporting for Pensions in the fiscal year period 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 for the first time in fiscal year ending 2015. GASB 68 is for financial reporting purposes only and its changes are limited to the Library financial statements presentation. There is no impact to the financial performance of the Library, nor does it affect the methods and assumptions for determining contribution amounts. To comply with GASB Pronouncement 68, the Library reported \$1,894,529 in additional outstanding liabilities and \$781,721 of deferred outflows for a net decrease in net position of \$1,112,808.
- The assets and deferred outflows of the Library exceeded its liabilities and deferred inflows at June 30, 2015 by \$15,417,059 (*net position*). Of this amount, \$2,469,039 (*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 \$1,601,991. Of this decrease \$1,112,808 is related to GASB 68 implementation and \$374,380 is attributed to capital expenditures and depreciation expense.
- At June 30, 2015, the Library's governmental funds reported combined ending fund balances of \$4,859,094, a decrease of \$173,536 from the prior year.
- At June 30, 2015, the fund balance for the General Fund was \$3,468,879.
- The Library's total fixed assets decreased by \$374,380 during the year ended June 30, 2015.

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 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
JUNE 30, 2015

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 and liabilities, 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.

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.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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 \$15,417,059 at June 30, 2015. Of the Library's net position, \$11,757,805 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 (\$2,469,039) may be used to meet the Library's ongoing obligations to citizens and creditors.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2015

At June 30, 2015, the Library is able to report positive balances in all three categories of net position.

Palatine Library District's Net Position

	<u>6/30/2015</u>	<u>6/30/2014</u>
Current and Other Assets	\$ 8,030,981	\$ 8,058,528
Fixed Assets	<u>11,757,805</u>	<u>12,132,185</u>
Total Assets	<u>\$ 19,788,786</u>	<u>\$ 20,190,713</u>
Deferred Outflows of Pension Resources -- IMRF	<u>\$ 781,721</u>	<u>\$ -</u>
Other Liabilities	<u>\$ 2,139,709</u> *	<u>\$ 331,170</u>
Total Liabilities	<u>2,139,709</u>	<u>331,170</u>
Deferred Inflows -- property taxes	<u>3,013,739</u>	<u>2,840,493</u>
Net Position		
Net Investment in Capital Assets	11,757,805	12,132,185
Restricted - net position	1,190,215	1,594,501
Unrestricted - net position	<u>2,469,039</u>	<u>3,292,364</u>
Total Net Position	<u>\$ 15,417,059</u>	<u>\$ 17,019,050</u>

* The Other Liabilities for 2015 include \$1,894,529 related to GASB 68 implementation as previously discussed on page 3 of Management's Discussion and Analysis.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Governmental activities–

Governmental activities decreased the Library's net position by \$1,601,991. Key elements of the changes to net position by governmental activities are as follows:

	Governmental Activities	
	6/30/2015	6/30/2014
Revenues		
Program Revenues:		
Charges for Services	\$ 180,967	\$ 187,872
Operating Grants and Contributions	111,229	142,359
General Revenues:		
Property Taxes	5,920,389	5,817,502
Replacement Taxes	68,152	65,134
TIF Taxes	-	55,616
Gifts and Donations	26,870	19,787
Gain on sale of equipment	81,000	-
Other	26,035	23,463
Interest	9,478	11,701
Total Revenues	6,424,120	6,323,434
Total Governmental Expenses	8,026,111	6,987,109
Increase/(Decrease) in Net Position	(1,601,991)	(663,675)
Net Position - Beginning of Year	17,019,050	17,682,725
Net Position - End of Year	\$ 15,417,059	\$ 17,019,050

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, 2015, the Library's governmental funds reported combined ending fund balances of \$4,859,094, a decrease of \$173,536 in comparison with the prior year.

The General Fund is the chief operating fund of the Library. At June 30, 2015, the fund balance of the General Fund was \$3,468,879. This represents an increase of \$30,751 compared to the prior fiscal year.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

General Fund Budgetary Highlights–

There were no differences between the original budget and the final budget for the year ended June 30, 2015. 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 \$9,551 (unfavorable).
- The difference between the General Fund appropriated expenditures and the actual expenditures was \$1,577,494 (favorable).

FIXED ASSETS

The Library's fixed assets for its governmental activities as of June 30, 2015 amount to \$11,757,805 (net of accumulated depreciation). This investment in fixed assets includes land, buildings, improvements, furniture, fixtures, and equipment.

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

Fixed Assets	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
General Fund:				
Buildings and Improvements	\$ 20,078,644	\$ 368,959	\$ -	\$ 20,447,603
Building -- construction in progress	21,628	-	-	21,628
Land	926,032	-	-	926,032
Furniture, Fixtures, and Equipment	1,365,517	-	(169,292)	1,196,225
Total Fixed Assets	\$ 22,391,821	\$ 368,959	\$ (169,292)	\$ 22,591,488
Less: Accumulated Depreciation	10,259,636	743,339	169,292	10,833,683
Fixed Assets (Net)	\$ 12,132,185	\$ (374,380)	\$ -	\$ 11,757,805

ECONOMIC FACTORS AND PROPERTY TAXES

The equalized assessed valuation (EAV) of the Library for 2014 is \$2,069,439,592. That represents an increase in EAV of \$22,700,864 over the prior year's EAV. Taxes recorded in these financial statements are from the 2013 and 2014 levies. A summary of the assessed valuations and extensions for tax years 2014, 2013, and 2012 is as follows:

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2015

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

Tax Levy year	2014	2013	2012
Assessed Valuation			
Cook County	\$ 2,069,439,592	\$ 2,046,738,728	\$ 2,369,166,856

**Tax Rates and Percentage
 Allocations by Fund**

Funds	Rate	Percentage	Rate	Percentage	Rate	Percentage
General Fund	0.2678	0.8548	0.2524	0.8632	0.2149	86.7232
I. M. R. F.	0.0165	0.0527	0.0142	0.0486	0.0106	4.2776
Social Security	0.0119	0.0380	0.0095	0.0325	0.0081	3.2688
Audit	0.0002	0.0006	0.0002	0.0007	0.0002	0.0807
Tort Immunity	0.0040	0.0128	0.0038	0.0130	0.0034	1.3721
Building & Maintenance	0.0129	0.0412	0.0123	0.0421	0.0106	4.2776
Totals	0.3133	1.0000	0.2924	1.0000	0.2478	100.0000

Property Tax Extensions

Funds	2014	2013	2012
General Fund	\$ 5,206,710	\$ 5,165,968	\$ 5,091,339
I. M. R. F.	320,763	290,636	251,131
Social Security	231,777	194,440	191,902
Audit	4,138	4,093	4,738
Tort Immunity	78,638	77,776	80,551
Building & Maintenance	250,402	251,748	251,131
Totals	\$ 6,092,428	\$ 5,984,661	5,870,792

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.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Government-wide Statement of Net Position

June 30, 2015

Assets	
Cash and cash equivalent	\$ 5,017,242
Property tax receivable	3,013,739
Fixed Assets	<u>11,757,805</u>
Total Assets	<u><u>\$ 19,788,786</u></u>
Deferred Outflows of Pension Resources -- IMRF	<u><u>\$ 781,721</u></u>
Liabilities	
Accounts payable/accruals	\$ 88,963
Accrued compensation	69,185
Deferred compensation - noncurrent	87,032
Net Pension Liability - noncurrent	<u>1,894,529</u>
Total Liabilities	<u>2,139,709</u>
Deferred Inflows -- property taxes	<u>3,013,739</u>
Net Position	
Net investment in Capital Assets	11,757,805
Restricted -- Net Position	1,190,215
Unrestricted -- Net Position	<u>2,469,039</u>
Total Net Position	<u><u>\$ 15,417,059</u></u>

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, 2015

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
General Government	\$ 8,026,111	\$ 180,967	\$ 111,229	\$ -	\$ (7,733,915)
Total Governmental Activities	\$ 8,026,111	\$ 180,967	\$ 111,229	\$ -	\$ (7,733,915)

General Revenues

Property taxes	\$ 5,920,389
Replacement tax	68,152
Gifts and donations	26,870
Investment income	9,478
Gain on sale of equipment	81,000
Other income	26,035

Total Revenues

6,131,924

Changes in Net Position

(1,601,991)

Net Position Beginning of Year

17,019,050

\$ 15,417,059

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Combined Balance Sheet

June 30, 2015

	Governmental Fund Types			
	Total	General	Nonmajor Funds	Special Reserve
Assets				
Cash and cash equivalent	\$ 5,017,242	\$ 3,614,673	\$ 371,997	\$ 1,030,572
Property tax receivable	3,013,739	2,615,201	398,538	-
Total Assets	\$ 8,030,981	\$ 6,229,874	\$ 770,535	\$ 1,030,572
Liabilities				
Accounts payable	\$ 88,963	\$ 76,609	\$ 12,354	\$ -
Accrued payroll	69,185	69,185	-	-
Total Liabilities	158,148	145,794	12,354	-
Deferred Inflows -- property taxes	3,013,739	2,615,201	398,538	-
Library Fund Balance				
Nonspendable	-	-	-	-
Restricted	359,643	-	359,643	-
Committed	-	-	-	-
Assigned -- for capital projects	1,030,572	-	-	1,030,572
Unassigned	3,468,879	3,468,879	-	-
Total Library Fund Balance	4,859,094	3,468,879	359,643	1,030,572
Total Liabilities and Fund Balance	\$ 8,030,981	\$ 6,229,874	\$ 770,535	\$ 1,030,572

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, 2015

	Governmental Fund Types			
	Total	General	Nonmajor Funds	Special Reserve
Revenue				
Property taxes -- prior years	\$ 2,841,646	\$ 2,489,844	\$ 351,802	\$ -
Property taxes -- 2014 1st half	3,078,743	2,670,204	408,539	-
Replacement taxes	68,152	13,630	54,522	-
Fines and fees	150,013	150,013	-	-
Nonresident fees	12,782	12,782	-	-
Gifts and donations	26,870	26,870	-	-
Interest	9,478	9,478	-	-
Grants	111,229	111,229	-	-
Book recovery service	18,172	18,172	-	-
Sale of equipment	81,000	81,000	-	-
Other	26,035	26,035	-	-
Total Revenue	6,424,120	5,609,257	814,863	-
Expenditures				
Salaries and benefits	3,314,460	3,314,460	-	-
Materials	970,015	970,015	-	-
Utilities	247,262	247,262	-	-
Equipment	148,549	148,549	-	-
Contractual services	342,741	342,741	-	-
Supplies	81,778	81,778	-	-
Operating expenses	1,081,372	231,181	850,191	-
Auxiliary projects	42,520	42,520	-	-
Capital expenses	368,959	-	-	368,959
Total Expenditures	6,597,656	5,378,506	850,191	368,959
Excess (Deficiency) of				
Revenue over Expenditures	(173,536)	230,751	(35,328)	(368,959)
Operational Transfers In (Out)	-	(200,000)	35,000	165,000
District Fund Balance				
Balance, beginning of year	5,032,630	3,438,128	359,971	1,234,531
Total District Fund Balance	\$ 4,859,094	\$ 3,468,879	\$ 359,643	\$ 1,030,572

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, 2015*

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

Total Fund Balances--Total Governmental Funds	\$ 4,859,094
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	11,757,805
Deferred Compensation is not reported in funds	(87,032)
Deferred Outflows and Net Pension Liabilities are not reported in the funds	<u>(1,112,808)</u>
Net Position of Governmental Activities	<u><u>\$ 15,417,059</u></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	\$ (173,536)
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	368,959
Depreciation is shown as an expense in the Statement of Activities and not in the governmental funds	(743,339)
Deferred Outflows and Net Pension Liabilities are not reported in the funds	(1,112,808)
Change in deferred compensation and other benefits are not recorded as an expense in governmental funds	<u>58,733</u>
Changes in Net Position	<u><u>\$ (1,601,991)</u></u>

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

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

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).

A. 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.

B. 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).

C. 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.

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.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

D. 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.

E. 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. 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

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2015, unexpended appropriations of the budgetary funds (general fund and special revenue funds) automatically lapse. The budget is prepared on the modified cash basis. The 2015 appropriations ordinance was adopted September 10, 2014.

F. 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 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, 2015.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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.

G. 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. The financial statements for fiscal year ended June 30, 2014 could not be restated as the information required to do so was not readily available.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

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, 2015. 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	\$ 439,490	\$ 3,000,000	\$ -	\$ 3,439,490	\$ 3,343,476
Illinois Funds	-	-	-	1,673,766	1,673,766
Totals	<u>\$ 439,490</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 5,113,256</u>	<u>\$ 5,017,242</u>

NOTE 3 – CHANGES IN GENERAL FIXED ASSETS

	Balance		Acquisitions	Balance	
	July 1, 2014			June 30, 2015	
Buildings and Improvements	\$ 20,078,644		\$ 368,959	\$ 20,447,603	
Building -- construction in progress	21,628		-	21,628	
Land	926,032		-	926,032	
Furniture, Fixtures, and Equipment	1,365,517		(169,292)	1,196,225	
Total	<u>22,391,821</u>		<u>\$ 199,667</u>	<u>22,591,488</u>	
Less : Accumulated Depreciation	(10,259,636)			(10,833,683)	
Net Assets	<u>\$ 12,132,185</u>			<u>\$ 11,757,805</u>	

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 Service	Copier Operating Lease	Total
2016	7,080	30,000	109,296	7,620	153,996
2017	7,080	30,000	112,184	7,620	156,884
2018	4,720	7,500	-	-	12,220
Totals	<u>\$ 18,880</u>	<u>\$ 67,500</u>	<u>\$ 221,480</u>	<u>\$ 15,240</u>	<u>\$ 323,100</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

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

A. Profile of IMRF –

IMRF is the administrator of an agent multiple-employer public employee retirement system. The Illinois State Legislature established IMRF in 1939. IMRF began operations in 1941 in order to provide retirement, death, and disability benefits to employees of local units of government in Illinois. Members, employers, and annuitants elect eight trustees who govern IMRF. IMRF is separate and apart from the Illinois state government and is not included in the state's financial statements. IMRF now serves 2,977 different employers, 173,826 participating members, 118,034 inactive members, and 107,732 benefit recipients. The Illinois Pension Code requires IMRF to provide its financial statements to participating employers and to any participating member who requests them.

B. Plan Description –

The Library'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 Library's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

C. Funding Policy –

As set by statute, the Library's Regular plan members are required to contribute 4.50 percent 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 Library's contribution rate for calendar year 2014 was 12.54 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.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

NOTE 6 – ILLINOIS MUNICIPAL RETIREMENT FUND (continued)

D. Executive Summary as of December 31, 2014 –

Actuarial Valuation Date	12/31/2014
Measurement Date of the Net Pension Liability	12/31/2014
Fiscal Year End	6/30/2015

Membership

Number of	
- Retirees and Beneficiaries	103
- Inactive, Non-Retired Members	130
- Active Members	85
- Total	<u>318</u>
Covered Valuation Payroll	\$ 2,867,909

Net Pension Liability

Total Pension Liability/(Asset)	\$ 17,343,603
Plan Fiduciary Net Position	<u>15,449,074</u>
Net Pension Liability/(Asset)	\$ 1,894,529

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.08%
Net Pension Liability as a Percentage of Covered Valuation Payroll	66.06%

Development of the Single Discount Rate as of December 31, 2014

Long-Term Expected Rate of Investment Return	7.50%
Long-Term Municipal Bond Rate	3.56%
Last year ending December 31 in the 2015 to 2114 projection for which projected benefit payments are fully funded	2085
Resulting Single Discount Rate based on the above development	7.48%
Single Discount Rate calculated using December 31, 2013 Measurement Date	7.50%

Total Pension Expense/(Income) \$ 588,598

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 163,942	\$ -
Changes in assumptions	451,985	-
Net difference between projected and actual earnings on pension plan investments	<u>165,794</u>	<u>-</u>
Total	<u>\$ 781,721</u>	<u>\$ -</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

NOTE 6 – ILLINOIS MUNICIPAL RETIREMENT (continued)

E. Schedule of Schedule of Changes in Net Pension Liability and Related Ratios -- Current Period

Schedule of Changes in Net Pension Liability and Related Ratios -- Current Period Calendar Year Ended December 31, 2014

A. Total pension liability

1. Service Cost	\$	338,111
2. Interest on the Total Pension Liability		1,154,512
3. Changes of benefit terms		-
4. Difference between expected and actual experience of the Total Pension Liability		260,271
5. Changes of assumptions		717,562
6. Benefit payments, including refunds of employee contributions		(702,586)
7. Net change in total pension liability		1,767,870
8. Total pension liability – beginning		15,575,733
9. Total pension liability – ending	\$	<u>17,343,603</u>

B. Plan fiduciary net position

1. Contributions – employer	\$	359,636
2. Contributions – employee		129,056
3. Net investment income		889,681
4. Benefit payments, including refunds of employee contributions		(702,586)
5. Other (Net Transfer)		81,400
6. Net change in plan fiduciary net position		757,187
7. Plan fiduciary net position – beginning		14,691,887
8. Plan fiduciary net position – ending	\$	<u>15,449,074</u>

C. Net pension liability/(asset)

\$ 1,894,529

D. Plan fiduciary net position as a percentage of the total pension liability

89.08%

E. Covered Valuation payroll

\$ 2,867,909

F. Net pension liability as a percentage of covered valuation payroll

66.06%

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	\$ 19,635,346	\$ 17,343,603	\$ 15,466,639
Plan Fiduciary Net Position	15,449,074	15,449,074	15,449,074
Net Pension Liability/(Asset)	\$ 4,186,272	\$ 1,894,529	\$ 17,565

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

NOTE 6 – ILLINOIS MUNICIPAL RETIREMENT (continued)

*F. Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2014 Contribution Rate **

Valuation Date: December 31, 2014

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 2014 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): 29-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.
Asset Valuation Method	SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 24 years for most employers (two employers were financed over 33 years). 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, 2012 actuarial valuation

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

NOTE 6 – ILLINOIS MUNICIPAL RETIREMENT (continued)

G. Calculation of the Single Discount Rate

GASB Statement No. 68 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a “risk-free” rate is required, as described in the following paragraph.

H. Calculation of the Single Discount Rate

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR 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) 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 this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.56%; and the resulting single discount rate is 7.50%.

Expected Contributions are developed based on the following:

- Member Contributions for current members
- Normal Cost contributions for current members
- Unfunded Liability contributions for current and future members

Required Supplementary Information

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

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, 2015 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 (\$781,721, 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 (\$3,013,739) reported in the governmental funds for unavailable revenues are all from property taxes to be received in the following year.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS*Statement of Revenue, Expenditures and Changes in Fund Balance**and comparison with Appropriations - General Fund**Year Ended June 30, 2015*

	<u>Appropriations</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Salaries			
Salaries	\$ 3,350,000	\$ 3,350,000	\$ 3,055,252
Employee health insurance	400,000	400,000	259,208
Total salaries	<u>3,750,000</u>	<u>3,750,000</u>	<u>3,314,460</u>
Materials			
Books/audio-visual	800,000	800,000	681,673
Continuations	90,000	90,000	77,724
Electronic references	240,000	240,000	210,618
Total materials	<u>1,130,000</u>	<u>1,130,000</u>	<u>970,015</u>
Utilities			
Gas	60,000	60,000	29,766
Electricity	250,000	250,000	204,789
Water	25,000	25,000	12,707
Total utilities	<u>335,000</u>	<u>335,000</u>	<u>247,262</u>
Equipment purchases			
Furniture	100,000	100,000	45,419
Office equipment	10,000	10,000	-
Computers	180,000	180,000	103,130
Total uncapitalized equipment	<u>290,000</u>	<u>290,000</u>	<u>148,549</u>
Contractual services			
Copier maintenance	32,000	32,000	23,291
Technology support	35,000	35,000	20,499
Postage machines	6,000	6,000	2,544
LAN management	80,000	80,000	74,000
Library information services	130,000	130,000	100,631
Internet service	20,000	20,000	6,190
Bibliographic support	10,000	10,000	2,504
Book Recovery Services	15,000	15,000	9,325
Accounting	35,000	35,000	19,042
Consultants	50,000	50,000	46,585
Office equipment	15,000	15,000	83
Leases (branch and copiers)	60,000	60,000	38,047
Total contractual services	<u>488,000</u>	<u>488,000</u>	<u>342,741</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS*Statement of Revenue, Expenditures and Changes in Fund Balance**and comparison with Appropriations - General Fund**Year Ended June 30, 2015*

	<u>Appropriations</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Supplies			
Office and kitchen	\$ 7,000	\$ 7,000	\$ 1,605
Art and printing	15,000	15,000	7,434
Copiers	15,000	15,000	9,458
Library services	75,000	75,000	47,184
Program	25,000	25,000	16,097
Total supplies	<u>137,000</u>	<u>137,000</u>	<u>81,778</u>
Operating expenses			
General/tort/other insurance	215,000	215,000	75,439
Interlibrary loan/reprints	15,000	15,000	20
Telephone	50,000	50,000	35,128
Postage	20,000	20,000	6,268
Cultural and educational training	50,000	50,000	33,314
In-services training	50,000	50,000	19,802
Memberships	15,000	15,000	6,273
Community information	30,000	30,000	8,469
Legal	40,000	40,000	5,987
Special purchases	10,000	10,000	3,361
Want ads/legal notices	10,000	10,000	1,337
Expenditures of public gifts	150,000	150,000	25,298
Reimbursements	4,000	4,000	485
Shared Administrative costs	15,000	15,000	10,000
Grant expenditures	75,000	75,000	-
Total operating expense	<u>749,000</u>	<u>749,000</u>	<u>231,181</u>
Auxiliary Projects			
Newsletters	70,000	70,000	39,262
Volunteer programs	7,000	7,000	3,258
Total auxiliary projects	<u>77,000</u>	<u>77,000</u>	<u>42,520</u>
Total General Fund	<u>\$ 6,956,000</u>	<u>\$ 6,956,000</u>	<u>\$ 5,378,506</u>

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	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability										
Service Cost	\$ 338,111									
Interest on the Total Pension Liability	1,154,512									
Benefit Changes	-									
Difference between Expected and Actual Experience	260,271									
Assumption Changes	717,562									
Benefit Payments and Refunds	(702,586)									
Net Change in Total Pension Liability	1,767,870									
Total Pension Liability - Beginning	15,575,733									
Total Pension Liability - Ending (a)	\$ 17,343,603									
Plan Fiduciary Net Position										
Employer Contributions	359,636									
Employee Contributions	129,056									
Pension Plan Net Investment Income	889,681									
Benefit Payments and Refunds	(702,586)									
Other	81,400									
Net Change in Plan Fiduciary Net Position	757,187									
Plan Fiduciary Net Position - Beginning	14,691,887									
Plan Fiduciary Net Position - Ending (b)	\$ 15,449,074									
Net Pension Liability/(Asset) - Ending (a) - (b)	1,894,529									
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.08%									
Covered Valuation Payroll	\$ 2,867,909									
Net Pension Liability as a Percentage of Covered Valuation Payroll	66.06%									

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

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

<u>Calendar Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a % of Covered Valuation Payroll</u>
2014	\$ 359,636 *	\$ 359,636	\$ -	\$ 2,867,909	12.54%

* Estimated based on a contribution rate of 12.54% and covered valuation payroll of \$2,710,838.

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

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

Revenue and Comparison with Estimated Revenue

Year Ended June 30, 2015

General Fund - Revenue

	<u>Budgeted</u>	<u>Modified Accrual Basis</u>
Property taxes -- prior years	\$ -)	\$ 2,489,844
Property taxes -- 2014 1st half	5,233,880)	2,670,204
Replacement tax	13,200	13,630
Interest	14,000	9,478
Fines	130,000	108,265
Special purchases	4,000	3,562
Replacement fees	14,000	14,971
Book recovery service	19,000	18,172
Coin machine income	8,000	8,362
Printing fees	13,000	15,827
Vending machines	2,000	2,098
Meeting room fees	10,000	10,950
Interlibrary loans	500	77
Nonresident fees	12,500	12,782
Per Capita Grants	111,228	111,229
Gifts and donations	20,000	26,870
Other grants	5,000	-
Miscellaneous	500	3,114
Used materials	6,000	5,431
Sale of equipment	2,000	84,391
	<hr/>	<hr/>
Total Revenue	5,618,808	5,609,257
	<hr/>	<hr/>
Total Revenue and Other Sources	\$ 5,618,808	\$ 5,609,257
	<hr/> <hr/>	<hr/> <hr/>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Special Revenue Funds - Combining Balance Sheet

June 30, 2015

	<u>Total</u>	<u>Audit</u>	<u>Illinois Municipal Retirement</u>	<u>Social Security</u>	<u>Building Maintenance</u>
Assets					
Cash and cash equivalent	\$ 371,997	\$ 5,664	\$ 73,186	\$ 58,407	\$ 234,740
Property tax receivable	398,538	2,291	158,516	114,479	123,252
Total Assets	<u>\$ 770,535</u>	<u>\$ 7,955</u>	<u>\$ 231,702</u>	<u>\$ 172,886</u>	<u>\$ 357,992</u>
Liabilities					
Accounts payable	\$ 12,354	\$ -	\$ -	\$ -	\$ 12,354
Total Liabilities	<u>12,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,354</u>
Deferred Inflows -- property taxes	<u>398,538</u>	<u>2,291</u>	<u>158,516</u>	<u>114,479</u>	<u>123,252</u>
Library District Fund Balance					
Fund balance	<u>359,643</u>	<u>5,664</u>	<u>73,186</u>	<u>58,407</u>	<u>222,386</u>
Total Liabilities and Fund Balance	<u>\$ 770,535</u>	<u>\$ 7,955</u>	<u>\$ 231,702</u>	<u>\$ 172,886</u>	<u>\$ 357,992</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Combining Statement of Revenue, Expenditures and Changes in Fund Balance

Year Ended June 30, 2015

	<u>Total</u>	<u>Audit</u>	<u>Illinois Municipal Retirement</u>	<u>Social Security</u>	<u>Building Maintenance</u>
Revenue					
Property taxes -- prior years	\$ 351,802	\$ 1,944	\$ 137,999	\$ 92,324	\$ 119,535
Property taxes -- 2014 1st half	408,539	1,847	162,246	117,297	127,149
Replacement taxes	54,522	-	54,522	-	-
Total Revenue	<u>814,863</u>	<u>3,791</u>	<u>354,767</u>	<u>209,621</u>	<u>246,684</u>
Expenditures					
Operating Expenses	850,191	5,350	371,215	228,446	245,180
Operating Expenditures	<u>850,191</u>	<u>5,350</u>	<u>371,215</u>	<u>228,446</u>	<u>245,180</u>
Excess (Deficiency) of Revenue Over Disbursements	(35,328)	(1,559)	(16,448)	(18,825)	1,504
Operational Transfer In (Out)	35,000	-	35,000	-	-
Excess (deficiency) of Revenue over Expenditures and other uses	<u>(328)</u>	<u>(1,559)</u>	<u>18,552</u>	<u>(18,825)</u>	<u>1,504</u>
Fund Balances					
Balance, beginning of year	359,971	7,223	54,634	77,232	220,882
Fund Balances, end of year	<u>\$ 359,643</u>	<u>\$ 5,664</u>	<u>\$ 73,186</u>	<u>\$ 58,407</u>	<u>\$ 222,386</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

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

Year Ended June 30, 2015

	<u>Appropriations</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenue			
Property taxes -- prior years	\$ -)	\$ -)	\$ 1,944
Property taxes -- 2014 1st half	<u>4,350)</u>	<u>4,350)</u>	<u>1,847</u>
Total Revenue	<u>4,350</u>	<u>4,350</u>	<u>3,791</u>
Expenditures			
Accounting	<u>7,000</u>	<u>7,000</u>	<u>5,350</u>
Total Expenditures	<u>7,000</u>	<u>7,000</u>	<u>5,350</u>
Excess (Deficiency) of Revenue over Expenditures	<u>\$ (2,650)</u>	<u>\$ (2,650)</u>	(1,559)
Fund Balance			
Balance, beginning of year			<u>7,223</u>
Total Fund Balance			<u>\$ 5,664</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

*Statement of Revenue, Expenditures and Changes in Fund Balance - IL Municipal Retirement Fund
Year Ended June 30, 2015*

	<u>Appropriations</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenue			
Property taxes -- prior years	\$ -)	\$ -)	\$ 137,999
Property taxes -- 2014 1st half	290,000)	290,000)	162,246
TIF taxes	36,000	36,000	-
Replacement tax	50,000	50,000	54,522
Total Revenue	<u>376,000</u>	<u>376,000</u>	<u>354,767</u>
Expenditures			
Employer's contribution	390,000	390,000	371,215
Total Expenditures	<u>390,000</u>	<u>390,000</u>	<u>371,215</u>
Excess (Deficiency) of Revenue over Expenditures	(14,000)	(14,000)	(16,448)
Operational Transfer In (Out)	-	-	35,000
Excess (deficiency) of Revenue over Expenditures and other uses	<u>\$ (14,000)</u>	<u>\$ (14,000)</u>	
Fund Balance			
Balance, beginning of year			<u>54,634</u>
Total Fund Balance			<u>\$ 73,186</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

Statement of Revenue, Expenditures and Changes in Fund Balance - Social Security Fund

Year Ended June 30, 2014

	<u>Appropriations</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenue			
Property taxes -- prior years	\$ -)	\$ -)	\$ 92,324
Property taxes -- 2014 1st half	193,000)	193,000)	117,297
Total Revenue	<u>193,000</u>	<u>193,000</u>	<u>209,621</u>
Expenditures			
Employer's contribution	<u>260,000</u>	<u>260,000</u>	<u>228,446</u>
Total Expenditures	<u>260,000</u>	<u>260,000</u>	<u>228,446</u>
Excess (Deficiency) of Revenue over Expenditures	<u>\$ (67,000)</u>	<u>\$ (67,000)</u>	(18,825)
Fund Balance			
Balance, beginning of year			<u>77,232</u>
Total Fund Balance			<u>\$ 58,407</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

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

Year Ended June 30, 2015

	<u>Appropriations</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenue			
Property taxes -- prior years	\$ -)	\$ -)	\$ 119,535
Property taxes -- 2014 1st half	253,000)	253,000)	127,149
Total Revenue	<u>253,000</u>	<u>253,000</u>	<u>246,684</u>
Expenditures			
Cleaning service	95,000	95,000	73,615
Equipment	20,000	20,000	1,294
Trash	12,000	12,000	4,547
Landscaping	25,000	25,000	9,485
Fire and security	20,000	20,000	12,738
Elevator	25,000	25,000	11,549
Building maintenance	60,000	60,000	26,715
Snow removal	15,000	15,000	7,788
Heating, ventilating and air conditioning	60,000	60,000	42,071
Bookmobile maintenance	4,000	4,000	26
Roof maintenance	7,000	7,000	1,530
Van maintenance	15,000	15,000	2,258
Parking lot	10,000	10,000	307
Maintenance supplies	75,000	75,000	51,257
Total Expenditures	<u>443,000</u>	<u>443,000</u>	<u>245,180</u>
Excess (Deficiency) of Revenue over Expenditures	<u>\$ (190,000)</u>	<u>\$ (190,000)</u>	1,504
Balance, beginning of year			<u>220,882</u>
Total Fund Balance			<u>\$ 222,386</u>

PALATINE PUBLIC LIBRARY DISTRICT, ILLINOIS

*Statement of Revenue, Expenditures and Changes in Fund Balance - Special Reserve Fund
Year Ended June 30, 2014*

	<u>Appropriations</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenue			
Property taxes -- prior years	\$ -	\$ -	\$ -
Property taxes -- 2014 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>368,959</u>
Total Expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>368,959</u>
Excess (Deficiency) of Revenue over Expenditures	(1,000,000)	(1,000,000)	(368,959)
Operational transfers in/(out)	<u>200,000</u>	<u>200,000</u>	<u>165,000</u>
Excess (Deficiency) of Revenue over Expenditures	<u>\$ (800,000)</u>	<u>\$ (800,000)</u>	(203,959)
Fund Balance			
Balance, beginning of year			<u>1,234,531</u>
Total Fund Balance			<u>\$ 1,030,572</u>