



**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

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ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2018



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**PALOS HEIGHTS, ILLINOIS**  
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**PALOS HEIGHTS, ILLINOIS**  
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## **INTRODUCTORY SECTION**

**Palos Heights Public Library  
Board of Trustees  
December 31, 2018**

Susan Snow	President
Geraldine Burek	Vice-President
Rose Zubik	Secretary
Steven Foertsch	Treasurer
Dawn Bronson	Trustee
George Fear	Trustee
Jennifer Georgis	Trustee
Sue Jankowski	Trustee
Edward McGovern	Trustee

## **FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**

1415 West Diehl Road, Suite 400  
Naperville, IL 60563  
630.566.8400

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Palos Heights Public Library  
Palos Heights, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Palos Heights Public Library Palos Heights, Illinois (the Library), a component unit of the City of Palos Heights, Illinois as of and for the year ended December 31, 2018, 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 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.

### **Basis for Qualified Opinion on the Allocation of the Net Pension Liability (Asset)**

The allocation of the net pension liability, deferred outflows and inflows and their effect on the pension expense between the City of Palos Heights and the Library have not been audited, and we were not engaged to audit the allocation as part of our audit of the Library's basic financial statements. The allocated items above are included in the Library's basic financial statements and represent 7.25%, 38.40% and 1.50% of the assets and deferred outflows, liabilities and deferred inflows, and expenses, respectively, of the Library.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Allocation of the Net Pension Liability (Asset)" paragraph above, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Palos Heights Public Library, Palos Heights, Illinois, as of December 31, 2018, 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.

### **Unmodified Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects excepting the allocation of the net pension liability (asset), the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Palos Heights Public Library, Palos Heights, Illinois, as of December 31, 2018, 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*

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

The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Sikich LLP*

Naperville, Illinois

June 17, 2019

**GENERAL PURPOSE EXTERNAL  
FINANCIAL STATEMENTS**

**Palos Heights Public Library  
Management's Discussion and Analysis  
December 31, 2018**

The Palos Heights Public Library (hereinafter referred to as the Library) Management's 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.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Library's financial statements (beginning on page 8).

**Financial Highlights**

1. At December 31, 2018, total assets and deferred outflows were \$7,294,153 and total liabilities and deferred inflows were \$2,235,503 compared to total assets and deferred outflows of \$7,419,134 and total liabilities of deferred inflows of \$503,776 at December 31, 2017. At December 31, 2018, net position was \$5,058,650, while at December 31, 2017, total net position was \$6,915,357. The portion of net position invested in capital assets, net of related debt was \$4,110,434 and \$4,245,153 at December 31, 2018 and 2017, respectively.
2. Overall, total revenues for all funds in 2018 were \$1,404,431 and total expenditures were \$1,644,217 as compared to 2017 total revenues of \$1,424,964 and total expenditures of \$1,494,020. Overall, there was a net decrease of \$239,785 in total fund balances and a prior period adjustment resulting in and additional reduction in fund balance of \$259,905 from \$1,777,217 in 2017 to \$1,277,527 in 2018.
3. Property tax and replacement tax collections received in fiscal year 2018 (2017 tax year) were \$1,219,430 compared to \$1,281,672 received in fiscal 2017 (2016 tax year).
4. The Library received an Illinois State Library Per Capita Grant of \$15,644 and \$9,717 in 2018 and 2017, respectively, that was used for enhancing Library technology.

**Overview of the Financial Statements**

Management's Discussion and Analysis introduces the Library's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. The Library also includes in this report additional information to supplement the basic financial statements.

**Palos Heights Public Library  
Management's Discussion and Analysis (Continued)  
December 31, 2018**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Palos Heights Public Library finances in a manner similar to a private-sector business. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

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

The *Statement of Activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., property taxes levied for general purposes). The government-wide financial statements can be found on pages 8 - 9 of this report.

Statement of Net Position  
December 31, 2018 and 2017

	2018	2017
Current and Other Assets	\$ 2,654,694	\$ 3,069,075
Capital Assets	4,110,434	4,245,153
Total Assets	6,765,128	7,314,228
Deferred Outflows		
IMRF Deferred Outflows	529,025	104,905
Total Deferred Outflows	529,025	104,905
Current Liabilities	35,408	43,171
Non-Current Liabilities	614,657	121,333
Total Liabilities	650,065	164,504
Deferred Inflows	1,341,760	-
Deferred Revenue	243,678	339,272
IMRF Deferred Inflows	1,585,438	339,272
Total Deferred Inflows	1,585,438	339,272
Net Assets:		
Invested in Capital Assets	4,110,434	4,245,153
Restricted Amounts	18,754	20,229
Unrestricted Amounts	929,462	2,649,975
Total Net Assets	\$ 5,058,650	\$ 6,915,357

**Palos Heights Public Library  
Management's Discussion and Analysis (Continued)  
December 31, 2018**

Changes in Net Position  
December 31, 2018 and 2017

	2018	2017
Revenues		
Charges for Services	\$ 31,138	\$ 39,603
Grants and Donations	124,441	13,537
Property Taxes	1,211,842	1,273,325
Replacement Taxes	7,588	8,347
Interest Income	25,037	5,001
Miscellaneous	4,385	2,906
Total Revenues	<u>1,404,431</u>	<u>1,342,719</u>
Expenses		
Library Services	<u>1,752,546</u>	<u>1,691,953</u>
Total Expenses	<u>1,752,546</u>	<u>1,691,953</u>
Decrease in Net Position	<u>\$ (348,115)</u>	<u>\$ (349,234)</u>

**Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Library uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Library's most significant funds rather than the Library as a whole, and therefore provide additional information that won't be found in the statement of net position or the statement of activities. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with the fund statements providing a distinctive view of the Library's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to assist in understanding the differences between these two perspectives.

**Palos Heights Public Library  
Management's Discussion and Analysis (Continued)  
December 31, 2018**

**Fund Financial Statements (continued)**

Budgetary comparison statements are included in the basic financial statements for the general fund and major special revenue funds. Budgetary comparison schedules for other special revenue funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the Library's adopted annual appropriated budget.

The basic governmental fund financial statements are presented on pages 6 – 9 of this report.

**Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 – 23 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The supplementary information includes budget to actual comparisons, statistical analysis tables and IMRF Pension Disclosures. Supplementary information can be found on pages 23 - 27 of this report.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report beginning on page 32.

**Contacting the Library's Management**

This financial report is designed to provide a general overview of the Library's finances. If you have any questions about this report or require additional information, please contact Jesse Blazek, Library Director, at Palos Heights Public Library, 12501 South 71<sup>st</sup> Avenue, Palos Heights, Illinois 60463.

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

STATEMENT OF NET POSITION

December 31, 2018

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 1,276,189
Property taxes receivable	1,341,760
Due from other governments	7,586
Prepaid expenses	29,159
Capital assets not being depreciated	314,652
Capital assets (net of accumulated depreciation)	3,795,782
Total assets	6,765,128
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension items - IMRF	529,025
Total deferred outflows of resources	529,025
Total assets and deferred outflows of resources	7,294,153
<b>LIABILITIES</b>	
Accounts payable	3,624
Accrued payroll	31,784
Long-term liabilities	
Due within one year	-
Due in more than one year	614,657
Total liabilities	650,065
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue	1,341,760
Pension items - IMRF	243,678
Total deferred inflows of resources	1,585,438
Total liabilities and deferred inflows of resources	2,235,503
<b>NET POSITION</b>	
Net investment in capital assets	4,110,434
Restricted for	
Workers' compensation	6,024
Unemployment compensation	12,730
Unrestricted	929,462
<b>TOTAL NET POSITION</b>	<b>\$ 5,058,650</b>

See accompanying notes to financial statements.



**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>FUNCTIONS/PROGRAMS</b>					
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
Culture and recreation	\$ 1,752,546	\$ 31,138	\$ 15,644	100,000	\$ (1,605,764)
Total governmental activities	1,752,546	31,138	15,644	100,000	(1,605,764)
<b>TOTAL PRIMARY GOVERNMENT</b>	\$ 1,752,546	\$ 31,138	\$ 15,644	\$ 100,000	(1,605,764)
General revenues					
Taxes					
Property					1,211,842
Replacement					7,588
Investment income					25,037
Miscellaneous					4,385
Donations					8,797
Total					1,257,649
CHANGE IN NET POSITION					(348,115)
NET POSITION, JANUARY 1					6,915,357
Prior period adjustment					(1,508,592)
NET POSITION, JANUARY 1, RESTATED					5,406,765
<b>NET POSITION, DECEMBER 31</b>					<b>\$ 5,058,650</b>

See accompanying notes to financial statements.

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2018

	General	Special Reserve	Nonmajor Governmental	Total Governmental
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS</b>				
Cash and investments	\$ 503,841	\$ 753,594	\$ 18,754	\$ 1,276,189
Property taxes receivable (net, where applicable, of allowances for uncollectible)	1,228,056	-	113,704	1,341,760
Replacement tax receivable	7,586	-	-	7,586
Due from other funds	75,579	-	-	75,579
Prepaid items	29,159	-	-	29,159
Total assets	1,844,221	753,594	132,458	2,730,273
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
None	-	-	-	-
Total deferred outflows of resources	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,844,221</b>	<b>\$ 753,594</b>	<b>\$ 132,458</b>	<b>\$ 2,730,273</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 3,623	\$ -	\$ -	\$ 3,623
Accrued payroll	31,784	-	-	31,784
Due to other funds	-	-	75,579	75,579
Total liabilities	35,407	-	75,579	110,986
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable property tax revenue	1,228,056	-	113,704	1,341,760
Total deferred inflows of resources	1,228,056	-	113,704	1,341,760
Total liabilities and deferred inflows of resources	1,263,463	-	189,283	1,452,746
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid items	29,159	-	-	29,159
Restricted				
Workers' compensations	-	-	6,024	6,024
Unemployment insurance	-	-	12,730	12,730
Committed for capital expenditures	-	753,594	-	753,594
Unrestricted (deficit)				
Unassigned				
General Fund	551,599	-	-	551,599
IMRF	-	-	(42,247)	(42,247)
Social Security	-	-	(32,022)	(32,022)
Audit	-	-	(1,277)	(1,277)
Liability Insurance	-	-	(33)	(33)
Total fund balances (deficit)	580,758	753,594	(56,825)	1,277,527
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,844,221</b>	<b>\$ 753,594</b>	<b>\$ 132,458</b>	<b>\$ 2,730,273</b>

See accompanying notes to financial statements.

**PALOS HEIGHTS PUBLIC LIBRARY**  
**PALOS HEIGHTS, ILLINOIS**

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

December 31, 2018

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<b>FUND BALANCES OF GOVERNMENTAL FUNDS</b>	\$ 1,277,527
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	4,110,434
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions after the measurement date are recognized as deferred outflows and inflows of resources on the statement of net position	285,346
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Net pension liability - IMRF	<u>(614,657)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 5,058,650</u></u>

See accompanying notes to financial statements.

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

	General	Special Reserve	Nonmajor Governmental	Total Governmental
<b>REVENUES</b>				
Taxes	\$ 1,107,268	\$ -	\$ 112,162	\$ 1,219,430
Intergovernmental	18,029	-	-	18,029
Fines and forfeits	11,000	-	-	11,000
Investment income	25,037	-	-	25,037
Miscellaneous	130,936	-	-	130,936
Total revenues	1,292,270	-	112,162	1,404,432
<b>EXPENDITURES</b>				
Current				
Culture and recreation	1,393,154	-	143,325	1,536,479
Capital outlay	-	107,738	-	107,738
Total expenditures	1,393,154	107,738	143,325	1,644,217
NET CHANGE IN FUND BALANCES	(100,884)	(107,738)	(31,163)	(239,785)
FUND BALANCES (DEFICIT), JANUARY 1	917,492	861,332	(1,607)	1,777,217
Prior period adjustment	(235,850)	-	(24,055)	(259,905)
FUND BALANCES (DEFICIT), JANUARY 1, RESTATED	681,642	861,332	(25,662)	1,517,312
<b>FUND BALANCES (DEFICIT), DECEMBER 31</b>	<b>\$ 580,758</b>	<b>\$ 753,594</b>	<b>\$ (56,825)</b>	<b>\$ 1,277,527</b>

See accompanying notes to financial statements.

**PALOS HEIGHTS PUBLIC LIBRARY**  
**PALOS HEIGHTS, ILLINOIS**

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

For the Year Ended December 31, 2018

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<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND</b>	\$ (239,785)
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	194,492
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	(325,120)
The loss on disposition of capital assets is not reported as an expense on the statement of activities	(4,092)
The change in deferred inflows and outflows of resources is reported only on the statement of activities	519,714
The change in IMRF net pension liability is reported as an expense on the statement on activities	<u>(493,324)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ (348,115)</u></u>

See accompanying notes to financial statements.

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Palos Heights Public Library, Palos Heights, Illinois (the Library) have been prepared in accordance with accounting principles generally accepted in the United States of America, as applied to governmental 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 is a library corporation governed by an elected 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 concluded that no entities meet the criteria of GASB Statement No. 39 for inclusion as a component unit as the Foundation is not significant to the Library. However, the Library is a component unit of the City of Palos Heights, Illinois (the City).

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 is maintained consistent with legal and managerial requirements.

The Library's funds are classified as 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 monies (special revenue funds), accumulation of restricted or assigned resources for, and the payment of general long-term debt principal, interest and related costs (debt service fund) and restricted, committed, or assigned funds for the acquisition or construction of capital assets (capital projects funds). The General Fund is used to account for all activities of the Library not accounted for in some other fund.

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

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 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 does not have any business-type activities.

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 contributions 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 funds:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the general government not accounted for and reported in another fund.

The Special Reserve Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets, excluding those types of capital related outflows financed by proprietary funds.

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. 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.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Library considers property taxes as available if they are collected within 60 days after the year end that they are intended to finance. A 60-day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes and grants.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidelines. Monies that are virtually unrestricted as to purpose of expenditure, which are usually revocable only for failure to comply with prescribed compliance requirements, are reflected as revenues at the time of receipt or earlier if the eligibility criteria are met.

Charges for services, donations and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Fine revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The Library reports deferred/unearned/unavailable revenue on its financial statements. Deferred/unearned/unavailable revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Deferred/unearned/unavailable revenues also arise when resources are received by the government before it has a legal claim to them as when grant monies are received prior to the incurrences 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 or deferred inflow of resources for deferred/unearned/unavailable revenue is removed from the financial statements and revenue is recognized.



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

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

e. Investments

Investments with maturity greater than one year at time of purchase, if any, are stated at fair value. Non-negotiable certificates of deposit, if any, are reported at cost. 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. The Library categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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 held no investments to measure at fair value at December 31, 2018.

f. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if any, are classified as “due from other funds” or “due to other funds” on the financial statements. Short-term interfund loans, if any, are classified as “interfund receivables/payables.”

g. Capital Assets

Capital assets, which include property, plant and equipment are reported in the governmental activities in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$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 of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	15-20
Building and building improvements	5-40
Furniture and equipment	5-10
Library collection	5

h. Compensated Absences

Vacation and sick leave do not vest or accumulate. Accordingly, no liability has been accrued at year end.

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

i. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities financial statements. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while market related discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

j. Fund Balances/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or are 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 or from enabling legislation adopted by the Library. 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 resolutions 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 Library Director. Any residual fund balance in the General Fund and any deficit fund balance of any other governmental fund are reported as unassigned.

The Library has not yet adopted a flow of funds policy; therefore, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the default flow of funds has been applied which 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 funds and then unassigned funds.

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

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

j. Fund Balances/Net Position (Continued)

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. None of the Library's restricted net position resulted from enabling legislation adopted by the Library. Net investment in capital assets is the book value of capital assets less any long-term debt outstanding that was issued to construct or acquire the capital assets.

k. 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. (The Library has no items that qualify for reporting in this category.)

In addition to liabilities, the statement of net 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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available or earned.

l. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the date of this report, if any, are recorded as prepaid items/expenses on the consumption method.

m. Use of Estimates

The preparation of financial statements in conformity with GAAP require management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**2. DEPOSITS AND INVESTMENTS**

The Library has adopted an investment policy consistent with Illinois Compiled Statutes (ILCS) governing the investments of the Library.

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

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

Statutes and the investment policy authorize the Library to make deposits/invest in commercial banks, obligations of the United States Government, United States Government agencies and United States Government instrumentality obligations, commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Metropolitan Investment Fund and The Illinois 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 (preservation of capital and protection of investment principal), liquidity and yield.

The Illinois Public Treasurers’ Investment Pool, known as The Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and thus, reports all investments at amortized cost rather than market value. The investment in The Illinois Funds by participants is also reported at amortized cost. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. The Illinois Treasurer’s Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at Illinois Business Center, 400 West Monroe Street, Suite 401, Springfield, Illinois 62704.

The Library investment policy does not address exposure to interest rate.

The Library’s investment policy requires pledging of collateral of all bank balances in excess of federal depository insurance with the collateral held by a third party in the Library’s name.

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 or implicitly guaranteed by the United States Government.

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’s investment policy does not address custodial credit risk for investments.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Library’s investment in a single issuer. The Library’s investment policy does not address concentration of credit risk.

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

**3. PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1, and are payable in two installments early in March and September. The Library receives significant distributions of tax receipts on each due date and for about ninety days thereafter. The current year levy is recorded as property tax receivable and deferred revenue to the extent it is expected to be collected after December 31, 2018. The Cook County Assessor is responsible for assessment of all taxable real property within Cook County. The Cook County Clerk computes the annual tax for each parcel of real property and prepares tax books used by the Cook County Treasurer as the basis for issuing tax bills to Cook County taxpayers. The Cook County Treasurer collects all property taxes and submits them to the Village Treasurer, who remits them to the Library. The 2017 levy was intended to finance the fiscal year ended December 31, 2018, so collections of this levy have been recorded as revenue for this fiscal year. Property taxes receivable for the 2018 levy have been recorded as deferred property tax revenue since the levy is intended to finance the fiscal year ending December 31, 2019. All uncollected taxes relating to prior years' levies have been written off.

**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 314,652	\$ -	\$ -	\$ 314,652
Total capital assets not being depreciated	314,652	-	-	314,652
Capital assets being depreciated				
Land improvements	200,577	14,470	11,800	203,247
Building improvements	5,388,889	80,649	3,093	5,466,445
Furniture and equipment	740,240	3,607	1,160	742,687
Collections	534,105	95,766	120,926	508,945
Total capital assets being depreciated	6,863,811	194,492	136,979	6,921,324
Less accumulated depreciation for				
Land improvements	136,812	8,908	8,555	137,165
Building and improvements	2,000,515	158,604	2,247	2,156,872
Furniture and equipment	572,249	50,787	1,160	621,876
Collections	223,733	106,821	120,925	209,629
Total accumulated depreciation	2,933,309	325,120	132,887	3,125,542
Total capital assets being depreciated, net	3,930,502	(130,628)	4,092	3,795,782
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<b>\$ 4,245,154</b>	<b>\$ (130,628)</b>	<b>\$ 4,092</b>	<b>\$ 4,110,434</b>

Depreciation expense was charged to the culture and recreation function.

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

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**5. RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance for many risks of loss including worker's compensation and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**6. INTERFUND TRANSACTIONS**

a. Interfund Receivables/Payables

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General	\$ -	\$ 75,579
Nonmajor Governmental		
IMRF	42,247	-
Social Security	32,022	-
Audit	1,277	-
Liability Insurance	33	-
	<hr/>	<hr/>
TOTAL	<u>\$ 75,579</u>	<u>\$ 75,579</u>

The due to/from other funds in the above table relates to deficit cash balances. The amounts will be repaid within one year.

b. Deficit Fund Balances

The following funds reported a deficit fund balance at December 31, 2018:

	<u>Fund Balance</u>
Nonmajor Governmental	
IMRF	\$ (42,247)
Social Security	(32,022)
Audit	(1,277)
Liability Insurance	(33)
	<hr/>
TOTAL	<u>\$ (75,579)</u>

**7. EMPLOYEE RETIREMENT SYSTEM**

The Library contributes, through the City, to a defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employees 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.

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 year ended December 31, 2018 was 11.93% of covered payroll. For the year ended December 31, 2018, salaries totaling \$641,124 were paid that required employer contributions of \$76,240. The Library's actual contributions for that period were \$76,486.

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

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**7. EMPLOYEE RETIREMENT SYSTEM (Continued)**

Illinois Municipal Retirement Fund (Continued)

*Net Pension Liability*

At December 31, 2018, the Library reported a liability of \$614,657 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 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, 2018 relative to the contributions of the City, actuarially determined. At December 31, 2018, the Library's proportion was 17.24% of the total contribution.

*Actuarial Assumptions*

The Library's net pension liability was measured as of December 31, 2018 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, 2018
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.05%
Salary increases	3.39% to 14.25%
Interest rate	7.25%
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-2017 (base year 2015). 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-2017 (base year 2015). 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-2017 (base year 2015).



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

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**7. EMPLOYEE RETIREMENT SYSTEM (Continued)**

Illinois Municipal Retirement Fund (Continued)

*Actuarial Assumptions (Continued)*

IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.25% in 2018 and 7.50% in 2017. 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 Library's fiduciary net position was projected to 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 was applied to all periods of projected benefit payments to determine the total pension liability.

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

For the year ended December 31, 2018, the Library recognized pension expense of \$50,096. At December 31, 2018, 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	\$ 67,496	\$ 16,730
Changes in Assumption	88,597	52,639
Net Difference between Projected and Actual Earnings on Pension Plan Investments	372,932	174,309
<b>TOTAL</b>	<b>\$ 529,025</b>	<b>\$ 243,678</b>

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

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**7. EMPLOYEE RETIREMENT SYSTEM (Continued)**

Illinois Municipal Retirement Fund (Continued)

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</u> <u>December 31,</u>	
2019	\$ 81,829
2020	79,365
2021	41,985
2022	<u>82,168</u>
 TOTAL	 <u>\$ 285,347</u>

*Sensitivity of the Library's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Library's net pension liability would be if it were calculated using a single discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Single Discount Rate Assumption (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 1,108,902	\$ 614,657	\$ 208,508

**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. The benefits, benefit levels, employee contributions and any employer contributions are governed by the Library and can be amended by the Library through its personnel manual. The plan does not issue a separate report. The activity of the plan is reported in the Library's governmental activities. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

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**8. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

b. Benefits Provided

The Library provides postemployment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Library's retirement plan or meet COBRA requirements.

All health care benefits are provided through the Library's health insurance plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous and substance abuse care; vision care; dental care; and prescriptions. Eligibility in library sponsored health care plans is discontinued upon eligibility for federally sponsored health care benefits. Retirees pay the full premium to continue in the plan; however, the premium is a blended premium, not an age adjusted premium, which creates an implicit benefit as defined by GASB Statement No. 75.

c. Total OPEB Liability

Based on the size of the Library, the number of active plan members, the lack of any retirees participating in the plan and comparison of actuarial valuations for similar entities with similar benefits, the Library's total OPEB liability as of December 31, 2018 is immaterial and, therefore, not recorded by the Library and no further disclosure is deemed necessary.

**9. PRIOR PERIOD ADJUSTMENT**

Net position and fund balance have been restated as described below. The details of these restatements are as follows:

	Governmental Activities	General Fund	IMRF	Social Security	Audit	Workers Compensation
Net Position/Fund Balance - December 31, 2017 (as reported)	\$ 6,915,357	\$ 917,492	\$ (12,612)	\$ (9,191)	\$ 737	\$ 6,762
Correction of revenue recognition - property taxes	(1,508,592)	(235,850)	(12,792)	(9,707)	(1,225)	(331)
Net Position/Fund Balance - December 31, 2017 (as restated)	<u>\$ 5,406,765</u>	<u>\$ 681,642</u>	<u>\$ (25,404)</u>	<u>\$ (18,898)</u>	<u>\$ (488)</u>	<u>\$ 6,431</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

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

For the Year Ended December 31, 2018

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>		
Taxes	\$ 1,457,486	\$ 1,107,268
Intergovernmental	13,000	18,029
Fines and forfeits	14,500	11,000
Investment income	15,040	25,037
Miscellaneous	23,250	130,936
	1,523,276	1,292,270
<b>EXPENDITURES</b>		
Culture and recreation		
Library materials	201,500	199,746
Capital equipment	18,250	10,446
Office expenses	36,100	34,342
Staff and board development	16,000	22,151
Professional services	16,000	20,969
Contractual, printing and maintenance	259,375	241,007
Personnel	876,297	864,493
	1,423,522	1,393,154
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 99,754</b>	<b>(100,884)</b>
<b>FUND BALANCE, JANUARY 1</b>		917,492
Prior period adjustment		(235,850)
<b>FUND BALANCE, JANUARY 1, RESTATED</b>		<b>681,642</b>
<b>FUND BALANCE, DECEMBER 31</b>		<b>\$ 580,758</b>

(See independent auditor's report.)

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

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

Last Five Fiscal Years

<b>FISCAL YEAR ENDED DECEMBER 31,</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Contractually determined contribution	\$ 68,446	\$ 66,039	\$ 70,775	\$ 68,796	\$ 76,240
Contributions in relation to the contractually determined contribution	69,266	67,886	69,980	68,763	76,486
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<b>\$ (820)</b>	<b>\$ (1,847)</b>	<b>\$ 795</b>	<b>\$ 33</b>	<b>\$ (246)</b>
Covered payroll	\$ 397,848	\$ 524,217	\$ 553,359	\$ 561,333	\$ 641,124
Contributions as a percentage of covered payroll	17.41%	12.95%	12.65%	12.25%	11.93%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of December 31 of the prior year. Additional information as of the latest actuarial valuation is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the remaining amortization period was 25 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return of 7.50% annually, projected salary increases assumption of 3.75% to 14.50% compounded annually and postretirement benefit increases of 3.00% 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.)

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

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

Last Five Calendar Years

<b>MEASUREMENT DATE DECEMBER 31,</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Employer's proportion of the net pension liability	16.62%	15.47%	16.45%	15.99%	17.24%
Employer's proportionate share of the net pension liability	\$ 346,970	\$ 476,608	\$ 446,364	\$ 121,333	\$ 614,657
Employer's covered payroll	539,372	524,217	553,359	561,333	641,124
Employer's proportionate share of the net pension liability as a percentage of it's covered payroll	64.33%	90.92%	80.66%	21.62%	95.87%
Plan fiduciary net position as a percentage of the total pension liability	88.22%	83.59%	85.96%	96.11%	83.50%

Notes to Required Supplementary Information

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.)

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2018

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**BUDGETS AND BUDGETARY ACCOUNTING**

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to December 1, a proposed operating budget for the fiscal year commencing the following January 1, is prepared and submitted to the Board of Trustees for their review and approval.
- b. Prior to March 1, the appropriation resolution is approved by the Board of Trustees to be included in an ordinance by the City of Palos Heights.
- c. The Board of Trustees must approve changes or amendments to the budget of any fund. The legal level of budgetary control is at the fund level.

The budget is prepared on a basis of accounting consistent with generally accepted accounting principles (GAAP). All amounts not spent at year end lapse; however, they may be appropriated in the following year.

A budget is prepared for all funds except the Liability Insurance and Unemployment Compensation funds. The budget is prepared in accordance with the Illinois Library Code and is derived from the combined annual budget and appropriation ordinance of the City of Palos Heights. All budgets are prepared based on the annual fiscal year of the Library. All budgetary funds are controlled by an integrated budgetary accounting system in accordance with the various legal requirements which govern the Library. All budgets expire at the end of the year.

At December 31, 2018, the following funds had expenditures in excess of budgeted expenditures:

Fund	Excess
Special Reserve	\$ 7,738



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

**MAJOR GOVERNMENTAL FUNDS**

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended December 31, 2018

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>CULTURE AND RECREATION</b>		
Library materials		
Books, periodicals and audiovisual	\$ 201,500	\$ 199,746
Total library materials	201,500	199,746
Captial equipment		
Furniture and fixtures	3,000	(5,798)
Grant expenses	12,000	10,958
Landscaping	3,250	5,286
Total capital equipment	18,250	10,446
Office expenses		
Office supplies	16,550	14,902
Computer maintenance	1,000	402
Equipment maintenance	8,450	8,122
Cleaning supplies	5,800	5,108
Mailing expenses	4,300	5,808
Total office expenses	36,100	34,342
Staff and board development		
Membership fees	2,500	2,340
Board development	1,500	360
Administrator	1,000	650
Professional staff	6,000	6,557
Support staff	1,250	531
Mileage reimbursement	1,250	1,641
Gift reimbursement	2,500	10,072
Total staff and board development	16,000	22,151
Professional services		
Legal fees	3,000	2,195
Professional fees	12,000	18,774
Appraisal	1,000	-
Total professional services	16,000	20,969

(This statement is continued on the following page.)

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)  
GENERAL FUND

For the Year Ended Decmeber 31, 2018

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	<b>Original and Final Budget</b>	<b>Actual</b>
<b>CULTURE AND RECREATION (Continued)</b>		
Contractual, printing and maintenance		
Contractual services	\$ 130,200	\$ 116,847
Printing	14,000	14,219
Maintenance - building/facility	41,500	39,886
Insurance	12,125	13,227
Library program	45,750	43,018
Public relations	2,500	2,298
Utilities	12,500	10,932
Credit card fees	800	580
	<hr/>	<hr/>
Total contractual, printing and maintenance	259,375	241,007
	<hr/>	<hr/>
Personnel		
Salaried employees	602,957	597,310
Hourly employees	185,742	183,184
Additional compensation	5,000	4,933
Employee benefits	82,598	79,066
	<hr/>	<hr/>
Total personnel	876,297	864,493
	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,423,522</b>	<b>\$ 1,393,154</b>

(See independent auditor's report.)

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

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

For the Year Ended December 31, 2018

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	<b>Original and Final Budget</b>	<b>Actual</b>
<b>TAXES</b>		
Property taxes - current	\$ 1,449,486	\$ 1,099,680
Personal property replacement taxes	8,000	7,588
	<hr/>	
Total taxes	1,457,486	1,107,268
<b>INTERGOVERNMENTAL</b>		
Per capita grant	12,000	15,644
Reimbursements	1,000	2,385
	<hr/>	
Total intergovernmental	13,000	18,029
<b>FINES AND FORFEITS</b>		
Fees and charges	14,500	11,000
	<hr/>	
Total fines and forfeits	14,500	11,000
<b>INVESTMENT INCOME</b>		
	15,040	25,037
<b>MISCELLANEOUS</b>		
Copier, fax and computer rental	5,000	5,710
Book sales	12,750	14,429
Gifts and donations	2,500	106,412
Miscellaneous	3,000	4,385
	<hr/>	
Total miscellaneous	23,250	130,936
<b>TOTAL REVENUES</b>	<b>\$ 1,523,276</b>	<b>\$ 1,292,270</b>

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(See independent auditor's report.)

**PALOS HEIGHTS PUBLIC LIBRARY DISTRICT  
PALOS HEIGHTS, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL RESERVE FUND**

For the Year Ended December 31, 2018

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	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>		
None	\$ -	\$ -
<b>EXPENDITURES</b>		
Capital outlay	100,000	107,738
Total expenditures	100,000	107,738
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (100,000)</u>	(107,738)
<b>FUND BALANCE, JANUARY 1</b>		<u>861,332</u>
<b>FUND BALANCE, DECEMBER 31</b>		<u>\$ 753,594</u>

(See independent auditor's report.)

**NONMAJOR GOVERNMENTAL FUNDS**

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2018

	<b>Special Revenue</b>		
	<b>IMRF</b>	<b>Social Security</b>	<b>Audit</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>ASSETS</b>			
Cash	\$ -	\$ -	\$ -
Property taxes receivable (net, where applicable, of allowances for uncollectibles)	53,820	52,337	5,692
Due from other funds	-	-	-
Total assets	53,820	52,337	5,692
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
None	-	-	-
Total deferred outflows of resources	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 53,820	\$ 52,337	\$ 5,692
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to other funds	\$ 42,247	\$ 32,022	\$ 1,277
Total liabilities	42,247	32,022	1,277
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	53,820	52,337	5,692
Total deferred inflows of resources	53,820	52,337	5,692
Total liabilities and deferred inflows of resources	96,067	84,359	6,969
<b>FUND BALANCES</b>			
Restricted			
Workers' compensation	-	-	-
Unemployment compensation	-	-	-
Unrestricted			
Unassigned (deficit)	(42,247)	(32,022)	(1,277)
Total fund balances (deficit)	(42,247)	(32,022)	(1,277)
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 53,820	\$ 52,337	\$ 5,692



<b>Special Revenue</b>				
<b>Liability Insurance</b>	<b>Workers Compensation</b>	<b>Unemployment Compensation</b>	<b>Total</b>	
\$ -	\$ 6,024	\$ 12,730	\$ 18,754	
-	1,855	-	113,704	
-	-	-	-	
-	7,879	12,730	132,458	
-	-	-	-	
-	-	-	-	
\$ -	\$ 7,879	\$ 12,730	\$ 132,458	
\$ 33	\$ -	\$ -	\$ 75,579	
33	-	-	75,579	
-	1,855	-	113,704	
-	1,855	-	113,704	
33	1,855	-	189,283	
-	6,024	-	6,024	
-	-	12,730	12,730	
(33)	-	-	(75,579)	
(33)	6,024	12,730	(56,825)	
\$ -	\$ 7,879	\$ 12,730	\$ 132,458	

(See independent auditor's report.)

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

	<b>Special Revenue</b>		
	<b>IMRF</b>	<b>Social Security</b>	<b>Audit</b>
<b>REVENUES</b>			
Property taxes	\$ 59,643	\$ 45,261	\$ 5,711
Total revenues	59,643	45,261	5,711
<b>EXPENDITURES</b>			
Current			
IMRF	76,486	-	-
Social Security	-	58,385	-
Audit	-	-	6,500
Liability Insurance	-	-	-
Workers Compensations	-	-	-
Total expenditures	76,486	58,385	6,500
NET CHANGE IN FUND BALANCES	(16,843)	(13,124)	(789)
FUND BALANCES (DEFICIT), JANUARY 1	(12,612)	(9,191)	737
Prior period adjustment	(12,792)	(9,707)	(1,225)
FUND BALANCES (DEFICIT), JANUARY 1, RESTATED	(25,404)	(18,898)	(488)
<b>FUND BALANCES (DEFICIT), DECEMBER 31</b>	<b>\$ (42,247)</b>	<b>\$ (32,022)</b>	<b>\$ (1,277)</b>

<b>Special Revenue</b>			
<b>Liability Insurance</b>	<b>Workers Compensation</b>	<b>Unemployment Compensation</b>	<b>Total</b>
\$ -	\$ 1,547	\$ -	\$ 112,162
-	1,547	-	112,162
-	-	-	76,486
-	-	-	58,385
-	-	-	6,500
-	-	-	-
-	1,954	-	1,954
-	1,954	-	143,325
-	(407)	-	(31,163)
(33)	6,762	12,730	(1,607)
-	(331)	-	(24,055)
(33)	6,431	12,730	(25,662)
\$ (33)	\$ 6,024	\$ 12,730	\$ (56,825)

(See independent auditor's report.)

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
ILLINOIS MUNICIPAL RETIREMENT FUND

For the Year Ended December 31, 2018

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>		
Taxes	\$ 77,581	\$ 59,643
Total revenues	77,581	59,643
<b>EXPENDITURES</b>		
Current		
IMRF	76,614	76,486
Total expenditures	76,614	76,486
NET CHANGE IN FUND BALANCE	\$ 967	(16,843)
FUND BALANCE (DEFICIT), JANUARY 1		(12,612)
Prior period adjustment		(12,792)
FUND BALANCE (DEFICIT), JANUARY 1, RESTATED		(25,404)
<b>FUND BALANCE (DEFICIT), DECEMBER 31</b>		<b>\$ (42,247)</b>

(See independent auditor's report.)

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
SOCIAL SECURITY FUND**

For the Year Ended December 31, 2018

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>		
Taxes	\$ 58,873	\$ 45,261
Total revenues	58,873	45,261
<b>EXPENDITURES</b>		
Current		
Social Security	60,335	58,385
Total expenditures	60,335	58,385
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (1,462)</b>	<b>(13,124)</b>
<b>FUND BALANCE (DEFICIT), JANUARY 1</b>		<b>(9,191)</b>
Prior period adjustment		(9,707)
<b>FUND BALANCE (DEFICIT), JANUARY 1, RESTATED</b>		<b>(18,898)</b>
<b>FUND BALANCE (DEFICIT), DECEMBER 31</b>		<b>\$ (32,022)</b>

(See independent auditor's report.)

**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

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

For the Year Ended December 31, 2018

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>		
Taxes	\$ 7,428	\$ 5,711
Total revenues	7,428	5,711
<b>EXPENDITURES</b>		
Current Audit	6,500	6,500
Total expenditures	6,500	6,500
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 928</b>	<b>(789)</b>
<b>FUND BALANCE, JANUARY 1</b>		737
Prior period adjustment		(1,225)
<b>FUND BALANCE (DEFICIT), JANUARY 1, RESTATED</b>		<b>(488)</b>
<b>FUND BALANCE (DEFICIT), DECEMBER 31</b>		<b>\$ (1,277)</b>

(See independent auditor's report.)

**PALOS HEIGHTS PUBLIC LIBRARY**  
**PALOS HEIGHTS, ILLINOIS**

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
WORKER'S COMPENSATION FUND

For the Year Ended December 31, 2018

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	<b>Original and Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>		
Taxes	\$ 2,012	\$ 1,547
Total revenues	<u>2,012</u>	<u>1,547</u>
<b>EXPENDITURES</b>		
Current		
Workers Compensations	<u>2,200</u>	<u>1,954</u>
Total expenditures	<u>2,200</u>	<u>1,954</u>
NET CHANGE IN FUND BALANCE	<u>\$ (188)</u>	<u>(407)</u>
FUND BALANCE, JANUARY 1		6,762
Prior period adjustment		<u>(331)</u>
FUND BALANCE, JANUARY 1, RESTATED		<u>6,431</u>
<b>FUND BALANCE, DECEMBER 31</b>		<u><u>\$ 6,024</u></u>

(See independent auditor's report.)

**SUPPLEMENTARY INFORMATION**



**PALOS HEIGHTS PUBLIC LIBRARY  
PALOS HEIGHTS, ILLINOIS**

**COMPUTATION OF LEGAL DEBT MARGIN**

For the Year Ended December 31, 2018

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<b>ASSESSED VALUATION</b>	<u><u>\$ 458,253,064</u></u>
<b>STATUTORY DEBT LIMITATION</b> 2.875% of assessed valuation	\$ 13,174,776
<b>TOTAL DEBT</b>	<u>-</u>
<b>LEGAL DEBT MARGIN</b>	<u><u>\$ 13,174,776</u></u>

(See independent auditor's report.)