

**WAUKEGAN PUBLIC LIBRARY  
WAUKEGAN, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

For the Year Ended  
April 30, 2017



**WAUKEGAN PUBLIC LIBRARY**  
**WAUKEGAN, ILLINOIS**  
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**WAUKEGAN, ILLINOIS**  
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Certified Public Accountants & Advisors  
*Members of American Institute of Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees  
Waukegan Public Library  
City of Waukegan, Illinois

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and the major fund of the Waukegan Public Library (the Library), a component unit of the City of Waukegan, Illinois, as of and for the year ended April 30, 2017, and the related notes to financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit and the major fund of the Waukegan Public Library, as of April 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

The Library has not presented a management's discussion and analysis as required supplementary information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Sibich LLP*

Naperville, Illinois  
October 31, 2017

**GENERAL PURPOSE EXTERNAL  
FINANCIAL STATEMENTS**

**WAUKEGAN PUBLIC LIBRARY  
WAUKEGAN, ILLINOIS**

STATEMENT OF NET POSITION

April 30, 2017

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Waukegan Public Library Foundation</b>
<b>ASSETS</b>		
Cash and investments	\$ 1,643,194	\$ 305,334
Receivables		
Due from other governments	69,164	-
Property taxes	3,946,164	-
Other receivable	90,389	3,365
Prepaid expenses	104,164	-
Capital assets, not being depreciated	71,486	-
Capital assets (net of accumulated depreciation)	5,279,911	-
Total assets	11,204,472	308,699
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	830,048	-
Total assets and deferred outflows of resources	12,034,520	308,699
<b>LIABILITIES</b>		
Accounts payable	61,478	-
Accrued payroll	119,165	-
Other current liabilities	40,035	9,954
Unearned revenue	69,164	-
Accrued interest payable	39,263	-
Noncurrent liabilities		
Due within one year	219,791	-
Due in more than one year	4,650,752	-
Total liabilities	5,199,648	9,954
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenue - property taxes	3,946,164	-
Deferred inflows of resources related to pension	71,084	-
Total deferred inflows of resources	4,017,248	-
Total liabilities and deferred inflows of resources	9,216,896	9,954
<b>NET POSITION</b>		
Net investment in capital assets	2,435,185	-
Restricted		
Grant services	90,531	-
Restricted for other purposes	-	241,705
Unrestricted	291,908	57,040
<b>TOTAL NET POSITION</b>	<b>\$ 2,817,624</b>	<b>\$ 298,745</b>

See accompanying notes to financial statements.



**WAUKEGAN PUBLIC LIBRARY  
WAUKEGAN, ILLINOIS**

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2017

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary	Component
				Governmental Activities	Unit Waukegan Public Library Foundation
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
General government	\$ 4,382,151	\$ 29,112	\$ 246,361	\$ (4,106,678)	\$ -
Interest	121,300	-	-	(121,300)	-
Total governmental activities	4,503,451	29,112	246,361	(4,227,978)	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 4,503,451</u>	<u>\$ 29,112</u>	<u>\$ 246,361</u>	<u>(4,227,978)</u>	<u>-</u>
<b>COMPONENT UNIT</b>					
Waukegan Public Library Foundation operations	\$ 379,168	\$ -	\$ 503,297	-	124,129
General Revenues					
Property taxes				3,948,734	-
Fines and penalties				66,801	-
Interest				948	120
Miscellaneous				60,962	-
Total				4,077,445	120
CHANGE IN NET POSITION				(150,533)	124,249
NET POSITION, MAY 1				3,074,298	174,496
Prior period adjustment				(106,141)	-
NET POSITION, MAY 1 (RESTATED)				2,968,157	174,496
<b>NET POSITION, APRIL 30</b>				<u>\$ 2,817,624</u>	<u>\$ 298,745</u>

See accompanying notes to financial statements.

**WAUKEGAN PUBLIC LIBRARY  
WAUKEGAN, ILLINOIS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

April 30, 2017

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	<u>General</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,643,194
Receivables	
Due from other governments	69,164
Property taxes	3,946,164
Other receivables	90,389
Prepaid items	<u>104,164</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 5,853,075</u></u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 61,478
Accrued payroll	119,165
Other current liabilities	40,035
Unearned revenue for grants	<u>69,164</u>
Total liabilities	<u>289,842</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	<u>3,946,164</u>
Total deferred inflows of resources	<u>3,946,164</u>
<b>FUND BALANCE</b>	
Nonspendable in form	
Prepaid items	104,164
Restricted	
Grant services	90,531
Unassigned	<u>1,422,374</u>
Total fund balance	<u>1,617,069</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b><u><u>\$ 5,853,075</u></u></b>

See accompanying notes to financial statements.

**WAUKEGAN PUBLIC LIBRARY  
WAUKEGAN, ILLINOIS**

**RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION**

April 30, 2017

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<b>FUND BALANCES OF GOVERNMENTAL FUNDS</b>	\$ 1,617,069
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	5,351,397
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds	830,048
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds	(71,084)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Debt certificates payable	(2,890,000)
Accrued interest payable	(39,263)
Capital lease	(26,212)
Compensated absences payable	(128,135)
Net pension liability	<u>(1,826,196)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 2,817,624</u></u>

See accompanying notes to financial statements.

**WAUKEGAN PUBLIC LIBRARY  
WAUKEGAN, ILLINOIS**

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

For the Year Ended April 30, 2017

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>		
Taxes	\$ 3,971,700	\$ 3,948,734
Grants	408,348	246,361
Charges for services	-	29,112
Fines and penalties	90,000	66,801
Interest	1,500	948
Miscellaneous	80,000	60,962
	<u>4,551,548</u>	<u>4,352,918</u>
<b>EXPENDITURES</b>		
Current		
Library services	4,151,460	3,938,468
Capital outlay	107,000	75,584
Debt service		
Principal	170,000	170,000
Interest	122,888	122,888
	<u>4,551,348</u>	<u>4,306,940</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>200</u>	<u>45,978</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Capital lease proceeds	-	38,307
	<u>-</u>	<u>38,307</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 200</u>	<u>84,285</u>
<b>FUND BALANCE, MAY 1</b>		1,638,925
Prior period adjustment		(106,141)
<b>FUND BALANCE, MAY 1 (RESTATED)</b>		<u>1,532,784</u>
<b>FUND BALANCE, APRIL 30</b>		<u>\$ 1,617,069</u>

See accompanying notes to financial statements.

**WAUKEGAN PUBLIC LIBRARY  
WAUKEGAN, ILLINOIS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE  
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2017

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<b>NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 84,285</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	73,137
The issuance of long-term debt (bonds, capital leases, etc.) provides current financial resources to the governmental funds, while its principal repayment consumes current financial resources of the governments funds. Neither transaction, however, has any effect on net assets	
Capital lease proceeds	(38,307)
Principal repayments	186,659
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Compensated absences payable	49,437
Net pension liability	18,891
Deferred outflows of resources related to pensions	(56,410)
Deferred inflows of resources related to pensions	9,148
Change in accrued interest payable	1,588
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>(478,961)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (150,533)</u></b>

See accompanying notes to financial statements.

**WAUKEGAN PUBLIC LIBRARY  
WAUKEGAN, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

April 30, 2017

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Library operates and maintains the public library within the City of Waukegan (the City). The Library is a legally separate entity whose board is appointed by the Mayor of the City with the approval of the City Council. The Library may not issue bonded debt without the City's approval and its property tax levy is subject to the City Council's acceptance, and is, therefore, considered to be a component unit of the City. This report represents the financial activity of the Library for the year ended April 30, 2017.

Component units are report using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blended method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

**Discretely Presented Component Unit**

**Waukegan Public Library Foundation**

The government-wide financial statements include the Waukegan Public Library Foundation (the Foundation) as a component unit. The Foundation is a legally separate organization. The Board of Directors of the Foundation is appointed by the Library's Executive Director or other foundation directors and then approved by a vote. Due to

**WAUKEGAN PUBLIC LIBRARY**  
**WAUKEGAN, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A. Reporting Entity (Continued)

Discretely Presented Component Unit (Continued)

Waukegan Public Library Foundation (Continued)

its relationship with the Library, the Foundation is a component unit. The Foundation's financial statements have been presented as a discrete column in the financial statements. The Foundation's fiscal year end is December 31. The financial information presented for the Foundation is as of December 31, 2016. Separately issued financial statements of the Foundation may be obtained from the Library's office.

B. Fund Accounting

The Library uses funds to report on its financial position and changes in its financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into the following categories; governmental, proprietary and fiduciary. The Library reports only governmental funds.

Governmental funds are used to account for all or most of a Library's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds), the funds committed, restricted or assigned for the servicing of long-term debt (debt service funds) and the management of funds held in trust that can be used for governmental services (permanent fund). The General Fund is used to account for all activities of the Library not accounted for in some other fund.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Library. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The Library has no business-type activities.

**WAUKEGAN PUBLIC LIBRARY**  
**WAUKEGAN, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Government-Wide and Fund Financial Statements (Continued)**

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Library reports the following major governmental fund:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those accounted for in another fund.

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. The Library recognizes property taxes when they become both measurable and available in the period the tax is intended to finance. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.



**WAUKEGAN PUBLIC LIBRARY**  
**WAUKEGAN, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)**

In applying the susceptible to accrual concept to intergovernmental revenues (i.e., federal and state grants), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Library; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are generally revocable only for failure to comply with prescribed eligibility requirements, such as equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

The Library reports unearned revenue and unavailable/deferred revenue on its financial statements. Unavailable/deferred revenues arise when a potential revenue does not meet both the available criteria for recognition in the current period, under the modified accrual basis of accounting. Unearned revenue arises when a revenue is measurable but not earned under the accrual basis of accounting. Unearned revenues also arise when resources are received by the Library before it has a legal claim to them or prior to the provision of services, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the Library has a legal claim to the resources, the liability and deferred inflows of resources for unearned and unavailable/deferred revenue are removed from the financial statements and revenue is recognized.

**E. Deposits and Investments**

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Library to invest in obligations of the U.S. Treasury, certain highly rated commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments are stated at fair value. Changes in fair value of investments are recorded as investment income. The Library categorizes the fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Library does not have any investments reported at fair value at April 30, 2017.

**WAUKEGAN PUBLIC LIBRARY**  
**WAUKEGAN, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

F. Capital Assets

Capital assets, which include buildings and building improvements, equipment and furniture and books and library materials, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost in excess of \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value or service capacity of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and building improvements	5-40
Furniture and equipment	5-20

G. Compensated Absences

The Library accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. There is no liability for accumulated sick days as they are not paid out to an employee. All vacation pay is accrued when incurred in the government-wide financial statements.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Fund Balance/Net Position**

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. Committed fund balance is constrained by formal actions of the Library's Board of Trustees, which is considered the Library's highest level of decision-making authority. Formal actions include ordinances approved by the Board of Trustees. Assigned fund balance represents amounts constrained by the Library's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Board of Trustees. Any residual fund balance in the General Fund and deficit fund balances in any other fund are reported as unassigned.

The Library's flow of funds assumptions prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the Library considers committed funds to be expended first, followed by assigned and then unassigned funds.

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. None of the net position is restricted as a result of enabling legislation adopted by the Library. Net investment in capital assets is the book value of capital assets less outstanding principal balances of debt that was issued to construct the capital assets.

**J. Budgets and Budgetary Accounting**

The Library's budget represents departmental expenditures and estimated revenues authorized in the City's budget. The budget is adopted on the modified accrual basis consistent with GAAP. The Library submits to the Mayor and City Council a proposed budget for the Library. The proposed budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain citizen comments. Prior to December 31 of the year preceding the budget year the budget is legally enacted through passage of an ordinance. The level of budgetary control is the fund level. The Library reports the original and final amended budget. All budgetary authority lapses at year end.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. DEPOSITS AND INVESTMENTS**

The Library follows the City's investment policy.

Permitted deposits and investments - Statutes authorize the Library to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money markets mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services. The Library's investment policy allows the Library to invest in any type of security allowable in Illinois statutes regarding the investment on public funds.

It is the policy of the Library to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Library and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety of principal, liquidity, yield and maintaining the public trust.

**A. Deposits with Financial Institutions**

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Library's deposits may not be returned to it. To guard against credit risk for deposits with financial institutions, the Library's investment policy requires that deposits with financial institutions in excess of FDIC be collateralized with collateral held by an independent third party in the name of the Library.

**B. Investments**

In accordance with its investment policy, the Library limits its exposure to interest rate risk by diversifying its investment portfolio to the best of its ability based on the nature of the funds invested and the cash flow needs of those funds. A variety of financial instruments and maturities, properly balanced, will help to ensure liquidity and reduce

**WAUKEGAN PUBLIC LIBRARY**  
**WAUKEGAN, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**2. DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

risk or interest rate volatility and loss of principal. Diversifying investments and maturities will avoid incurring unreasonable risks in the investment portfolio regarding specific security types, issuers or individual financial institutions. The Library's investment policy does not specifically limit the maximum maturity length of investments.

The Library limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly guaranteed by the United States Government. However, the Library's investment policy does not specifically limit the Library to these types of investments.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Library will not be able to recover the value of its investments that are in the possession of an outside party. To limit its exposure, the Library's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Library's agent separate from where the investment was purchased.

Concentration of credit risk - the Library's investment policy diversification to the best of its ability based on the type of funds invested and the cash flow needs of those funds.

**3. RECEIVABLES - TAXES**

Property taxes for 2016 attach as an enforceable lien on January 1, 2016, on property values assessed as of the same date. Taxes are levied by December 31 of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about May 1, 2017, and are payable in two installments, on or about June 1, 2017 and September 1, 2017. The County collects such taxes and remits them periodically. Because the 2016 levy is intended to finance the fiscal year ended April 30, 2018, it has been offset by unavailable/deferred revenue at April 30, 2017.

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

**WAUKEGAN PUBLIC LIBRARY**  
**WAUKEGAN, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**4. CAPITAL ASSETS**

Capital asset activity for the year ended April 30, 2017 was as follows:

	Balances May 1	Increases	Decreases	Balances April 30
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 71,486	\$ -	\$ -	\$ 71,486
Total capital assets not being depreciated	71,486	-	-	71,486
Capital assets being depreciated				
Buildings and improvements	9,024,655	2,160	176,518	8,850,297
Furniture and equipment	2,076,131	247,496	-	2,323,627
Total capital assets being depreciated	11,100,786	249,656	176,518	11,173,924
Less accumulated depreciation for				
Buildings and improvements	3,978,926	251,226	5,884	4,224,268
Furniture and equipment	1,436,126	233,619	-	1,669,745
Total accumulated depreciation	5,415,052	484,845	5,884	5,894,013
Total capital assets being depreciated, net	5,685,734	(235,189)	170,634	5,279,911
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<b>\$ 5,757,220</b>	<b>\$ (235,189)</b>	<b>\$ 170,634</b>	<b>\$ 5,351,397</b>

Depreciation expense was charged to functions of the primary government as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	
Culture and Recreation	<u>\$ 484,845</u>

**5. CHANGES IN LONG-TERM LIABILITIES**

Issue	Balance May 1	Increases	Decreases	Balance April 30	Current Portion
2010 GO debt certificates	\$ 3,060,000	\$ -	\$ 170,000	\$ 2,890,000	\$ 175,000
Capital lease	4,564	38,307	16,659	26,212	12,756
Net pension liability IMRF	1,845,087	-	18,891	1,826,196	-
Accrued compensated absences payable	177,572	28,135	77,572	128,135	32,035
<b>TOTAL</b>	<b>\$ 5,087,223</b>	<b>\$ 66,442</b>	<b>\$ 283,122</b>	<b>\$ 4,870,543</b>	<b>\$ 219,791</b>

The compensated absences and net pension liability will be paid out of the General Fund.

**WAUKEGAN PUBLIC LIBRARY**  
**WAUKEGAN, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**5. CHANGES IN LONG-TERM LIABILITIES (Continued)**

2010 General Obligation Debt Certificates

The 2010 general obligation debt certificates are a direct obligation and pledge the full faith and credit of the Library. The debt certificates, dated September 30, 2010, were issued to finance construction of a new roof and other improvements of the Library's existing building and are due in annual installments through January 1, 2030. Annual debt service requirements to maturity for Library General Obligation Debt Certificates are as follows:

Fiscal Year Ending April 30,	General Obligation, Series 2010	
	Principal	Interest
2018	\$ 175,000	\$ 117,789
2019	180,000	111,662
2020	190,000	104,463
2021	195,000	96,862
2022	205,000	89,062
2023-2027	1,140,000	316,513
2028-2030	805,000	71,084
<b>TOTAL</b>	<b>\$ 2,890,000</b>	<b>\$ 907,435</b>

**6. RISK MANAGEMENT**

The Library is exposed to various risks of loss related to employee health benefits, workers' compensation claims; theft of, damage to and destruction of assets; and natural disasters. The Library has purchased insurance from private insurance companies for general liability, worker's compensation and other coverage. Premiums have been recorded as expenditures in the appropriate fund. There have been no significant reductions in insurance coverage from coverage in the prior years.

**7. DEFINED BENEFIT PENSION PLAN**

The Library contributes, through the City, to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system. However, the Library's participation in IMRF is equivalent to a cost-sharing, multiple-employer pension plan since only one actuarial valuation is performed for both the City and the Library combined. All disclosures for an agent plan can be found in the City's comprehensive annual financial report.

**7. DEFINED BENEFIT PENSION PLAN (Continued)**

Illinois Municipal Retirement Fund

*Plan Administration*

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable. Investments are reported at fair value.

*Benefits Provided*

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011 are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. 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 members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

*Contributions*

Participating members are required to contribute 4.50% of their annual salary to IMRF. The City and the Library are required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the calendar year ended 2016 was 14.48% of covered payroll. For the year ended December 31, 2016, salaries totaling \$2,167,590 were paid that required employer contributions of \$313,867, which was equal to the Library's actual contributions.



**WAUKEGAN PUBLIC LIBRARY**  
**WAUKEGAN, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**7. DEFINED BENEFIT PENSION PLAN (Continued)**

Illinois Municipal Retirement Fund (Continued)

*Net Pension Liability*

At April 30, 2017, the Library reported a liability of \$1,826,1966 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based in the Library's actual contribution to the plan for the year ended April 30, 2017 relative to the contributions of the City, actuarially determined. At April 30, 2017, the Library's proportion was 14.91% of the total contribution.

*Actuarial Assumptions*

The Library's net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2016
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.75%
Salary increases	3.75% to 14.50%
Interest rate	7.50%
Cost of living adjustments	3.00%
Asset valuation method	Market value

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

**WAUKEGAN PUBLIC LIBRARY**  
**WAUKEGAN, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**7. DEFINED BENEFIT PENSION PLAN (Continued)**

Illinois Municipal Retirement Fund (Continued)

*Discount Rate (Continued)*

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended April 30, 2017, the Library recognized pension expense of \$271,830. At April 30, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 88,739	\$ 45,205
Changes in assumption	7,170	25,879
Net difference between projected and actual earnings on pension plan investments	642,602	-
Contributions made subsequent to the measurement date	91,536	-
<b>TOTAL</b>	<u>\$ 830,047</u>	<u>\$ 71,084</u>

\$91,536 reported as deferred outflows of resources related to pensions resulting from library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended April 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

**WAUKEGAN PUBLIC LIBRARY**  
**WAUKEGAN, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**7. DEFINED BENEFIT PENSION PLAN (Continued)**

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

Year Ending April 30,	
2017	\$ 298,365
2018	227,736
2019	217,263
2020	15,599
2021	-
Thereafter	-
<b>TOTAL</b>	<b>\$ 758,963</b>

*Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the Library calculated using the discount rate of 7.5% as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ 3,832,705	\$ 1,826,196	\$ 180,687

**8. PRIOR PERIOD RESTATEMENT**

The Library recorded the following prior period restatement during year ended April 30, 2017:

	Increase (Decrease)
<b>PRIOR PERIOD RESTATEMENT - COMPONENT UNIT</b>	
Prior period restatement	
To restate salary expenditure	\$ (106,141)
<b>TOTAL PRIOR PERIOD RESTATEMENT - COMPONENT UNIT</b>	<b>\$ (106,141)</b>

**REQUIRED SUPPLEMENTARY INFORMATION**

**WAUKEGAN PUBLIC LIBRARY  
WAUKEGAN, ILLINOIS**

SCHEDULE OF THE LIBRARY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Two Fiscal Years

<b>MEASUREMENT DATE DECEMBER 31,</b>	<b>2016</b>	<b>2015</b>
Library's proportion of the net pension liability	14.91%	14.91%
Library's proportionate share of the net pension liability	\$ 1,826,196	\$ 1,845,087
City's proportionate share of the net pension liability	<u>10,421,351</u>	<u>10,529,153</u>
<b>TOTAL NET PENSION LIABILITY</b>	<b><u>\$ 12,247,547</u></b>	<b><u>\$ 12,374,240</u></b>
Covered-employee payroll	\$ 2,167,485	\$ 2,125,161
Library's proportionate share of the net pension liability as a percentage of covered payroll	84.25%	86.82%
Plan fiduciary net position as a percentage of the total pension liability	88.70%	88.15%
<b>FISCAL YEAR ENDED APRIL 30,</b>	<b>2017</b>	<b>2016</b>
Contractually required contribution	\$ 313,867	\$ 308,376
Contributions in relation to the contractually required contribution	<u>(313,867)</u>	<u>(309,473)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b><u>\$ -</u></b>	<b><u>\$ (1,097)</u></b>
Contributions as a percentage of covered-employee payroll	14.56%	14.18%

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

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

**WAUKEGAN PUBLIC LIBRARY  
WAUKEGAN, ILLINOIS**

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended April 30, 2017

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	<b>Original and Final Budget</b>	<b>Actual</b>
<b>TAXES</b>		
Property taxes	\$ 3,971,700	\$ 3,948,734
<b>GRANTS</b>		
Grants	408,348	246,361
<b>CHARGES FOR SERVICES</b>		
Licenses, permits and fees	-	29,112
Total charges for services	-	29,112
<b>FINES AND FORFEITURES</b>		
Fines and penalties	90,000	66,801
<b>INTEREST</b>		
Interest income	1,500	948
<b>MISCELLANEOUS</b>		
Sponsorships	44,500	49,815
Other	35,500	11,147
Total miscellaneous	80,000	60,962
<b>TOTAL REVENUES</b>	<b>\$ 4,551,548</b>	<b>\$ 4,352,918</b>

(See independent auditor's report.)

**WAUKEGAN PUBLIC LIBRARY  
WAUKEGAN, ILLINOIS**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended April 30, 2017

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	<b>Original and Final Budget</b>	<b>Actual</b>
<b>LIBRARY SERVICES</b>		
Salaries and benefits	\$ 2,792,370	\$ 2,785,617
Administrative services	234,700	233,125
Public services	409,090	383,522
Community services	163,300	111,269
Building services	82,500	85,089
Information technology services	174,500	92,763
Grants	295,000	247,083
		<hr/>
Total library services	4,151,460	3,938,468
		<hr/>
<b>CAPITAL OUTLAY</b>		
Capital outlay	107,000	75,584
		<hr/>
Total capital outlay	107,000	75,584
		<hr/>
<b>DEBT SERVICE</b>		
Principal	170,000	170,000
Interest and fiscal charges	122,888	122,888
		<hr/>
Total debt service	292,888	292,888
		<hr/>
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,551,348</b>	<b>\$ 4,306,940</b>

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(See independent auditor's report.)