

**Palos Heights Public Library  
Annual Financial Report  
For The Fiscal Year Ended December 31, 2017**

**Palos Heights Public Library**  
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**For The Fiscal Year Ended December 31, 2017**

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**Palos Heights Public Library  
Board of Trustees  
December 31, 2017**

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



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## INDEPENDENT AUDITORS' REPORT

To The Board of Trustees  
Palos Heights Public Library  
Palos Heights, Illinois

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Palos Heights Public Library as of and for the year ended December 31, 2017, and the related notes to the 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 basic 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 basic 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 basic 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic 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 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, as of December 31, 2017, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and certain pension disclosures be presented to supplement the basic financial statements. Such information, although not a required 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 regarding 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.

The major fund budgetary comparison schedules listed on the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The Required Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ending December 31, 2017 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Palos Heights Public Library's basic financial statements. The combining and individual fund financial schedules for the year ended December 31, 2017 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining and individual fund financial schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2017 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 procedures generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Palos Heights Public Library. The information has not been audited by us and accordingly, we express no opinion on such matters.

May 21, 2018  
Darien, Illinois

*Knuttle & Associates, P.C.*

**Palos Heights Public Library**  
**Statement of Net Position**  
**December 31, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 1,498,154
Property Taxes Receivable	1,508,592
Due From City of Palos Heights	8,347
Grant Receivable	9,717
Prepaid Expenses	44,265
Capital Assets	
Other Capital Assets Not Being Depreciated	314,652
Other Capital Assets, Net of Depreciation	<u>3,930,501</u>
Total Capital Assets	<u>4,245,153</u>
<b>TOTAL ASSETS</b>	<u>7,314,228</u>
<b>DEFERRED OUTFLOWS</b>	
IMRF Deferred Outflows	<u>104,905</u>
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>104,905</u>
<b>LIABILITIES</b>	
Due Within One Year	
Accounts Payable	17,707
Accrued Wages	25,464
Due in More than One Year	
Net Pension Liability	<u>121,333</u>
<b>TOTAL LIABILITIES</b>	<u>164,504</u>
<b>DEFERRED INFLOWS</b>	
IMRF Deferred Inflows	<u>339,272</u>
<b>DEFERRED INFLOWS</b>	<u>339,272</u>
<b>NET POSITION</b>	
Invested in Capital Assets	4,245,153
Restricted Amounts	
Audit	737
Workers Compensation	6,762
Unemployment Compensation	12,730
Unrestricted Amounts	<u>2,649,975</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 6,915,357</u></u>

See Accompanying Notes to the Financial Statements.

Palos Heights Public Library  
Statement of Activities  
For the Year Ended December 31, 2017

	PROGRAM REVENUES		NET (EXPENSES)
	Expenses	Charges for Services	Operating Grants and Contributions
	REVENUES AND CHANGES IN NET POSITION		
	Governmental Activities		
<b>GOVERNMENTAL ACTIVITIES</b>			
Library Services	\$ 1,691,953	39,603	13,537
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 1,691,953</u>	<u>\$ 39,603</u>	<u>\$ 13,537</u>
			<u>(1,638,813)</u>
<b>GENERAL REVENUES</b>			
Taxes			
Property taxes levied for general purposes			1,273,325
Replacement taxes for general purposes			8,347
Interest Income			5,001
Other			2,906
<b>TOTAL GENERAL REVENUES</b>			<u>1,289,579</u>
<b>CHANGE IN NET POSITION</b>			(349,234)
<b>NET POSITION, BEGINNING OF YEAR</b>			<u>7,264,591</u>
<b>END OF YEAR</b>			<u>\$ 6,915,357</u>

See Accompanying Notes to the Financial Statements.



**Palos Heights Public Library  
Governmental Funds  
Balance Sheet  
December 31, 2017**

	General	Special Reserve Fund	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash	\$ 617,661	\$ 861,332	\$ 19,161	\$ 1,498,154
Property Taxes Receivable	1,368,967	0	139,625	1,508,592
Due From City of Palos Heights	8,347	0	0	8,347
Due From City of Palos Heights	9,717	0	0	9,717
Due From Other Funds	44,823	0	0	44,823
Prepaid Expenditures	44,265	0	0	44,265
<b>TOTAL ASSETS</b>	<u>2,093,780</u>	<u>861,332</u>	<u>158,786</u>	<u>3,113,898</u>
<b>DEFERRED OUTFLOWS</b>				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u><u>2,093,780</u></u>	<u><u>861,332</u></u>	<u><u>158,786</u></u>	<u><u>3,113,898</u></u>
<b>LIABILITIES</b>				
Accounts Payable	17,707	0	0	17,707
Accrued Wages	25,464	0	0	25,464
Due To Other Funds	0	0	44,823	44,823
<b>TOTAL LIABILITIES</b>	<u>43,171</u>	<u>0</u>	<u>44,823</u>	<u>87,994</u>
<b>DEFERRED INFLOWS</b>				
Deferred Property Taxes	1,133,117	0	115,570	1,248,687
<b>TOTAL DEFERRED INFLOWS</b>	<u>1,133,117</u>	<u>0</u>	<u>115,570</u>	<u>1,248,687</u>
<b>FUND BALANCES</b>				
Non-spendable	109,354	0	0	109,354
Restricted	0	0	20,229	20,229
Committed	0	861,332	0	861,332
Unassigned	808,138	0	(21,836)	786,302
<b>TOTAL FUND BALANCES</b>	<u>917,492</u>	<u>861,332</u>	<u>(1,607)</u>	<u>1,777,217</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u><u>\$ 2,093,780</u></u>	<u><u>\$ 861,332</u></u>	<u><u>\$ 158,786</u></u>	
<b>AMOUNTS REPORTED IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:</b>				
Capital assets used in governmental funds are not financial resources and therefore are not reported in the fund financial statements.				4,245,153
Deferred property tax revenue is not recorded on the statement of net position.				1,248,687
Net pension liability is not recorded in the fund financial statements.				(121,333)
IMRF deferred outflows are not reported as assets in the fund financial statements.				104,905
IMRF deferred inflows are not reported as liabilities in the fund financial statements.				<u>(339,272)</u>
<b>NET POSITION OF GOVERNMENTAL FUNDS</b>				<u><u>\$ 6,915,357</u></u>

See Accompanying Notes to the Financial Statements.

**Palos Heights Public Library**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)**  
**For the Year Ended December 31, 2017**

	<b>General</b>	<b>Special Reserve Fund</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
<b>REVENUES</b>				
Property Tax Revenue	\$ 1,240,118	\$ 0	\$ 115,452	\$ 1,355,570
Replacement Taxes	8,347	0	0	8,347
Interest	5,001	0	0	5,001
Grants	9,717	0	0	9,717
Front Desk	39,603	0	0	39,603
Gifts	3,820	0	0	3,820
Miscellaneous	2,906	0	0	2,906
<b>TOTAL REVENUES</b>	<b>1,309,512</b>	<b>0</b>	<b>115,452</b>	<b>1,424,964</b>
<b>EXPENDITURES</b>				
General	1,290,712	0	0	1,290,712
IMRF	0	0	68,763	68,763
Social Security	0	0	52,362	52,362
Audit	0	0	6,250	6,250
Liability Insurance	0	0	2,145	2,145
Capital Outlay	12,330	61,458	0	73,788
<b>TOTAL EXPENDITURES</b>	<b>1,303,042</b>	<b>61,458</b>	<b>129,520</b>	<b>1,494,020</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>6,470</b>	<b>(61,458)</b>	<b>(14,068)</b>	<b>(69,056)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(345,968)	0	0	(345,968)
Transfers In	0	345,968	0	345,968
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(345,968)</b>	<b>345,968</b>	<b>0</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	<b>(339,498)</b>	<b>284,510</b>	<b>(14,068)</b>	<b>(69,056)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>1,256,990</b>	<b>576,822</b>	<b>12,461</b>	<b>1,846,273</b>
<b>END OF YEAR</b>	<b>\$ 917,492</b>	<b>\$ 861,332</b>	<b>\$ (1,607)</b>	<b>\$ 1,777,217</b>

See Accompanying Notes to the Financial Statements.

**Palos Heights Public Library**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances (Deficits) of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2017**

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Net Change in Fund Balances (Deficits) - Total Governmental Funds (Statement of Revenues, Expenditures and Changes in Fund Balances)	\$ (69,056)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation of capital assets is not considered an expenditure in the fund financial statement	(325,412)
Purchases of capital assets are treated as an expenditure in the fund financial statements.	161,635
Property tax revenues in the Statement of Activities that do not provide current financial resources are reported as deferred property tax revenue in the fund financial statements.	(82,245)
Pension-related accounts are not recorded to the fund financial statements are as follows:	
Changes in the Net Pension Liability	325,031
Changes in the Deferred Inflows	(276,903)
Changes in the Deferred Outflows	<u>(82,284)</u>
Change in Net Position of Governmental Activities (Statement of Activities)	<u><u>\$ (349,234)</u></u>

See Accompanying Notes to the Financial Statements.

**Palos Heights Public Library  
Notes To The Financial Statements  
For the Year Ended December 31, 2017**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Palos Heights Public Library (the "Library") provides services primarily to citizens of the City of Palos Heights, Illinois, including lending or renting materials to adults and children to meet their informational, recreational, and educational needs.

The accounting and reporting policies of the Library included in the accompanying basic financial statements conform to generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of more significant policies.

A. Reporting Entity

The Library follows the provisions of Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14". As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate, tax-exempt entities and meet all of the following criteria:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The Library has concluded that no entities meet the criteria of Statement 39 for inclusion as a component unit. However, the Library is a component unit of the City of Palos Heights, Illinois.

Governmental Accounting Standards Board Statement No. 61, "The Financial Reporting Entity", is an amendment of GASB Statements No. 14 and No. 39, which does not have impact on the current year financial statements.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

**Palos Heights Public Library**  
**Notes To The Financial Statements (Continued)**  
**For the Year Ended December 31, 2017**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The Library does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges to residents who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and grants and contributions that are restricted to meeting the operational and capital requirements of a particular function. Taxes and other income items that are not specifically related to a function are reported as general revenues.

Amounts reported as program revenues include charges to residents who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and grants and donations that are restricted to meeting the operational and capital requirements of a particular function. Likewise, general revenues include all taxes.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into individual funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets and deferred outflows, liabilities and deferred inflows, fund equity, revenues, and expenditures. 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.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures of the individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type, and
- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

Governmental Funds (Governmental Activities)

Governmental funds are those through which most governmental functions of the Library are financed. The acquisition, use and balances of the Library's expendable financial resources are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position rather than upon net income determination. The following are the Library's governmental funds:

General Fund

The General Fund is the general operating fund of the Library. It is used to account for and report all financial resources not accounted for or reported in another fund.

**Palos Heights Public Library  
Notes To The Financial Statements (Continued)  
For the Year Ended December 31, 2017**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects. Funds included in this fund category are: IMRF, Social Security, Audit, Liability Insurance, Workers Compensation, and Unemployment Compensation.

Special Reserve 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.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs.

MAJOR FUNDS

The Library reports the following major governmental funds:

- The General Fund, which accounts for the Library's primary operating activities.
- Special Reserve Fund, which accounts for the Library's major capital expenditures.

NON-MAJOR FUNDS

The Library reports the following non-major governmental funds:

- Special Revenue Funds
  - IMRF Fund
  - Social Security Fund
  - Audit Fund
  - Liability Insurance Fund
  - Workers Compensation
  - Unemployment Compensation

C. Basis of Accounting

In the government-wide Statement of Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Palos Heights Public Library**  
**Notes To The Financial Statements (Continued)**  
**For the Year Ended December 31, 2017**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

The current financial resources measurement focus and the modified accrual basis of accounting are followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available to finance the Library's operations. "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.

Property taxes, investment earnings, and charges for services are the primary revenue sources susceptible to accrual. The Library considers property taxes available if they are due and collected within 60 days after year end. All other revenues are recognized when cash is received. Expenditures are recorded when the related fund liability is incurred.

The Library reports deferred revenues on its Governmental Funds Balance Sheet. For governmental fund financial statements, deferred revenues occur when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the Library before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Library has a legal claim to the resources, the liability for deferred revenue is removed from the Governmental Funds Balance Sheet and revenue is recognized accordingly.

D. Measurement Focus

On the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the flow of economic resources measurement focus, which means all assets, deferred out flows, liabilities (whether current or non-current), and deferred inflows are included on the Statement of Net Position and the operating statements present increases and decreases in net position.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions, which will not be currently liquidated using expendable available financial resources are included as liabilities in the government-wide financial statements, but are excluded from the governmental funds financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

E. Use of Estimates

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

**Palos Heights Public Library  
Notes To The Financial Statements (Continued)  
For the Year Ended December 31, 2017**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Data and Basis of 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 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017 are recorded as prepaid items.

H. Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

In the government-wide financial statements, the Library has adopted a capitalization threshold of \$1,000 for capital asset additions. All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable. Donated capital assets are stated at their fair market value as of the date donated.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	5 to 40 years
Furniture and Equipment	5 to 10 years
Library Collection	5 years

FUND FINANCIAL STATEMENTS

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlays in the fund from which the expenditure was made. Public domain (infrastructure) capital assets consisting of roads, curbs and gutters, sidewalks, drainage systems, and lighting systems are not capitalized in the fund financial statements.



**Palos Heights Public Library**  
**Notes To The Financial Statements (Continued)**  
**For the Year Ended December 31, 2017**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

FUND FINANCIAL STATEMENTS (CONTINUED)

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.

I. GASB Pronouncements

In June 1999, the GASB issued Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes new financial reporting requirements for state and local governments throughout the United States. The requirements of this Statement are effective in three phases based on a government's total revenues in the first year ending after June 15, 1999. The Library has adopted this Statement for the period beginning January 1, 2004.

Governmental Accounting Standards Board Statement No. 61, "The Financial Reporting Entity", is an amendment of GASB Statements No. 14 and No. 39, which does not have impact on the current year financial statements.

As of January 1, 2012, the Library has implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows or Resources, and Net Position". The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position.

As of January 1, 2012, the Library has implemented GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities". The objective of this statement is to establish accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The Statement also recognizes as outflows of resources or inflows of resources certain items that were previously reported as assets and liabilities.

As of January 1, 2015, the Library has implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" which is an amendment of GASB Statement No. 27. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

Upon implementation of GASB 68, the District has also implemented GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.

**Palos Heights Public Library**  
**Notes To The Financial Statements (Continued)**  
**For the Year Ended December 31, 2017**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Equity Classifications

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Equity is classified as net position and displayed in three components:

- Net Investment in capital assets – consists of capital assets, net of accumulated depreciation and related debt, if applicable.
- Restricted Amounts – consists of amounts with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provisions or enabling legislation.
- Unrestricted Amounts – consists of all other amounts that do not meet the definition of restricted or invested in capital assets.

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance. The components of fund balance are:

- Non-spendable – consists of resources that cannot be spent because they are either: a) not in a spendable form; or b) legally or contractually required to be maintained intact;
- Restricted – consists of resources that are restricted to specific purposes, that is, when constraints placed on the use of resources are either; a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation c) at risk cash investments.
- Committed – consists of resources constrained (issuance of an ordinance or resolution) to specific purposes by a government itself, using its highest level of decision-making authority, the Board of Trustees; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned – consists of resources that are constrained by the intent of the Library's upper management to be used for specific purposes, but that are neither restricted nor committed. Residual fund balances in these fund types that are not restricted or committed are reported as assigned.
- Unassigned – consists of the residual net resources of a fund that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

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. If different levels of unrestricted funds are available for spending, the Library considers committed funds to be expended first followed by assigned and, lastly, unassigned funds.

**Palos Heights Public Library  
Notes To The Financial Statements (Continued)  
For the Year Ended December 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Equity Classifications (Continued)

Fund	General	Special Reserve	Non-Major Funds	Total
Non-spendable				
Prepaid Items	\$ 44,265	\$ 0	\$ 0	\$ 44,265
IMET	65,089	0	0	65,089
Restricted				
Audit	0	0	737	737
Worker's Compensation	0	0	6,762	6,762
Unemployment Compensation	0	0	12,730	12,730
Committed				
Capital Expenditures	0	861,332	0	861,332
Unassigned	808,138	0	(21,836)	786,302
	<u>\$ 917,492</u>	<u>\$ 861,332</u>	<u>\$ (1,607)</u>	<u>\$ 1,777,217</u>

NOTE 2 - CASH AND CASH EQUIVALENTS

A. Deposits

Cash and cash equivalents consist of demand deposits and short-term investments. Under Illinois law, the Library is restricted to investing funds in specified types of investment instruments. The following generally represent the types of instruments allowable by State law:

- Direct obligations of federally insured banks and savings and loan associations.
- Insured obligations of Illinois credit unions.
- Securities issued or guaranteed by the U.S. Government.
- Money market mutual funds investing only in U.S. Government-backed securities.
- Commercial paper of U.S. corporations with assets over \$500 million.
- Short-term obligations of the Federal National Mortgage Association.
- Repurchase agreements.
- The Illinois Funds.
- Illinois Metropolitan Investment Fund

At December 31, 2017, the carrying amount of the Library's deposits was \$1,498,154 and the bank balance was \$1,519,624. Also at December 31, 2017, the Library maintained a balance in the Illinois Funds and Illinois Metropolitan Investment Fund. This pooled investment with other libraries is similar in nature to a money market fund and consists primarily of certificates of deposit, U.S. Government securities, commercial paper, and corporate bonds. The deposits are currently held in the following institutions:

	Carrying Amount	Bank Balance
First Midwest Bank	\$ 1,429,166	\$ 1,450,636
Illinois Funds	3,899	3,899
Illinois Metropolitan Investment Fund	65,089	65,089
	<u>\$ 1,498,154</u>	<u>\$ 1,519,624</u>

**Palos Heights Public Library**  
**Notes To The Financial Statements (Continued)**  
**For the Year Ended December 31, 2017**

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NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

B. Policies for Investments

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. 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 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.

NOTE 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, 2017. 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 County Treasurer, who remits them to the Library.

NOTE 4 - 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.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Library is a component unit of the City of Palos Heights, Illinois. Personal property replacement taxes are paid to the City on behalf of the Library, and in turn, the City repays the Library. At December 31, 2017, the City owed \$8,347 to the Library for personal property replacement taxes.

**Palos Heights Public Library  
Notes To The Financial Statements (Continued)  
For the Year Ended December 31, 2017**

NOTE 6 - CAPITAL ASSETS

Total depreciation expense for general government functions for the year was \$330,067. A summary of changes in capital assets for the year ended December 31, 2017 is as follows:

	Balance December 31, 2016	Additions	Dispositions	Balance December 31, 2017
Assets Not Subject to Depreciation				
Land - Library Site	\$ 314,652	\$ 0	\$ 0	\$ 314,652
Subtotal	314,652	0	0	314,652
Assets Subject to Depreciation				
Land Improvements	200,577	0	0	200,577
Building Improvements	5,375,936	12,953	0	5,388,889
Furniture and Equipment	688,221	52,019	0	740,240
Library Collection	583,007	96,663	(145,565)	534,105
Subtotal	6,847,741	161,635	(145,565)	6,863,811
TOTAL CAPITAL ASSETS	7,162,393	161,635	(145,565)	7,178,463
Less Accumulated Depreciation				
Land Improvements	(128,767)	(8,045)	0	(136,812)
Building Improvements	(1,842,178)	(158,337)	0	(2,000,515)
Furniture and Equipment	(529,820)	(42,429)	0	(572,249)
Library Collection	(252,697)	(116,601)	145,565	(223,733)
Subtotal	(2,753,462)	(325,412)	145,565	(2,933,309)
NET CAPITAL ASSETS	\$ 4,408,931	\$ (163,777)	\$ 0	\$ 4,245,154

NOTE 7 – AT RISK INVESTMENT

During the year ended December 31, 2014, the Library was made aware of fraud affecting its holdings in the IMET Convenience Fund. IMET is working to recover the funds but at this time the value of these investments is uncertain. The amount of at risk investment for the year ended December 31, 2017 is \$65,089. As these investments are at risk they have been classified as nonspendable.

NOTE 8 – EXPENDITURES IN EXCESS OF BUDGETED EXPENDITURES

At December 31, 2017, the following funds had expenditures in excess of budgeted expenditures:

Fund	Actual	Budget
Special Reserve Fund	\$ 61,458	\$ 0
Liability Insurance	2,145	1,827

**Palos Heights Public Library**  
**Notes To The Financial Statements (Continued)**  
**For the Year Ended December 31, 2017**

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NOTE 9 – INTERFUND RECEIVABLE/PAYABLE

During the normal course of Library operations, interfund balances are created. The following interfund receivables and payables exist at December 31, 2017:

Fund	Due from Other Funds	Due to Other Funds
General	\$ 44,823	\$ 0
IMRF	0	25,404
Social Security	0	18,898
Audit	0	488
Liability Insurance	0	33
	\$ 44,823	\$ 44,823

NOTE 10 – DEFICIT FUND BALANCE

At December 31, 2017, the following deficit fund balances:

Fund	Balance
IMRF	\$ (12,612)
Social Security	(9,191)
Liability Insurance	(33)

NOTE 11 – SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is May 21, 2018, the date the financial statements were available to be issued.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

The Library allows employees, who retire through the Library’s pension plan disclosed in Note 13, the option to continue in the Library’s health insurance plan as required by Illinois Compiled Statutes (ILCS), but the retiree pays the full premium for the health insurance. This has not created an implicit subsidy as defined by GASB Statement No. 45 (GASB S-45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as the Library’s health insurance plan is considered a community rated plan. In addition, the Library has no explicit subsidy as defined in GASB S-45.

NOTE 13 - PENSION AND RETIREMENT PLAN COMMITMENTS

*Plan Description.* The employer’s defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Library plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

**Palos Heights Public Library  
Notes To The Financial Statements (Continued)  
For the Year Ended December 31, 2017**

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NOTE 13 – PENSION PLAN COMMITMENT (CONTINUED)

*Benefits Provided.* IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date). All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement. Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of 3% of the original pension amount, or 1/2 of the increase in the Consumer Price Index of the original pension amount.

*Funding Policy.* As set by statute, the Library Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2017 was 12.25 percent of annual covered payroll. The Library also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Annual Pension Cost.* For the calendar year ending December 31, 2017, the Library actual contributions for pension cost for the Regular were \$68,763.

The employees of the library are pooled with the employees of the City of Palos Heights for purposes of the actuarial valuation. Using a calculation based on annuitant data and contribution totals the Village and Library have reached an agreement that the library will report 15.99% of the total pension related liabilities allocated to the City.

In accordance with GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – An amendment of GASB No. 27", the following information provided.

**Palos Heights Public Library**  
**Notes To The Financial Statements (Continued)**  
**For the Year Ended December 31, 2017**

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NOTE 13 – PENSION PLAN COMMITMENT (CONTINUED)

Actuarial Valuation Date	December 31, 2017
Measurement Date of the Net Pension Liability	December 31, 2017
Fiscal Year End	December 31, 2018

Membership

Number of	
- Retirees and Beneficiaries	14
- Inactive, Non-Retired Members	5
- Active Members	8
- Total	<u>27</u>

Covered Valuation Payroll	<u>\$ 561,333</u>
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Net Pension Liability

Total Pension Liability/(Asset)	\$ 3,119,954
Plan Fiduciary Net Position	<u>2,998,621</u>

Net Pension Liability/(Asset)	<u>\$ 121,333</u>
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Plan Fiduciary Net Position as a Percentage of total Pension liability	96.11%
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Net Pension Liability as a Percentage of Covered Valuation Payroll	21.62%
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Development of the Single Discount Rate as of December 31, 2017

Long-Term Expected Rate of Investment Return	7.50%
Long-Term Municipal Bond Rage	3.31%

Last year December 31 in the 2018 to 2117 projection period for which projected benefit payments are fully funded	2117
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Resulting Single Discount Rate based on the above development	7.50%
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Single Discount Rate Calculated using December 31, 2016 Measurement Date	7.50%
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Total Pension Expense/(Income)	<u>\$ 100,739</u>
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Deferred Outflows and Deferred Inflows of Resources by Source  
(to be recognized in Future Pension Expenses)

	Outflows of Resources	Inflows of Resources
1. Difference between expected and actual experience	\$ 4,333	\$ 33,154
2. Assumption Changes	748	78,085
3. Net Difference between projected and actual earnings on pension plan investments	85,584	215,560
4. Contribution Rate Changes	<u>14,240</u>	<u>12,473</u>
5. Total	<u>\$ 104,905</u>	<u>\$ 339,272</u>



**Palos Heights Public Library**  
**Notes To The Financial Statements (Continued)**  
**For the Year Ended December 31, 2017**

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NOTE 13 – PENSION PLAN COMMITMENT (CONTINUED)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

CURRENT PERIOD

Calendar Year Ended December 31, 2017

A. Total pension liability	
1. Service cost	\$ 56,162
2. Interest on the total pension liability	228,662
3. Changes of benefit terms	0
4. Difference between expected and actual experience of the total pension liability	(10,091)
5. Changes of assumptions	(106,300)
6. Benefit payments, including refunds of employee contributions	(138,446)
7. Net change in total pension liability	29,987
8. Total pension liability – beginning	3,089,967
9. Total pension liability – ending	<u>\$ 3,119,954</u>
B. Plan fiduciary net position	
1. Contributions – employer	\$ 68,763
2. Contributions – employee	37,988
3. Net investment income	464,098
4. Benefit payments, including refunds of employee contributions	(138,446)
5. Other (net transfer)	(89,867)
6. Net change in plan fiduciary net position	342,535
7. Plan fiduciary net position – beginning	2,656,086
8. Plan fiduciary net position – ending	<u>\$ 2,998,621</u>
C. Net pension liability/(asset)	<u>\$ 121,333</u>
D. Plan fiduciary net position as a percentage of the total pension liability	96.11%
E. Covered Valuation Payroll	\$ 561,333
F. Net pension liability as a percentage of covered valuation payroll	21.62%

**Palos Heights Public Library**  
**Notes To The Financial Statements (Continued)**  
**For the Year Ended December 31, 2017**

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NOTE 13 – PENSION PLAN COMMITMENT (CONTINUED)

Deferred outflows and deferred inflows of resources  
by year to be recognized in future pension expenses

Year Ending December 31	Net Deferred Outflows of Resources
2018	\$ 54,046
2019	63,826
2020	62,605
2021	53,890
2022	0
Thereafter	0
Total	<u>\$ 234,367</u>

Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry-Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.50%
Salary Increases	3.39% to 14.25%
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.

**Mortality** For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). the 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). the IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality table applying the same adjustment that was applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information: There were no benefit changes during the year.

**Palos Heights Public Library  
Notes To The Financial Statements (Continued)  
For the Year Ended December 31, 2017**

NOTE 13 – PENSION PLAN COMMITMENT (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2017:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	6.85%
International Equity	17%	6.75%
Fixed Income	27%	3.00%
Real Estate	8%	5.75%
Alternative Investments	9%	2.65% - 7.35%
Cash Equivalents	1%	2.25%
	<u>100%</u>	

CALCULATION OF THE SINGLE DISCOUNT RATE

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78%; and the resulting single discount rate is 7.50%.

SENSITIVITY OF NET PENSION LIABILITY/(ASSET) TO THE SINGLE DISCOUNT RATE ASSUMPTION

	1% Decrease 6.50%	Current Single Discount Rate Assumption 7.50%	1% Increase 8.50%
Total Pension Liability	\$ 3,529,781	\$ 3,119,954	\$ 2,784,131
Plan Fiduciary Net Position	2,998,621	2,998,621	2,998,621
Net Pension Liability/(Asset)	<u>\$ 531,160</u>	<u>\$ 121,333</u>	<u>\$ (214,490)</u>

**Palos Heights Public Library  
IMRF Pension Disclosures  
For the Year Ended December 31, 2017**

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Required Supplementary Information

In accordance with GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27", the financial statements of employers also include required supplementary information showing the 10-year fiscal history of:

- Sources of changes in the net pension liability
- Information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percent of covered-employee payroll, and
- Comparison of actual employer contributions to the actuarially determined contributions based on the plan's funding policy.

**MULTIYEAR SCHEDULE OF CONTRIBUTIONS  
Last 10 Plan Years**

<u>Fiscal Year Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a % of Covered Valuation Payroll</u>
2014	\$ 68,446	\$ 69,266	\$ (820)	\$ 397,848	17.41%
2015	66,039	67,886	(1,847)	524,217	12.95%
2016	70,775	69,980	795	553,359	12.65%
2017	68,796 *	68,763	33	561,333	12.25%

\* Estimated based on contribution rate of 12.25% and covered valuation payroll of \$561,333.

**Palos Heights Public Library  
IMRF Pension Disclosures (Continued)  
For the Year Ended December 31, 2017**

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NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine 2017 Contribution Rates:

Actuarial Cost Method	Aggregate Entry-Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 26-year closed period Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. Early Retirement Incentive Plan liabilities: a period up to 10 years elected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 21 years for most employers (two employers were financed over 30 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	3.50%
Price Inflation	2.75% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	3.75% to 14.5% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information: There were no benefit changes during the year.

**Palos Heights Public Library  
IMRF Pension Disclosures (Continued)  
For the Year Ended December 31, 2017**

Schedules of Required Supplementary Information  
Multiyear Schedule of Changes in Net Pension Liability and Related Ratios  
Last 10 Plan Years (When Available)

Plan Year Ending December 31,	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 56,162	\$ 59,144	\$ 55,331	\$ 61,740
Interest on the total pension liability	228,662	228,295	202,945	202,780
Changes of benefit terms	0	0	0	0
Difference between expected and actual experience of the total pension liability	(10,091)	(56,904)	20,985	(31,239)
Changes of assumptions	(106,300)	(7,947)	3,624	99,530
Benefit payments, including refunds of employee contributions	<u>(138,446)</u>	<u>(132,446)</u>	<u>(120,109)</u>	<u>(119,832)</u>
Net change in total pension liability	29,987	90,142	162,776	212,979
Total pension liability— beginning	<u>3,089,967</u>	<u>3,088,718</u>	<u>2,741,934</u>	<u>2,732,782</u>
Total pension liability – ending	<u>\$ 3,119,954</u>	<u>\$ 3,178,860</u>	<u>\$ 2,904,710</u>	<u>\$ 2,945,761</u>
<b>Plan fiduciary net position</b>				
Contributions – employer	\$ 68,763	\$ 69,980	\$ 67,886	\$ 69,266
Contributions – employee	37,988	24,526	22,963	24,563
Net investment income	464,098	177,080	12,019	151,674
Benefit payments, including refunds of employee contributions	(138,446)	(132,446)	(120,109)	(119,832)
Other (net transfer)	<u>(89,867)</u>	<u>11,438</u>	<u>26,371</u>	<u>(26,348)</u>
Net change in plan fiduciary net position	342,535	150,578	9,130	99,323
Plan fiduciary net position Beginning	<u>2,656,086</u>	<u>2,581,918</u>	<u>2,418,972</u>	<u>2,499,469</u>
Ending	<u>\$ 2,998,621</u>	<u>\$ 2,732,496</u>	<u>\$ 2,428,102</u>	<u>\$ 2,598,792</u>
<b>Net pension liability/(asset)</b>	<u>\$ 121,333</u>	<u>\$ 446,364</u>	<u>\$ 476,608</u>	<u>\$ 346,969</u>
<b>Plan fiduciary net position as a percent of the total pension liability</b>	96.11%	85.96%	83.59%	88.22%
<b>Covered Valuation Payroll</b>	\$ 561,333	\$ 553,359	\$ 524,217	\$ 539,372
<b>Net pension liability as a percent of covered valuation payroll</b>	21.62%	80.66%	90.92%	64.33%

**Palos Heights Public Library  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended December 31, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property Taxes	\$ 1,260,302	\$ 1,260,302	\$ 1,240,118	\$ (20,184)
Replacement Taxes	8,000	8,000	8,347	347
Interest	600	600	5,001	4,401
Grants	10,000	10,000	9,717	(283)
Front Desk	49,000	49,000	39,603	(9,397)
Gifts	1,500	1,500	3,820	2,320
Miscellaneous	0	0	2,906	2,906
<b>TOTAL REVENUES</b>	<b>1,329,402</b>	<b>1,329,402</b>	<b>1,309,512</b>	<b>(19,890)</b>
<b>EXPENDITURES</b>				
Operational Salaries	704,000	704,000	695,265	8,735
Employee Benefits	82,404	82,404	66,114	16,290
Staff and Board Development	15,500	15,500	12,866	2,634
Professional Services	13,500	13,500	9,503	3,997
Contractual, Printing, Maintenance	258,539	258,539	264,587	(6,048)
Office Expense	35,424	35,424	34,304	1,120
Library Materials	202,750	202,750	208,073	(5,323)
Capital Equipment	3,250	3,250	12,330	(9,080)
<b>TOTAL EXPENDITURES</b>	<b>1,315,367</b>	<b>1,315,367</b>	<b>1,303,042</b>	<b>12,325</b>
<b>EXCESS OF REVENUES OVER OVER EXPENDITURES</b>	<b>14,035</b>	<b>14,035</b>	<b>6,470</b>	<b>(7,565)</b>
<b>OTHER FINANCING USES</b>				
Transfers Out	0	0	(345,968)	(345,968)
<b>TOTAL OTHER FINANCING USES</b>	<b>0</b>	<b>0</b>	<b>(345,968)</b>	<b>(345,968)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 14,035</b>	<b>\$ 14,035</b>	<b>(339,498)</b>	<b>\$ (353,533)</b>
<b>FUND BALANCE, BEGINNING OF YEAR,</b>			<b>1,256,990</b>	
<b>END OF YEAR</b>			<b>\$ 917,492</b>	

**Palos Heights Public Library**  
**General Fund**  
**Schedule of Expenditures - Budget and Actual**  
**For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>EXPENDITURES</b>				
Operational Salaries				
Salaried Employees	\$ 537,000	\$ 537,000	\$ 510,050	\$ 26,950
Hourly Employees	162,000	162,000	180,812	(18,812)
Additional Compensation	5,000	5,000	4,403	597
	<u>704,000</u>	<u>704,000</u>	<u>695,265</u>	<u>8,735</u>
Employee Benefits				
Health Insurance	82,404	82,404	66,114	16,290
	<u>82,404</u>	<u>82,404</u>	<u>66,114</u>	<u>16,290</u>
Staff and Board Development				
Membership Fees	2,500	2,500	2,611	(111)
Board Development	3,000	3,000	300	2,700
Administrator	1,000	1,000	435	565
Professional Staff	4,500	4,500	4,467	33
Support Staff	1,500	1,500	1,215	285
Mileage Reimbursement	1,500	1,500	1,082	418
Gift Reimbursement	1,500	1,500	2,756	(1,256)
	<u>15,500</u>	<u>15,500</u>	<u>12,866</u>	<u>2,634</u>
Professional Services				
Legal Fees	3,000	3,000	1,518	1,482
Professional Fees	7,500	7,500	4,920	2,580
Appraisal	3,000	3,000	3,065	(65)
	<u>13,500</u>	<u>13,500</u>	<u>9,503</u>	<u>3,997</u>
Contractual, Printing and Maintenance				
Contractual Services	124,950	124,950	129,761	(4,811)
Printing	14,200	14,200	12,721	1,479
Maintenance - Building/Facility	45,000	45,000	46,908	(1,908)
Insurance	13,289	13,289	14,196	(907)
Library Program	42,000	42,000	42,571	(571)
Public Relations	2,500	2,500	2,633	(133)
Utilities	15,600	15,600	15,029	571
Credit Card Fees	1,000	1,000	768	232
	<u>258,539</u>	<u>258,539</u>	<u>264,587</u>	<u>(6,048)</u>
Subtotal Forward	<u>\$ 1,073,943</u>	<u>\$ 1,073,943</u>	<u>\$ 1,048,335</u>	<u>\$ 25,608</u>



**Palos Heights Public Library**  
**General Fund**  
**Schedule of Expenditures - Budget and Actual - Continued**  
**For the Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>With Final Budget</u>
<b>EXPENDITURES</b>				
Subtotal Forward	\$ 1,073,943	\$ 1,073,943	\$ 1,048,335	\$ 25,608
Office Expenses				
Office Supplies	15,450	15,450	15,271	179
Equipment Maintenance	9,974	9,974	9,358	616
Cleaning Supplies	5,000	5,000	4,877	123
Mailing Expenses	5,000	5,000	4,798	202
	<u>35,424</u>	<u>35,424</u>	<u>34,304</u>	<u>1,120</u>
Library Materials				
Library Materials	202,750	202,750	208,073	(5,323)
	<u>202,750</u>	<u>202,750</u>	<u>208,073</u>	<u>(5,323)</u>
Capital Equipment				
Furniture and Equipment	0	0	8,902	(8,902)
Landscaping	3,250	3,250	3,428	(178)
	<u>3,250</u>	<u>3,250</u>	<u>12,330</u>	<u>(9,080)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,315,367</u>	<u>\$ 1,315,367</u>	<u>\$ 1,303,042</u>	<u>\$ 12,325</u>

**Palos Heights Public Library**  
**Special Reserve Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**No Legally Adopted Budget**  
**For the Year Ended December 31, 2017**

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	<u>Actual</u>
<b>REVENUES</b>	\$ 0
<b>EXPENDITURES</b>	
Capital Outlay	<u>61,458</u>
<b>TOTAL EXPENDITURES</b>	<u>61,458</u>
<b>EXCESS OF REVENUES OVER OVER EXPENDITURES</b>	<u>(61,458)</u>
<b>OTHER FINANCING USES</b>	
Transfers In	<u>345,968</u>
<b>TOTAL OTHER FINANCING USES</b>	<u>345,968</u>
<b>NET CHANGE IN FUND BALANCE</b>	284,510
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>576,822</u>
<b>END OF YEAR</b>	<u><u>\$ 861,332</u></u>

**Palos Heights Public Library  
Non Major Funds  
Combining Balance Sheet  
December 31, 2017**

	Special Revenue Funds					Total	
	IMRF	Social Security	Audit	Liability Insurance	Workers Compensation		Unemployment Compensation
<b>ASSETS</b>							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,431	\$ 12,730	\$ 19,161
Property Taxes Receivable	74,248	56,344	7,109	0	1,924	0	139,625
<b>TOTAL ASSETS</b>	<u>74,248</u>	<u>56,344</u>	<u>7,109</u>	<u>0</u>	<u>8,355</u>	<u>12,730</u>	<u>158,786</u>
<b>DEFERRED OUTFLOWS</b>	0	0	0	0	0	0	0
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>74,248</u>	<u>56,344</u>	<u>7,109</u>	<u>0</u>	<u>8,355</u>	<u>12,730</u>	<u>158,786</u>
<b>LIABILITIES</b>							
Due To Other Funds	25,404	18,898	488	33	0	0	44,823
<b>TOTAL LIABILITIES</b>	<u>25,404</u>	<u>18,898</u>	<u>488</u>	<u>33</u>	<u>0</u>	<u>0</u>	<u>44,823</u>
<b>DEFERRED INFLOWS</b>							
Deferred Taxes	61,456	46,637	5,884	0	1,593	0	115,570
<b>TOTAL DEFERRED INFLOWS</b>	<u>61,456</u>	<u>46,637</u>	<u>5,884</u>	<u>0</u>	<u>1,593</u>	<u>0</u>	<u>115,570</u>
<b>FUND BALANCES</b>							
Fund Balances							
Restricted	0	0	737	0	6,762	12,730	20,229
Unassigned	(12,612)	(9,191)	0	(33)	0	0	(21,836)
<b>TOTAL FUND BALANCES</b>	<u>(12,612)</u>	<u>(9,191)</u>	<u>737</u>	<u>(33)</u>	<u>6,762</u>	<u>12,730</u>	<u>(1,607)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<u>\$ 74,248</u>	<u>\$ 56,344</u>	<u>\$ 7,109</u>	<u>\$ 0</u>	<u>\$ 8,355</u>	<u>\$ 12,730</u>	<u>\$ 158,786</u>

**Palos Heights Public Library**  
**Non Major Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)**  
**For the Year Ended December 31, 2017**

	Special Revenue Funds						Total
	IMRF	Social Security	Audit	Liability Insurance	Workers Compensation	Unemployment Compensation	
<b>REVENUES</b>							
Property Taxes	\$ 62,565	\$ 43,838	\$ 6,025	\$ 0	\$ 3,024	\$ 0	\$ 115,452
<b>TOTAL REVENUES</b>	<u>62,565</u>	<u>43,838</u>	<u>6,025</u>	<u>0</u>	<u>3,024</u>	<u>0</u>	<u>115,452</u>
<b>EXPENDITURES</b>							
IMRF	68,763	0	0	0	0	0	68,763
Social Security	0	52,362	0	0	0	0	52,362
Audit	0	0	6,250	0	0	0	6,250
Liability Insurance	0	0	0	2,145	0	0	2,145
Workers Compensation	0	0	0	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<u>68,763</u>	<u>52,362</u>	<u>6,250</u>	<u>2,145</u>	<u>0</u>	<u>0</u>	<u>129,520</u>
<b>NET CHANGE IN FUND BALANCES</b>	(6,198)	(8,524)	(225)	(2,145)	3,024	0	(14,068)
<b>FUND BALANCES (DEFICITS), BEGINNING OF YEAR,</b>	<u>(6,414)</u>	<u>(667)</u>	<u>962</u>	<u>2,112</u>	<u>3,738</u>	<u>12,730</u>	<u>12,461</u>
<b>END OF YEAR</b>	<u>\$ (12,612)</u>	<u>\$ (9,191)</u>	<u>\$ 737</u>	<u>\$ (33)</u>	<u>\$ 6,762</u>	<u>\$ 12,730</u>	<u>\$ (1,607)</u>

**Palos Heights Public Library**  
**IMRF Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Deficit**  
**Budget and Actual**  
**For the Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property Taxes	\$ 68,354	\$ 68,354	\$ 62,565	\$ (5,789)
<b>TOTAL REVENUES</b>	<u>68,354</u>	<u>68,354</u>	<u>62,565</u>	<u>(5,789)</u>
<b>EXPENDITURES</b>				
Employee Benefits	<u>70,500</u>	<u>70,500</u>	<u>68,763</u>	<u>1,737</u>
<b>TOTAL EXPENDITURES</b>	<u>70,500</u>	<u>70,500</u>	<u>68,763</u>	<u>1,737</u>
<b>NET CHANGE IN FUND DEFICIT</b>	<u>\$ (2,146)</u>	<u>\$ (2,146)</u>	<u>(6,198)</u>	<u>\$ (4,052)</u>
<b>FUND DEFICIT, BEGINNING OF YEAR,</b>			<u>(6,414)</u>	
<b>END OF YEAR</b>			<u>\$ (12,612)</u>	

**Palos Heights Public Library**  
**Social Security Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Deficit**  
**Budget and Actual**  
**For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 51,872	\$ 51,872	\$ 43,838	\$ (8,034)
<b>TOTAL REVENUES</b>	<u>51,872</u>	<u>51,872</u>	<u>43,838</u>	<u>(8,034)</u>
<b>EXPENDITURES</b>				
FICA	<u>53,500</u>	<u>53,500</u>	<u>52,362</u>	<u>1,138</u>
<b>TOTAL EXPENDITURES</b>	<u>53,500</u>	<u>53,500</u>	<u>52,362</u>	<u>1,138</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,628)</u>	<u>\$ (1,628)</u>	<u>(8,524)</u>	<u>\$ (6,896)</u>
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR,</b>			<u>(667)</u>	
<b>END OF YEAR</b>			<u>\$ (9,191)</u>	

**Palos Heights Public Library**  
**Audit Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 6,545	\$ 6,545	\$ 6,025	\$ (520)
<b>TOTAL REVENUES</b>	<u>6,545</u>	<u>6,545</u>	<u>6,025</u>	<u>(520)</u>
<b>EXPENDITURES</b>				
Audit	<u>6,750</u>	<u>6,750</u>	<u>6,250</u>	<u>500</u>
<b>TOTAL EXPENDITURES</b>	<u>6,750</u>	<u>6,750</u>	<u>6,250</u>	<u>500</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (205)</u>	<u>\$ (205)</u>	<u>(225)</u>	<u>\$ (20)</u>
<b>FUND BALANCE, BEGINNING OF YEAR,</b>			<u>962</u>	
<b>END OF YEAR</b>			<u>\$ 737</u>	

**Palos Heights Public Library**  
**Liability Insurance Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)**  
**Budget and Actual**  
**For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>EXPENDITURES</b>				
Public Officials Liability	1,827	1,827	2,145	(318)
<b>TOTAL EXPENDITURES</b>	1,827	1,827	2,145	(318)
<b>NET CHANGE IN FUND BALANCE</b>	\$ (1,827)	\$ (1,827)	(2,145)	\$ (318)
<b>FUND BALANCE (DEFICIT), BEGINNING OF YEAR</b>			2,112	
<b>END OF YEAR</b>			\$ (33)	



**Palos Heights Public Library**  
**Workers Compensation Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1,771	\$ 1,771	\$ 3,024	\$ 1,253
<b>TOTAL REVENUES</b>	<u>1,771</u>	<u>1,771</u>	<u>3,024</u>	<u>1,253</u>
<b>EXPENDITURES</b>				
Workers Compensation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL EXPENDITURES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 1,771</u>	<u>\$ 1,771</u>	3,024	<u>\$ 1,253</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>3,738</u>	
<b>END OF YEAR</b>			<u>\$ 6,762</u>	

**Palos Heights Public Library**  
**Unemployment Compensation Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES	\$ 0	\$ 0	\$ 0	\$ 0
EXPENDITURES	0	0	0	0
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	0	<u>\$ 0</u>
FUND BALANCE, BEGINNING OF YEAR			<u>12,730</u>	
END OF YEAR			<u>12,730</u>	

**Palos Heights Public Library  
Computation of Legal Debt Margin  
For The Fiscal Year Ended December 31, 2017**

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ASSESSED VALUATION - 2016	<u>\$ 396,160,414</u>
STATUTORY DEBT LIMITATION 2.875% of Assessed Valuation	11,389,612
TOTAL DEBT	<u>0</u>
LEGAL DEBT MARGIN	<u>\$ 11,389,612</u>