

**LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2016



LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	1-3
GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS	
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	4
Statement of Activities	5
Fund Financial Statements	
Governmental Fund	
Balance Sheet.....	6
Reconciliation of Fund Balance of Governmental Funds to the Governmental Activities in the Statement of Net Position.....	7
Statement of Revenues, Expenditures and Changes in Fund Balance.....	8
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Governmental Activities in the Statement of Activities	9
Notes to Financial Statements	10-24
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.....	25
Notes to Required Supplementary Information	26
SUPPLEMENTAL DATA	
Schedule of Expenditures - Budget and Actual - General Fund	27
Illinois Municipal Retirement Fund	
Schedule of Employer Contributions	28
Schedule of Changes in the Employers’ Net Pension Liability and Related Ratios.....	29

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

Members of the Public Library Board
La Grange Public Library
La Grange, Illinois

We have audited the accompanying financial statements of the governmental activities and the major governmental fund of the La Grange Public Library, La Grange, Illinois (the Library), as of and for the year ended April 30, 2016, 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major governmental fund of the La Grange Public Library, La Grange, Illinois as of April 30, 2016, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

The Library adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, a change in accounting principle, which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses; modified certain disclosures in the notes to financial statements; and the required supplementary information as discussed in Notes 7 and 9 to financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the required supplementary information 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 taken as whole. The supplemental data is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental data is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare

the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sikich LLP

Naperville, Illinois
October 21, 2016

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

**LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS**

STATEMENT OF NET POSITION

April 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 4,116,541
Receivables (net of allowance where applicable)	
Property taxes	1,361,054
Prepaid expenses	22,842
Capital assets	
Capital assets not being depreciated	94,418
Capital assets being depreciated, net of accumulated depreciation	<u>7,174,602</u>
 Total assets	 <u>12,769,457</u>
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized loss on refunding	258,879
Pension related items	<u>370,372</u>
 Total deferred outflows of resources	 <u>629,251</u>
 Total assets and deferred outflows of resources	 <u>13,398,708</u>
LIABILITIES	
Accounts payable	4,086
Accrued payroll	52,080
Accrued interest payable	42,493
Noncurrent liabilities	
Due within one year	589,990
Due in more than one year	<u>5,604,242</u>
 Total liabilities	 <u>6,292,891</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred property taxes	<u>2,833,694</u>
 Total deferred inflows of resources	 <u>2,833,694</u>
 Total liabilities and deferred inflows of resources	 <u>9,126,585</u>
NET POSITION	
Net investment in capital assets	2,347,543
Restricted	
Endowment	20,000
Working cash	154,725
Unrestricted	<u>1,749,855</u>
 TOTAL NET POSITION	 <u><u>\$ 4,272,123</u></u>

See accompanying notes to financial statements.

**LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS**

STATEMENT OF ACTIVITIES

For the Year April 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities
PRIMARY GOVERNMENT					
Governmental Activities					
Culture and recreation	\$ 2,386,570	\$ 45,681	\$ 25,889	\$ -	\$ (2,315,000)
Interest and fiscal charges	131,574	-	-	-	(131,574)
<hr/>					
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,518,144	\$ 45,681	\$ 25,889	\$ -	(2,446,574)
<hr/>					
General Revenues					
Taxes					
Property					
2,774,204					
Replacement					
27,018					
Investment income					
15,026					
Miscellaneous					
61,229					
<hr/>					
Total					
2,877,477					
<hr/>					
CHANGE IN NET POSITION					
430,903					
<hr/>					
NET POSITION, MAY 1					
4,355,046					
<hr/>					
Change in accounting principle					
(513,826)					
<hr/>					
NET POSITION, MAY 1, RESTATED					
3,841,220					
<hr/>					
NET POSITION, APRIL 30					
\$ 4,272,123					

See accompanying notes to financial statements.

**LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS**

**BALANCE SHEET
GOVERNMENTAL FUND**

April 30, 2016

	General
ASSETS	
Cash and investments	\$ 4,116,541
Receivables	
Property taxes	1,361,054
Prepaid items	22,842
TOTAL ASSETS	\$ 5,500,437
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
 LIABILITIES	
Accounts payable	\$ 4,086
Accrued payroll	52,080
Total liabilities	56,166
 DEFERRED INFLOWS OF RESOURCES	
Unavailable property taxes	2,833,694
Total deferred inflows of resources	2,833,694
Total liabilities and deferred inflows of resources	2,889,860
 FUND BALANCE	
Nonspendable	
Prepaid items	22,842
Endowment	20,000
Working cash	154,725
Committed	
Special building fund	514,170
Unrestricted	
Unrestricted	1,898,840
Total fund balance	2,610,577
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 5,500,437

See accompanying notes to financial statements.

**LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS**

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

April 30, 2016

FUND BALANCE OF GOVERNMENTAL FUNDS	\$ 2,610,577
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	7,269,020
Accrued interest on long-term liabilities is shown as a liability on the statement of net position	(42,493)
Unamortized loss on bond refunding is shown as a deferred outflow of resources on the statement of net position	258,879
Unamortized premium on Village bonds is shown as a liability on the statement of net position	(90,355)
Deferred outflows of resources related to the Library's participation in IMRF are not financial resources and, therefore, are not reported in the governmental funds	370,372
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Due to Village	(5,090,000)
Compensated absences	(54,950)
Net pension obligation - IMRF	(958,927)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 4,272,123</u></u>

See accompanying notes to financial statements.

**LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS**

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

For the Year Ended April 30, 2016

	<u>General</u>
REVENUES	
Taxes	
Property	\$ 2,774,204
Replacement	27,018
Intergovernmental	24,938
Fines and forfeits	45,681
Investment income	15,026
Miscellaneous	
Donations	951
Other	61,229
	<hr/>
Total revenues	2,949,047
	<hr/>
EXPENDITURES	
Current	
Culture and recreation	1,969,154
Capital outlay	164,882
Debt service	
Principal	515,000
Interest	112,850
	<hr/>
Total expenditures	2,761,886
	<hr/>
NET CHANGE IN FUND BALANCE	187,161
FUND BALANCE, MAY 1	2,423,416
	<hr/>
FUND BALANCE, APRIL 30	<u><u>\$ 2,610,577</u></u>

See accompanying notes to financial statements.

**LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS**

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

For the Year Ended April 30, 2015

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 187,161
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	20,000
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Depreciation of capital assets	(249,542)
Amortization of loss on refunding	(28,764)
The amortization of premium on long-term debt does not provide current financial resources and, therefore, is not reported as revenue in the governmental funds	10,040
The repayment of the principal portion of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities	515,000
The change in deferred outflows is reported as an expense on the statement of activities	313,289
The change in the net pension liability is reported as an expense on the statement of activities	(341,830)
The change in certain liabilities are reported as expenses on the statement of activities	
Compensated absences	1,593
Accrued interest payable	3,956
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 430,903</u></u>

See accompanying notes to financial statements.

**LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

April 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

b. Fund Accounting

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

Funds are classified as governmental funds.

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

c. Government-Wide and Fund Financial Statements

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

LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements (Continued)

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

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

The Library reports the following major governmental fund:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library.

d. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The Library recognizes property taxes when they become both measurable and available in the year intended to finance. A one-month availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

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

LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Basis of Accounting (Continued)

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

e. Investments

Investments with a maturity of one year or less when purchased and non-negotiable certificates of deposit are stated at amortized cost. Investments with a maturity greater than one year when purchased are reported at fair value.

f. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items.

g. Capital Assets

Capital assets, which include land, buildings and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 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 estimated fair market 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.

LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Capital Assets (Continued)

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

Assets	Years
Buildings	20-40
Furniture and fixtures	5-20
Office equipment	5-20

h. Compensated Absences

Vested or accumulated vacation and sick leave, including related Social Security and Medicare, that is owed retirees or terminated employees is reported as an expenditure and a fund liability of the governmental fund that will pay it in the fund financial statements. Vested or accumulated vacation and sick leave of governmental activities at the government-wide level is recorded as an expense and liability as the benefits accrue to active employees.

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 column. The Village issued bonds for the benefit of the Library. This is recorded as a long-term payable on the governmental-wide financial statements, but not in the fund financial statements.

j. 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 acquisition of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Fund Equity/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. None of the restricted fund balance result 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 and ordinances approved by the Library Board of Trustees. Assigned fund balance represents amounts constrained by the Library's intent to use them for a specific purpose. The Library Board of Trustees has not delegated the authority to assign fund balance. Any residual fund balance of the General Fund is reported as unassigned.

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

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

l. 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, liabilities, deferred inflows and outflows of resources and disclosure of contingent assets, liabilities and deferred inflows and outflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures/expense during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

a. Deposits with Financial Institutions

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

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the state to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Funds' share price, which is the price the investment could be sold for.

1) Deposits

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 does not allow for any funds to exceed the amount covered by any applicable insurance plan.

2) Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Library limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed within a three-month period by utilizing Illinois Funds. In addition, the policy requires the Library to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

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 Illinois Funds. Illinois Funds are rated AAA by Standard and Poor's.

LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

a. Deposits with Financial Institutions (Continued)

2) Investments (Continued)

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

Concentration of credit risk is the risk that the Library has a high percentage of their investments invested in one type of investment. At April 30, 2016, the Library's investment in certificates of deposits were limited to the insured maximum for each institution. The Library's investment policy requires diversification of investments to the best of its abilities based on the type of funds invested and the cash flow needs of those funds.

3. RECEIVABLES - TAXES

Property taxes for 2015 attach as an enforceable lien on January 1, 2015, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about February 1, 2016 and July 1, 2016 and are payable in two installments, on or about March 1, 2016 and September 1, 2016. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 3% of the tax levy and 5% of the debt service levy to reflect actual collection experience.

The 2016 tax levy, which attached as an enforceable lien on property as of January 1, 2016, has not been recorded as a receivable as of April 30, 2016, as the tax has not yet been levied by the Village and will not be levied until December 2016 and, therefore, the levy is not measurable at April 30, 2016.

LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS

The following is a summary of capital asset activity during the fiscal year:

	Balances May 1	Increases	Decreases	Balances April 30
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 94,418	\$ -	\$ -	\$ 94,418
Total capital assets not being depreciated	94,418	-	-	94,418
Capital assets being depreciated				
Buildings	8,930,282	-	-	8,930,282
Furniture and fixtures	249,338	-	-	249,338
Office equipment	138,999	-	-	138,999
Intangible	-	20,000	-	20,000
Total capital assets being depreciated	9,318,619	20,000	-	9,338,619
Less accumulated depreciation for				
Buildings	1,772,939	224,341	-	1,997,280
Furniture and fixtures	94,724	12,926	-	107,650
Office equipment	46,812	12,275	-	59,087
Total accumulated depreciation	1,914,475	249,542	-	2,164,017
Total capital assets being depreciated, net	7,404,144	(229,542)	-	7,174,602
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 7,498,562	\$ (229,542)	\$ -	\$ 7,269,020

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

GOVERNMENTAL ACTIVITIES	
Culture and recreation	<u>\$ 249,542</u>

LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT

a. Changes in Long-Term Debt

The following is a summary of changes in long-term liabilities for the year ended April 30, 2016:

	Balances, May 1	Additions	Retirements	Balances, April 30	Current Portion
Due to Village	\$ 5,605,000	\$ -	\$ 515,000	\$ 5,090,000	\$ 525,000
Net pension obligation - IMRF	617,097	341,830	-	958,927	-
Unamortized bond premium	100,395	-	10,040	90,355	10,040
Compensated absences	56,543	54,950	56,543	54,950	54,950
TOTAL LONG-TERM LIABILITIES	\$ 6,379,035	\$ 396,780	\$ 581,583	\$ 6,194,232	\$ 589,990

b. Governmental Activities

General obligation bonds are direct obligations of the Village and pledge the full faith and credit of the Village. General obligation bonds currently outstanding are as follows:

	Fund Debt Retired By	Balances May 1	Additions	Reductions	Balances April 30	Current Portion
\$6,205,000 2012B General Obligation Refunding Library Bonds, due in annual installments of \$50,000 to \$600,000 from September 25, 2012 to December 1, 2024, plus interest at 2.000% to 2.125%. While a general obligation of the Village, the principal and interest is to be repaid with the Library's tax levy.	Library Operating	\$ 5,605,000	\$ -	\$ 515,000	\$ 5,090,000	\$ -
		<u>\$ 5,605,000</u>	<u>\$ -</u>	<u>\$ 515,000</u>	<u>\$ 5,090,000</u>	<u>\$ -</u>

These Village bonds are recorded as a due to Village by the Library. The Library's tax levy is used to pay the Village for the principal and interest due.

LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

c. Debt Service Requirements to Maturity

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending April 30,	Village Bonds	
	Principal	Interest
2017	\$ 525,000	\$ 102,550
2018	530,000	92,050
2019	545,000	81,450
2020	555,000	70,550
2021	570,000	59,450
2022	575,000	48,050
2023	590,000	36,550
2024	600,000	24,750
2025	600,000	12,750
TOTAL	\$ 5,090,000	\$ 528,150

6. RISK MANAGEMENT

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

7. DEFINED BENEFIT PENSION PLAN

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

a. Plan Description

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.

7. DEFINED BENEFIT PENSION PLAN (Continued)

a. Plan Description (Continued)

Illinois Municipal Retirement Fund (Continued)

Plan Administration (Continued)

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 4.5% of their annual salary to IMRF. The Village and Library are required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the calendar year ended 2015 was 12.15% of covered payroll. For the year ended December 31, 2015, salaries totaling \$1,064,271 were paid that required employer contributions of \$129,265, which are equal to the Library's actual contributions.

7. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

a. Plan Description (Continued)

Net Pension Liability

At December 31, 2015, the Library reported a liability of \$958,927 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based in the Library's actual contribution to the plan for the year ended December 31, 2015 relative to the contributions of the Village, actuarially determined. At December 31, 2015, the Library's proportion was 22% of the Village's contribution.

Actuarial Assumptions

The Village's net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	3.00%
Salary increases	4.40% to 16.00%
Interest rate	7.50%
Cost of living adjustments	3.00%
Asset valuation method	Market value

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). 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

LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

a. Plan Description (Continued)

Actuarial Assumptions (Continued)

specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). 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 7.5%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was projected to 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 period ended December 31, 2015, the Library recognized pension expense of \$28,541. At December 31, 2015, the Library reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 134,685
Changes in assumption	81,589
Contributions made after measurement date	79,681
Net difference between projected and actual earnings on pension plan investments	74,417
	<u>-</u>
TOTAL	\$ 370,372

LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

a. Plan Description (Continued)

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2016	\$ 134,685
2017	81,589
2018	79,681
2019	74,417
2020	-
Thereafter	-
TOTAL	<u>\$ 370,372</u>

Discount Rate Sensitivity

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ 1,788,416	\$ 958,927	\$ 277,148

LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. OTHER POSTEMPLOYMENT BENEFITS

The Library has evaluated their potential other postemployment benefits liability. The Library provide continued health insurance coverage at the active employer rate to all eligible employees in accordance with Illinois Compiled Statutes, which creates an implicit subsidy of retiree health insurance. Former employees who choose to retain their rights to health insurance through the Library are required to pay 100% of the current premium. However, historically there has been 0% utilization and, therefore, no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additionally, the Library had no former employees for whom the Library was providing an explicit subsidy and no current employees with agreements for future explicit subsidies upon retirement. Therefore, the Library has not recorded any postemployment benefit liability as of April 30, 2016.

9. CHANGE IN ACCOUNTING PRINCIPLE

The Library recorded the following change in accounting during the year ended April 30, 2016:

	<u>Increase (Decrease)</u>
GOVERNMENTAL ACTIVITIES	
Change in accounting principal	
To remove the net pension obligation previously reported for IMRF	\$ 46,188
To record the IMRF net pension liability	(617,097)
To record the IMRF deferred outflows	<u>57,083</u>
TOTAL - GOVERNMENTAL ACTIVITIES	<u>\$ (513,826)</u>

With the implementation of GASB Statements No. 68, the Library is required to retroactively record the net pension liability and write off the net pension asset/obligation. In addition, the implementation of GASB Statement No. 71 obliged the Library to also recognize the beginning balance of deferred outflows related to payments made between the plan's measurement date of December 31, 2014 and the Library's fiscal year end at April 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

**LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS**

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

April 30, 2016

	Original and Final Budget	Actual
REVENUES		
Taxes		
Property	\$ 2,804,749	\$ 2,774,204
Replacement	16,000	27,018
Intergovernmental	24,441	24,938
Fines and forfeits	46,870	45,681
Investment income	2,636	15,026
Miscellaneous		
Donations	1,000	951
Other	1,250	61,229
	<u>2,896,946</u>	<u>2,949,047</u>
Total revenues		
EXPENDITURES		
Current		
Culture and recreation	2,031,196	1,969,154
Capital outlay	493,414	164,882
Debt service		
Principal	515,000	515,000
Interest	112,850	112,850
	<u>3,152,460</u>	<u>2,761,886</u>
Total expenditures		
NET CHANGE IN FUND BALANCE	<u><u>\$ (255,514)</u></u>	<u>187,161</u>
FUND BALANCE, MAY 1		<u>2,423,416</u>
FUND BALANCE, APRIL 30		<u><u>\$ 2,610,577</u></u>

(See independent auditor's report.)

**LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2016

LEGAL COMPLIANCE AND ACCOUNTABILITY

Budgets

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

The Library Board of Trustees has the authority to approve the budget for the General (Public Library) Fund; the Village Board of Trustees approves the tax levy for that fund. State statutes and local ordinances require that the budget be approved before the beginning of the fiscal year.

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

SUPPLEMENTAL DATA

**LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS**

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

For the Year Ended April 30, 2016

	Original and Final Budget	Actual
CULTURE AND RECREATION		
Personnel services	\$ 1,115,537	\$ 1,081,724
Materials and supplies	292,188	273,388
Fringe benefits	344,093	322,824
Contractual services	279,378	282,025
Miscellaneous	-	9,193
TOTAL EXPENDITURES	\$ 2,031,196	\$ 1,969,154

(See independent auditor's report.)

LAGRANGE PUBLIC LIBRARY
LAGRANGE, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2016

	<u>2016</u>
Contractually required contribution	\$ 129,265
Contributions in relation to the contractually required contribution	<u>129,265</u>
CONTRIBUTION DEFICIENCY (Excess)	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 1,064,271
Contributions as a percentage of covered-employee payroll	12.15%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 28 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.5% annually, projected salary increases assumption of 4.4% to 16.0% compounded annually and postretirement benefit increases of 3.0% compounded annually.

(See independent auditor's report.)

LAGRANGE PUBLIC LIBRARY
LAGRANGE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2016

Employer's proportion of net pension liability	22.00%
Employer's proportionate share of net pension liability	\$ 958,927
Employer's covered employee payroll	1,064,271
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	90.10%
Plan fiduciary net position as a percentage of the total pension liability	84.73%

(See independent auditor's report.)