

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2016



DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT



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Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Public Library Board
Deerfield Public Library
Deerfield, Illinois

We have audited the accompanying financial statements of the governmental activities and the major fund of the Deerfield Public Library (the Library), as of and for the year ended December 31, 2016, 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 an opinion 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Deerfield Public Library, as of December 31, 2016, and the respective changes in financial position, for the year ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain budgetary comparison 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 purpose of forming opinions on the basic financial statements that collectively comprise the Library's basic financial statements taken as whole. The supplemental data is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental data is 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.

Sikich LLP

Naperville, Illinois
June 14, 2017

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

DEERFIELD PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

As the management of the Deerfield Public Library, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal period ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Library's financial statements (beginning on page 3).

This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Library's financial activity, (3) identify changes in the Library's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

USING THE FINANCIAL SECTION OF THIS ANNUAL REPORT

Historically, the primary focus of local government financial statements has been summarized by fund type information on a current financial resource basis. This approach was modified by Government Accounting Standards Board (GASB) Statement No. 34. Now, the Library's financial report presents two kinds of statements, each with a different snapshot of the Library's finances. The focus of the government-wide financial statements is on the Library as a whole on an accrual basis. The statements that show the Library as a major fund provide information on the financial resources available and used in the current and previous 12-month fiscal periods. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Library's accountability.

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 focus of the *Statement of Net Position* (page 3) is to present information on all of the Library's assets and liabilities and deferred inflows, with the difference between the two reported as net position. The *Statement of Net Position* combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and the economic resources measurement focus. 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.

(See independent auditor's report)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

USING THE FINANCIAL SECTION OF THIS ANNUAL REPORT (continued)

The *Statement of Activities* (page 4) presents information showing how the Library's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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., earned but unused compensated absences).

These government-wide financial statements (see pages 3 and 4) describe functions of the Library that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Library reflect the Library's basic services, including materials collections, reference and readers' services, youth and adult programs, interlibrary loan and outreach services, and its growing technological development which provides an online and virtual library accessibility for its community patrons.

Fund Financial Statements

Fund financial statements (pages 5 to 8) will be more familiar to traditional users of governmental financial statements. The focus of the presentation is on the major fund rather than fund types. 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. The Library is presented as a single governmental fund. A governmental fund is 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 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 government's near-term financing decisions. Both the governmental fund *Balance Sheet* (page 5) and the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balance* (page 7), provide a reconciliation to facilitate this comparison. They are:

- Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Position (page 6), and
- Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Governmental Activities in the Statement of Activities (page 8).

(See independent auditor's report)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

USING THE FINANCIAL SECTION OF THIS ANNUAL REPORT (continued)

The Library adopts an annual budget for its governmental fund, as well as adopting an annual appropriation. The Library uses the annual budget as its budgetary guide. A schedule demonstrating compliance with the budget can be found on pages 26 and 31 of this report.

Notes to the Financial Statement

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9 through 25 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information reflecting the Library's progress in funding its expenditures and changes in fund balance. Required supplementary information can be found on pages 26 through 30 of this report.

Financial Analysis of the Library as a Whole

In accordance with GASB Statement No. 34, the Library presents here comparative financial information for governmental activities, net position, as well as the original appropriation to actual expenditures. In addition, the following information provides a brief financial analysis of the Library as a whole.

GOVERNMENT-WIDE STATEMENTS

Net Position

The Library's net position increased by \$297,468 during the year ending December 31, 2016. The Library also restated its Net Pension Liability to the present the December 31, 2015 balance, which resulted in a change in accounting principle of (\$253,074), for a net increase in net position of \$550,542.

The table on the following page reflects a condensed *Statement of Net Position* as of December 31, 2015, and December 31, 2016. For more detailed information, see the Statement of Net Position on page 3.

(See independent auditor's report)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE STATEMENTS (continued)

**Table 1
Statement of Net Position – Comparative Summaries**

<u>Governmental Activity</u>		
Fiscal Period Ending December 31 st	<u>2016</u>	<u>2015</u>
Assets		
Current Assets and Deferred Outflows	\$ 11,671,147	\$ 10,937,908
Capital Assets (Net of Accumulated Depreciation)	<u>12,198,118</u>	<u>12,699,530</u>
Total Assets and Deferred Outflows	<u>23,869,265</u>	<u>23,637,438</u>
Liabilities and Deferred Inflows		
Long-Term Liabilities	10,793,447	11,285,905
Other Liabilities	145,361	155,258
Deferred Inflows	<u>4,839,583</u>	<u>4,655,943</u>
Total Liabilities and Deferred Inflows	<u>15,778,391</u>	<u>16,097,106</u>
Net Position		
Net Investment in Capital Assets	3,088,118	2,564,530
Unrestricted	<u>5,002,756</u>	<u>4,975,802</u>
Total Net Position	<u>\$ 8,090,874</u>	<u>\$ 7,540,332</u>

Total assets and deferred outflows of resources increased \$231,887, primarily due to the increase in deferred outflow of resources of \$245,669. The Library is on a payment schedule for the bond payments. Total liabilities and deferred inflows were decreased by \$318,715, primarily due to the reduction of the long-term liability to the Village for the 2011A and 2013 G.O. bond issuances of \$515,000. Two dedicated property tax levies are received each year to continue this trend.

(See independent auditor's report)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE STATEMENTS (continued)

Activities

The following table summarizes the revenue and expenses of the Library for the fiscal year ending December 31, 2015 and 2016. The Library's net position increased by \$297,468 in 2016. Property taxes increased by \$195,764 and provide over 95% of the Library's funding. Property tax revenues are comparable with the prior period because the primary months of receipts, June and September, are included in both fiscal periods.

**Table 2
Changes in Net Position
Governmental Activity: Library**

Fiscal Year Ending December 31st	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues		
Charges for Services	\$ 82,809	\$ 68,134
Operating Grants	<u>35,365</u>	<u>22,781</u>
General Revenues		
Property Taxes	4,586,414	4,393,650
Replacement Tax	35,562	40,134
Investment Income	19,832	12,744
Gain on sale of surplus property	885	1,223
Miscellaneous & Contributions	<u>3,770</u>	<u>39,832</u>
Total General Revenues	<u>4,646,463</u>	<u>4,487,583</u>
Total Revenues	<u>4,764,637</u>	<u>4,578,498</u>
Expenses		
Culture and Recreation	<u>4,252,038</u>	<u>3,975,224</u>
Interest	<u>215,131</u>	<u>-</u>
Total Expenses	<u>4,467,169</u>	<u>3,975,224</u>
Change in Net Position	297,468	603,274
Total Net Position, Restated, Beginning of Year	<u>7,793,406</u>	<u>6,937,058</u>
Total Net Position, End of Year	<u>\$ 8,090,874</u>	<u>\$ 7,540,332</u>

(See independent auditor's report)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

FISCAL YEAR 2016 FINANCIAL OVERVIEW

The following schedule provides a summary of the Library's income by source, and the expenses by category during the fiscal year ending December 31, 2016.

INCOME SOURCES

Local Property and other Taxes	97.0%
Fees and Charges	1.7%
Grants	0.3%
Miscellaneous & Contributions	0.6%
Investment Income	0.4%
Total Income:	\$ 4,764,637

EXPENSES BY CATEGORY

Culture and Recreation	95.2%
Interest	4.8%
Total Expenses:	\$ 4,467,169

IMPACTS

Revenues

The financial statements show an increase in revenues by about \$186,139. Property tax revenue increased by about \$192,764 and includes \$3.89 million for operations and about \$0.73 million for debt service. The revenue from charges for services increased by \$14,675 in 2016.

(See independent auditor's report)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

FISCAL YEAR 2016 FINANCIAL OVERVIEW (continued)

Expenses

Total expenses increased by \$491,945 over the prior fiscal period. As required by GASB Statement No. 34, depreciation expense, in the amount of \$501,412, is also included in the *Statement of Activities*. Expenses in 2016 also include the Library's contributions of about \$215,131 to the Village of Deerfield for the payment of the G.O. bond interest due on the 2011A and 2013 G. O. bonds, issued for the Library Improvement Project.

FINANCIAL ANALYSIS OF THE LIBRARY FUND

The Deerfield Public Library has one fund, a governmental fund, named the Library Fund. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. As of December 31, 2016, the Library Fund (as presented on the *Balance Sheet*, page 5) has a fund balance of \$5,769,718, showing an increase of \$353,787. The increase will help provide funding for the months of January through May, when property tax receipts are negligible, and any excess will be dedicated to rebuilding the reserves for future building improvements.

Other expenditures include the bond principal payments of \$515,000 that was contributed to the Village toward the 2011A and 2013 G.O. bonds issued for the Library Improvement Project.

The schedule on the following page, Table 3, provides a comparison of the Library's Original Appropriation to Actual, as of December 31, 2016, and a summary of the change in fund balance.

(See independent auditor's report)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

FINANCIAL ANALYSIS OF THE LIBRARY FUND (continued)

**Table 3
Fiscal Year 2016 General Fund Budgetary Highlights**

		<u>Actual</u>
Revenues		
Taxes (Property and Replacement)	\$ 4,621,976	
Investment Income	19,832	
Charges for Services (Fines, Fees, Copying/Printing)	82,809	
Grants	14,049	
Gifts and Other	25,086	
		<hr/>
Total Revenues		4,763,752
Other Financing Sources		
		<hr/> 885 <hr/>
Total Revenues & Other Financing Sources		<hr/> 4,764,637 <hr/>
	<u>Original Appropriation</u>	
Expenditures		
Culture and Recreation	\$ 4,013,815	3,680,719
Debt Service – Interest	215,131	215,131
Capital Outlay	-	-
	<hr/>	<hr/>
Total Expenditures	4,228,946	3,895,850
Other Financing Uses		
	<hr/> 515,000 <hr/>	<hr/> 515,000 <hr/>
Total Expenses & Other Financing Uses	<hr/> 4,743,946 <hr/>	<hr/> 4,410,850 <hr/>
Change in Fund Balance		<hr/> \$ 353,787 <hr/>

(See independent auditor's report)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

FINANCIAL ANALYSIS OF THE LIBRARY FUND (continued)

Capital Assets

The following schedule reflects the Library's capital asset balances as of December 31, 2016.

**Table 4
Balance of Capital Assets at the End of the Fiscal Year
December 31, 2016**

Governmental Activity - Library	
Capital Assets Not Being Depreciated	
Land	\$ 65,493
Construction in Progress	-
	<hr/>
Total Capital Assets Not Being Depreciated	65,493
	<hr/>
Capital Assets Being Depreciated	
Building	13,197,410
Equipment	1,684,007
	<hr/>
Total Capital Assets Being Depreciated	14,881,417
	<hr/>
Less accumulated depreciation for	
Building	1,906,492
Equipment	842,300
	<hr/>
Total Accumulated Depreciation	2,748,792
	<hr/>
Total Capital Assets Being Depreciated, Net	12,132,625
	<hr/>
Governmental Activity - Library Capital Assets, Net	\$ 12,198,118
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(See independent auditor's report)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

FINANCIAL ANALYSIS OF THE LIBRARY FUND (continued)

Long-Term Debt (continued)

Table 5 summarizes the Library's outstanding long-term debt, as of December 31, 2016. In 2011 and 2013, the Village provided the funding from G.O. Bonds it had issued for the Library Improvement Project. These bond issuances are recognized as Village debt, but starting June 1, 2012, the Library began to receive the property taxes levied for the G.O. debt and now pays the principal and interest to the Village as it comes due.

**Table 5
Balance of Long-Term Debt at the End of
The 2016 and 2015 Fiscal Years**

	December 31,	
	2016	2015
Compensated absences	\$ 87,322	\$ 63,645
Due to Village	9,110,000	9,625,000
Other Postemployment Benefit Obligations	105,733	106,868
Net Pension Liability	1,490,392	1,490,392
Total Long-Term Liabilities	\$ 10,793,447	\$ 11,285,905

Please see Note 5 for further information regarding the Library's long-term debt.

Economic Factors

The Deerfield Public Library is a village library, whose boundaries match those of the Village of Deerfield, and it shares the same taxing capabilities of the Village, a home-rule entity. It is not a district. The Library's area automatically grows when the Village annexes additional properties. In the last two years, 2015 and 2016, developers have increased the Village homes and paid Impact Fees to the Library.

The Library Board annually reviews the policy of allowing non-residents in nearby areas to purchase library services. For many years, the areas without other access to library service have included residents in Bannockburn, Riverwoods, and unincorporated Deerfield. This policy was in effect during 2016.

(See independent auditor's report)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

FINANCIAL ANALYSIS OF THE LIBRARY FUND (continued)

Economic Factors (continued)

Relatively minor renovations, such as adjustments to furnishings and signage, continue to be addressed as needed. The Friends of the Deerfield Library, an independent, community-based, non-profit support group, that is actively supportive. It is their goal to support and promote the Library's mission in the community and their enthusiasm reflects the community's support for the Library.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general overview of the Library's finances and to demonstrate accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Kelly DeCorrevont, Business Manager, at Deerfield Public Library, 920 Waukegan Road, Deerfield, Illinois, 60015.

(See independent auditor's report)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Culture and recreation	\$ 4,252,038	\$ 82,809	\$ 35,365	\$ -	\$ (4,133,864)
Interest	215,131	-	-	-	(215,131)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 4,467,169	\$ 82,809	\$ 35,365	\$ -	(4,348,995)
		General Revenues			
		Taxes			
		Property			4,586,414
		Replacement			35,562
		Investment income			19,832
		Gain on sale of surplus property			885
		Miscellaneous			3,770
		Total			4,646,463
		CHANGE IN NET POSITION			297,468
		NET POSITION, DECEMBER 31, 2015			7,540,332
		Change in accounting principle			253,074
		NET POSITION, DECEMBER 31, 2015, RESTATED			7,793,406
		NET POSITION, DECEMBER 31, 2016			\$ 8,090,874

See accompanying notes to financial statements.

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS**

**BALANCE SHEET
GOVERNMENTAL FUND**

December 31, 2016

	General
ASSETS	
ASSETS	
Cash and investments	\$ 5,840,197
Property taxes receivable	4,810,045
Interest receivable	6,108
Prepaid items	<u>68,815</u>
TOTAL ASSETS	<u><u>\$ 10,725,165</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 60,030
Accrued payroll	74,625
Other payables	<u>10,706</u>
Total liabilities	<u>145,361</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable property taxes	<u>4,810,086</u>
Total deferred inflows of resources	<u>4,810,086</u>
Total liabilities and deferred inflows of resources	<u>4,955,447</u>
FUND BALANCE	
Nonspendable - prepaid items	68,815
Unrestricted	
Unassigned	<u>5,700,903</u>
Total fund balance	<u>5,769,718</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 10,725,165</u></u>

See accompanying notes to financial statements.

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS**

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

December 31, 2016

FUND BALANCE OF GOVERNMENTAL FUNDS	\$ 5,769,718
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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	12,198,118
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Differences between expected and actual experiences, assumptions changes and net differences between projected and actual earnings for the Illinois Municipal Retirement Fund are recognized as deferred outflows and inflows of resources on the statement of net position	916,485
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds

Compensated absences	(87,322)
Due to the Village	(9,110,000)
Net pension liability - IMRF	(1,490,392)
Other postemployment benefit obligation	<u>(105,733)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 8,090,874</u></u>
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See accompanying notes to financial statements.

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

For the Year Ended December 31, 2016

	<u>General</u>
REVENUES	
Taxes	
Property	\$ 4,586,414
Replacement	35,562
Intergovernmental	
Grants	14,049
Charges for services	
Nonresident fees	5,043
Fees, fines and penalties	53,711
Photocopying	8,603
Impact fee	15,000
Sales of product income	452
Investment income	19,832
Miscellaneous	
Other	3,770
Gifts	21,316
	<u>4,763,752</u>
EXPENDITURES	
Culture and recreation	3,680,719
Debt service	
Contributions to the Village - principal	515,000
Interest	215,131
	<u>4,410,850</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>352,902</u>
OTHER FINANCING SOURCES (USES)	
Sale of surplus property	885
	<u>885</u>
NET CHANGE IN FUND BALANCE	353,787
FUND BALANCE, DECEMBER 31, 2015	<u>5,415,931</u>
FUND BALANCE, DECEMBER 31, 2016	<u><u>\$ 5,769,718</u></u>

See accompanying notes to financial statements.

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, 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 December 31, 2016

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 353,787
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds	(501,412)
The change in the Illinois Municipal Retirement Fund net pension liability and related deferred outflows and inflows of resources is not a source or use of a financial resource	(47,365)
Payments made to the Village to pay for the principal due on the bonds issued by the Village on behalf of the Library are reported as an other financing use in the governmental funds but not on the statement of activities	515,000
The change in compensated absences payable is reported as an expenditure when paid in governmental funds but as a change in compensated absences payable and expenses in the statement of activities	(23,677)
The change in other postemployment benefit obligation is reported as an expenditure when paid in governmental funds but as an increase of other postemployment benefit and expense in the statement of activities	<u>1,135</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 297,468</u></u>

See accompanying notes to financial statements.

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Deerfield Public Library, Deerfield, 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. Financial Reporting Entity

The Library is a library corporation governed by a seven-member Board of Trustees. As required by GAAP, these financial statements present the Library and any existing component units. Currently, the Library does not have any component units and based on criteria of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, the Library has been determined not to be a component unit of the Village of Deerfield, Illinois (the Village).

b. Fund Accounting

The accounts of the Library are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Funds are classified as governmental funds.

The General Fund, a governmental fund, is used to account for all of the Library's general activities.

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of activities and the statement of net position) report information on all of the nonfiduciary activities of the Library. Governmental activities normally are supported by taxes and intergovernmental revenues.

DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

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 and (2) grants and shared revenues that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported 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.

d. Basis of Accounting

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. Property taxes are recognized as revenues in the year for which they are levied (i.e., 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 a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become 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 recognizes property taxes when they become both measurable and available in the year intended to finance. A one month availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes and investment income. Fine revenue is not susceptible to accrual because generally it is not measurable until received in cash.

DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Basis of Accounting (Continued)

The Library reports unearned revenue and unavailable revenue on its financial statements. Unavailable 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 resource for unearned and unavailable/deferred revenue are removed from the financial statements and revenue is recognized.

e. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

f. Capital Assets

Capital assets, which include land, buildings and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. 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 of the asset or materially extend asset lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	45
Equipment	7

DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Compensated Absences

Compensated absences are reported as expenditures and liabilities of the General Fund if the employee has retired or has been terminated by year end. Vested or accumulated vacation and sick leave, including related Social Security and Medicare, that is owed retirees or terminated employees is reported as an expenditure and a fund liability of the governmental fund that will pay it in the fund financial statements. Vested or accumulated vacation and sick leave of governmental activities at the government-wide level is recorded as an expense and liability as the benefits accrue to active employees.

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.

i. Fund Equity/Net Position

Governmental funds equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance is reported 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 Board of Trustees, which is considered the Library's highest level of decision-making authority. Formal actions include ordinances approved by the Library 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 Library Director through the approved fund balance policy of the Library. Any residual fund balance of the General Fund and any deficits in other funds, if any, is reported as unassigned.

DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Fund Equity/Net Position (Continued)

The Library's flow of funds assumption 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 and proprietary fund financial statements, restricted net position is legally restricted by outside parties for a specific purpose. At December 31, 2016, no net position restrictions were the result of enabling legislation adopted by the Library. Net investment in capital assets represents the Library's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset. Unrestricted net position consists of net position that does not meet the definition of restricted or net investments in capital assets.

k. Accounting 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The Library categorizes 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.

a. Deposits with Financial Institutions

Permitted Deposits and Investments - The Illinois Compiled Statutes (ILCS) and the Library's investment policy authorize the Library to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services.

DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

a. Deposits with Financial Institutions (Continued)

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 objectives of the policy are legality, safety (preservation of capital and protection of investment principal), liquidity and yield.

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank’s failure, the Library’s deposits may not be returned to it. The Library’s investment policy requires pledging of collateral held by the Library’s agent with a fair value of 100% of all bank balances in excess of federal depository insurance. At December 31, 2016, all of the Library’s bank balances were insured or collateralized.

b. Investments

At December 31, 2016, the Library had the following investments in debt securities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
Negotiable certificates of deposit	\$ 597,280	\$ 398,686	\$ 198,594	\$ -	\$ -
TOTAL	\$ 597,280	\$ 398,686	\$ 198,594	\$ -	\$ -

In accordance with the Library’s investment policy, the Library limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields. The investment policy limits the maximum maturity length of investments to one year from date of purchase, unless matched to a specific cash flow. Reserve funds may be invested in securities exceeding one year if the maturity of such funds are made to coincide as nearly as practicable with the expected use of the funds.

The Library has the following recurring fair value measurements as of December 31, 2016, the negotiable certificates of deposit are valued using quoted matrix pricing models (Level 2 inputs).

The negotiable certificates of deposit are not rated.

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 certificates of deposit.

DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

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 possession of an outside party. The Library limits this and concentration risk by investing in certificate of deposits of between \$50,000 and \$248,500 each.

3. RECEIVABLES - TAXES

Property taxes for the 2016 levy year 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 Cook County and issued on or about February 1, 2017 and August 1, 2017 and are payable in two installments, on or about March 1, 2017 and September 1, 2017. Tax bills are prepared by Lake County and are issued on or about May 1 and August 1 and are payable in two installments, on or about June 1 and September 1. The Counties collect such taxes and remit them periodically. The 2016 property tax levy is recorded as receivable and deferred/unavailable.

4. CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 65,493	\$ -	\$ -	\$ 65,493
Total capital assets not being depreciated	<u>65,493</u>	<u>-</u>	<u>-</u>	<u>65,493</u>
Capital assets being depreciated				
Buildings	13,197,410	-	-	13,197,410
Equipment	1,684,007	-	-	1,684,007
Total capital assets being depreciated	<u>14,881,417</u>	<u>-</u>	<u>-</u>	<u>14,881,417</u>
Less accumulated depreciation for				
Buildings	1,613,216	293,276	-	1,906,492
Equipment	634,164	208,136	-	842,300
Total accumulated depreciation	<u>2,247,380</u>	<u>501,412</u>	<u>-</u>	<u>2,748,792</u>
Total capital assets being depreciated, net	<u>12,634,037</u>	<u>(501,412)</u>	<u>-</u>	<u>12,132,625</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 12,699,530</u>	<u>\$ (501,412)</u>	<u>\$ -</u>	<u>\$ 12,198,118</u>

DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the governmental activities as follows:

GOVERNMENTAL ACTIVITIES	
Culture and recreation	<u>\$ 501,412</u>

5. LONG-TERM DEBT

a. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2016:

	Balance, December 31, (Restated)*	Additions	Retirements	Balance, December 31	Current Portion
Compensated absences	\$ 63,645	\$ 75,192	\$ 51,515	\$ 87,322	\$ 69,857
Due to Village	9,625,000	-	515,000	9,110,000	520,000
Net pension liability*	1,490,392	-	-	1,490,392	-
Other postemployment benefit obligation	106,868	-	1,135	105,733	-
TOTAL LONG-TERM LIABILITIES	<u>\$ 11,285,905</u>	<u>\$ 75,192</u>	<u>\$ 567,650</u>	<u>\$ 10,793,447</u>	<u>\$ 589,857</u>

b. Due to the Village

On October 17, 2011, the Village issued \$9,900,000 in General Obligation Bonds, Series 2011A, of which \$5,900,000 was for the Library Improvement Project. On January 3, 2013, the Village issued \$9,075,000 in General Obligation Bonds, Series 2013, of which \$5,875,000 was for the Library Improvement Project. These bonds are in the Village's name and are a liability of the Village. The Library building renovation was completed in June 2013. The Library receives property tax collections to pay for the bond principal and interest and then remits the funds to the Village as the principal and interest payments become due.

DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

b. Due to the Village (Continued)

The Library will levy the required amount annually and remitting the funds to the Village for principal and interest payments as follows:

Fiscal Year	2011A Principal	2011A Interest	2013 Principal	2013 Interest	Total
2017	\$ 255,000	\$ 106,705	\$ 265,000	\$ 100,001	\$ 726,706
2018	260,000	102,880	270,000	94,701	727,581
2019	265,000	98,330	275,000	89,301	727,631
2020	270,000	93,030	280,000	83,801	726,831
2021	280,000	87,630	285,000	78,201	730,831
2022	285,000	82,030	290,000	72,501	729,531
2023	295,000	75,618	295,000	66,701	732,319
2024	305,000	68,538	300,000	60,801	734,339
2025	315,000	60,913	305,000	54,801	735,714
2026	325,000	52,408	310,000	48,701	736,109
2027	335,000	43,470	320,000	42,501	740,971
2028	350,000	33,420	325,000	36,101	744,521
2029	365,000	22,920	335,000	29,195	752,115
2030	380,000	11,970	340,000	21,825	753,795
2031	-	-	630,000	14,175	644,175
TOTAL	\$ 4,285,000	\$ 939,862	\$ 4,825,000	\$ 893,307	\$ 10,943,169

6. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; illnesses of employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

7. DEFINED BENEFIT PENSION PLAN

The Library contributes, through the Village, 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 Village and the Library combined. All disclosures for an agent plan can be found in the Village'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 Village and 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 12.78% of covered payroll.

Net Pension Liability

At December 31, 2016, the Library reported a liability of \$1,490,392 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, 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 December 31, 2015 relative to the contributions of the Village, actuarially determined. At December 31, 2015, the Library's proportion was 21% of the Village's contribution.

DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions

The Library's net pension liability was measured as of December 31, 2015 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, 2015
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	3.50%
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-2015 (base year 2015). IMRF specific rates were developed from the RP-2015 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-2015 (base year 2015). IMRF specific rates were developed from the RP-2015 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-2015 (base year 2015). IMRF specific rates were developed from the RP-2015 Employee Mortality Table with adjustments to match current IMRF experience.

Discount Rate

The discount rate used to measure the total pension liability was 7.48%. 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 Village 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 not be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.50% was blended with the index rate of 3.57% for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a discount rate of 7.48% used to determine the total pension liability.

DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

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

For the year ended December 31, 2016, the Library recognized pension expense of \$47,365. At December 31, 2016, 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	Net Deferred Outflows of Resources
Difference between expected and actual experience	\$ -	\$ 29,497	\$ (29,497)
Changes in assumption	191,689	-	191,689
Net difference between projected and actual earnings on pension plan investments	548,584	-	548,584
Contributions subsequent to measurement date	205,709	-	205,709
TOTAL	<u>\$ 945,982</u>	<u>\$ 29,497</u>	<u>\$ 916,485</u>

\$205,709 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 reporting period ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2016	\$ 219,040
2017	219,040
2018	152,533
2019	120,163
2020	-
Thereafter	-
TOTAL	<u>\$ 710,776</u>

DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

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 7.48% 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 (6.48%) or 1 percentage point higher (8.48%) than the current rate:

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Net pension liability	\$ 2,790,400	\$ 1,490,392	\$ 436,550

8. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, the Library provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan, which creates an implicit subsidy of retiree health insurance. The benefits, benefit levels, employee contributions and employer contributions are governed by the Library and can be amended by the Library through its personnel manual. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the Library’s governmental activities.

b. Benefits Provided

The Library provides pre and post Medicare postretirement health insurance to retirees, their spouses and dependents (enrolled at time of employee’s retirement). To be eligible for benefits, the employee must qualify for retirement under the Library’s retirement plan. Upon a retiree becoming eligible for Medicare, the amount payable under the Library’s health plan will be reduced by the amount payable under Medicare for those expenses that are covered under both.

DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Membership

At December 31, 2016 membership consisted of:

Retirees and beneficiaries currently receiving benefits	4
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>17</u>
TOTAL	<u>21</u>
Participating employers	<u>1</u>

d. Funding Policy

The Library is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

e. Annual OPEB Costs and Net OPEB Obligation

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the past three years.

Year Ended December 31,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 12,175	\$ 4,341	35.66%	\$ 89,944
2015	12,831	4,341	33.83%	106,868
2016	12,445	13,580	109.12%	105,733

DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

The net OPEB obligation as of December 31, 2016, was calculated as follows:

Annual required contribution	\$ 11,733
Interest on net OPEB obligation	4,274
Adjustment to annual required contribution	<u>(3,562)</u>
Annual OPEB cost	12,445
Contributions made	<u>13,580</u>
Increase (decrease) in net OPEB obligation	(1,135)
Net OPEB obligation, beginning of year	<u>106,868</u>
NET OPEB OBLIGATION, END OF YEAR	<u><u>\$ 105,733</u></u>

Funded Status and Funding Progress - The funded status of the plan as of January 1, 2016 was as follows:

Actuarial accrued liability (AAL)	\$ 155,307
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	155,307
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 946,830
UAAL as a percentage of covered payroll	16.40%

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

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

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

In the January 1, 2016 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and an initial healthcare cost trend rate of 5% with an ultimate healthcare inflation rate of 5%. Both rates include a 4% inflation assumption and 4% wage inflation assumption. The actuarial value of assets was not determined as the Library has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2016, was 30 years.

9. CHANGE IN ACCOUNTING PRINCIPLE

In 2015, the Library adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*.

The new standards required the Library to recognize a liability, deferred inflow and deferred outflow in its government-wide financial statements for the net pension liability associated with its pension plans.

In 2016, the Library made a determination to report information from the December 31, 2015 actuarial evaluation from IMRF in order to continue its dedication to timely financial reporting. Therefore, the related accounts were restated for the prior year to reflect the net pension liabilities and deferred outflows from December 31, 2014.

DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

The beginning net position reported in the government-wide financial statements has been restated to reflect the new guidance as follows:

	<u>Governmental Activities</u>
BEGINNING NET POSITION, AS PREVIOUSLY REPORTED	\$ 7,540,332
Net pension liability - IMRF	423,114
Deferred outflows of resources - IMRF	(379,631)
Deferred inflows of resources - IMRF	(9,488)
Contributions subsequent to the measurement date - deferred outflows of resources	<u>219,079</u>
 BEGINNING NET POSITION, AS RESTATED	 <u><u>\$ 7,793,406</u></u>

The Library also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, in 2016, which resulted in \$219,079 of the governmental activities restatements above.

REQUIRED SUPPLEMENTARY INFORMATION

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS**

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

For the Year Ended December 31, 2016

	Original and Final Budget	Actual
REVENUES		
Taxes		
Property	\$ 4,626,446	\$ 4,586,414
Replacement	20,000	35,562
Intergovernmental		
Grants	10,000	14,049
Charges for services		
Nonresident fees	7,000	5,043
Fees, fines and penalties	55,000	53,711
Photocopying	8,000	8,603
Impact fee	-	15,000
Sales of product income	-	452
Investment income	13,560	19,832
Miscellaneous		
Other	-	3,770
Gifts	11,500	21,316
	4,751,506	4,763,752
EXPENDITURES		
Culture and recreation	4,013,815	3,680,719
Debt service		
Contributions to the Village - principal	515,000	515,000
Interest	215,131	215,131
	4,743,946	4,410,850
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,560	352,902
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	1,000	885
	1,000	885
NET CHANGE IN FUND BALANCE	\$ 8,560	353,787
FUND BALANCE, DECEMBER 31, 2015		5,415,931
FUND BALANCE, DECEMBER 31, 2016		\$ 5,769,718

(See independent auditor's report.)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIRMENT FUND**

Last Two Fiscal Years

FISCAL YEAR ENDING DECEMBER 31,	2015	2016
Actuarially determined contribution	\$ 209,314	\$ 205,709
Contributions in relation to the acuarially determined contribution	<u>210,883</u>	<u>205,709</u>
CONTRIBUTION DEFICIENCY (Excess)	<u>\$ (1,569)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,617,576	\$ 1,609,617
Contributions as a percentage of covered-employee payroll	13.04%	12.78%

Notes to the Required Supplementary Information:

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 29 years; the asset valuation method was market and the significant actuarial assumptions were an investment rate of return at 7.5% annually, projected salary increases assumption of 4.5% compounded annually and postretirement benefit increases of 3.0% compounded annually.

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.)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS**

SCHEDULE OF THE LIBRARY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
ILLINOIS MUNICIPAL RETIRMENT FUND

Last Two Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2014	2015*
Employer's proportion of net pension liability	21.00%	21.00%
Employer's proportionate share of net pension liability	1,067,278	1,490,392
Employer's covered-employee payroll	1,593,496	1,617,576
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	66.98%	92.14%
Plan fiduciary net position as a percentage of the total pension liability	88.97%	85.19%

Above figures represent the Library's portion of the Village's sponsored plan.

*The Library has elected to report information from the December 31, 2015 actuarial valuation. See Note 7 for further information.

There was a change in assumption related to the discount rate made since the prior measurement date. The discount rate used in the current actuarial valuation, dated December 31, 2015, is 7.48%. The discount rate used in the prior actuarial valuation, dated December 31, 2014, was 7.49%.

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

(See independent auditor's report.)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS**

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLAN

December 31, 2016

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Percentage Funded (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
April 30, 2012	N/A	N/A	N/A	N/A	N/A	N/A
April 30, 2013	\$ -	\$ 56,664	0.00%	\$ 56,664	\$ 1,440,178	3.93%
December 31, 2013*	N/A	N/A	N/A	N/A	N/A	N/A
December 31, 2014	N/A	N/A	N/A	N/A	N/A	N/A
December 31, 2015	N/A	N/A	N/A	N/A	N/A	N/A
December 31, 2016	-	155,307	0.00%	155,307	946,830	16.40%

Schedule of Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2012	\$ 2,406	\$ 16,576	14.51%
2013	2,406	16,576	14.51%
2013*	4,341	8,116	53.49%
2014	4,341	12,175	35.66%
2015	4,341	12,175	35.66%
2016	13,580	12,445	109.12%

N/A - Information not available

*The Library changed fiscal year ends from April 30 to December 31 as of 2013.

(See independent auditor's report.)

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

LEGAL COMPLIANCE AND ACCOUNTABILITY

Budgets

The budget is adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted at the fund level for the General Fund. All annual appropriations lapse at fiscal year end.

The Library Board of Trustees has the authority to approve the budget for the General Fund. State statutes and local ordinances require that the budget be approved before the beginning of the fiscal year.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, no supplemental appropriations were approved.

SUPPLEMENTAL DATA

**DEERFIELD PUBLIC LIBRARY
DEERFIELD, ILLINOIS**

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

For the Year Ended December 31, 2016

	Original and Final Budget	Actual
CULTURE AND RECREATION		
Personnel services	\$ 2,681,040	\$ 2,477,640
Training and development	47,500	31,038
Contractual services	495,000	555,605
Commodities	521,275	527,957
Utilities	38,000	42,243
Capital outlay	231,000	46,236
	<hr/>	<hr/>
Total culture and recreation	4,013,815	3,680,719
	<hr/>	<hr/>
Debt service		
Contribution to Village - principal	515,000	515,000
Interest	215,131	215,131
	<hr/>	<hr/>
Total debt service	730,131	730,131
	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 4,743,946	\$ 4,410,850

(See independent auditor's report.)