



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

ANNUAL FINANCIAL REPORT

For the Year Ended April 30, 2018



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LA GRANGE PUBLIC LIBRARY
LA GRANGE, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

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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, 2018, 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, 2018, 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.

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 basic financial statements as a whole.

Sikich LLP

Naperville, Illinois
October 16, 2018

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

April 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 4,399,743
Receivables (net of allowance where applicable)	
Property taxes	1,643,152
Prepaid expenses	55,480
Due from other governments	19,438
Capital assets	
Capital assets not being depreciated	178,731
Capital assets being depreciated, net of accumulated depreciation	<u>6,697,328</u>
 Total assets	 <u>12,993,872</u>
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized loss on refunding	201,351
Pension related items	<u>35,905</u>
 Total deferred outflows of resources	 <u>237,256</u>
 Total assets and deferred outflows of resources	 <u>13,231,128</u>
LIABILITIES	
Accounts payable	49,227
Accrued payroll	49,465
Accrued interest payable	37,888
Noncurrent liabilities	
Due within one year	599,936
Due in more than one year	<u>3,605,716</u>
 Total liabilities	 <u>4,342,232</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	540,166
Deferred property taxes	<u>2,974,746</u>
 Total deferred inflows of resources	 <u>3,514,912</u>
 Total liabilities and deferred inflows of resources	 <u>7,857,144</u>
NET POSITION	
Net investment in capital assets	2,972,135
Restricted	
Endowment	20,000
Working cash	157,270
Unrestricted	<u>2,224,579</u>
 TOTAL NET POSITION	 <u><u>\$ 5,373,984</u></u>

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES

For the Year April 30, 2018

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT				
Governmental Activities				
Culture and recreation	\$ 2,317,133	\$ 31,819	\$ 33,526	\$ (2,251,788)
Interest and fiscal charges	110,774	-	-	(110,774)
<hr/>				
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,427,907	\$ 31,819	\$ 33,526	(2,362,562)
<hr/>				
	General Revenues			
	Taxes			
				3,000,416
				29,939
				46,846
				4,070
			Total	3,081,271
	CHANGE IN NET POSITION			718,709
	NET POSITION, MAY 1			4,655,275
	NET POSITION, APRIL 30			\$ 5,373,984

See accompanying notes to financial statements.

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

**BALANCE SHEET
GOVERNMENTAL FUND**

April 30, 2018

	General
ASSETS	
Cash and investments	\$ 4,399,743
Receivables	
Property taxes	1,643,152
Prepaid items	55,480
Due from other governments	19,438
TOTAL ASSETS	\$ 6,117,813
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 49,227
Accrued payroll	49,465
Total liabilities	98,692
DEFERRED INFLOWS OF RESOURCES	
Unavailable property taxes	2,974,746
Unavailable revenue - grants	19,438
Total deferred inflows of resources	2,994,184
Total liabilities and deferred inflows of resources	3,092,876
FUND BALANCE	
Nonspendable	
Prepaid items	55,480
Endowment	20,000
Working cash	157,270
Committed	
Special building fund	522,648
Unrestricted	
Unrestricted	2,269,539
Total fund balance	3,024,937
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 6,117,813

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, 2018

FUND BALANCE OF GOVERNMENTAL FUNDS	\$ 3,024,937
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	6,876,059
Accrued interest on long-term liabilities is shown as a liability on the statement of net position	(37,888)
Unamortized loss on bond refunding is shown as a deferred outflow of resources on the statement of net position	201,351
Unamortized premium on village bonds is shown as a liability on the statement of net position	(70,275)
Grant revenue appropriated by the state, but not yet issued to the local government are reported as deferred revenues at the fund level, but on the government wide level they are reported as revenues	19,438
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	35,905
Deferred inflows of resources related to the Library's participation in IMRF are not financial resources and, therefore, are not reported in the governmental funds	(540,166)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Due to the Village	(4,035,000)
Compensated absences	(44,896)
Net pension obligation - IMRF	<u>(55,481)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 5,373,984</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, 2018

	<u>General</u>
REVENUES	
Taxes	
Property	\$ 3,000,416
Replacement	29,939
Intergovernmental	12,455
Fines and forfeits	31,819
Investment income	46,846
Miscellaneous	
Donations	1,633
Other	4,070
	<hr/>
Total revenues	3,127,178
	<hr/>
EXPENDITURES	
Current	
Culture and recreation	2,112,341
Capital outlay	129,937
Debt service	
Principal	530,000
Interest	92,050
	<hr/>
Total expenditures	2,864,328
	<hr/>
NET CHANGE IN FUND BALANCE	262,850
FUND BALANCE, MAY 1	2,762,087
	<hr/>
FUND BALANCE, APRIL 30	<u><u>\$ 3,024,937</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, 2018

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 262,850
 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	113,719
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	(254,057)
Amortization of loss on refunding	(28,764)
Grant revenue appropriated by the state, but not yet issued to the local government are reported as deferred revenues at the fund level, but on the government wide level they are reported as revenues	19,438
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	530,000
The change in deferred outflows is reported as an expense on the statement of activities	(264,081)
The change in deferred inflows is reported as an expense on the statement of activities	(419,319)
The change in the net pension liability is reported as an expense on the statement of activities	738,400
The change in certain liabilities are reported as expenses on the statement of activities	
Compensated absences	6,161
Accrued interest payable	4,322
	718,709
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 718,709

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

April 30, 2018

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.

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. Measurement Focus and 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 and measurable. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

f. 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 acquisition value at the date of donation.

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

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 financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

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 an 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Deferred Outflows/Inflows of Resources (Continued)

This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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 GAAP 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.

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

2. DEPOSITS AND INVESTMENTS

The Library funds categorizes the fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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.

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

The following table presents the investments and maturities of the Library's debt securities as of April 30, 2018:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater Than 10
Negotiable CD's	\$ 2,931,117	\$ 2,694,829	\$ 236,288	\$ -	\$ -
TOTAL	\$ 2,931,117	\$ 2,694,829	\$ 236,288	\$ -	\$ -

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 The 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.

2. DEPOSITS AND INVESTMENTS (Continued)

a. Deposits with Financial Institutions (Continued)

2) Investments (Continued)

The Library has the following recurring fair value measurements as of April 30, 2018: the negotiable certificates for deposit are valued using quoted matrix pricing models (Level 2 inputs).

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

The Library 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 The Illinois Funds. The Illinois Funds are rated AAA by Standard and Poor's and the negotiable CD's are not rated.

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. The 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, 2018, 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.

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

3. RECEIVABLES - TAXES

Property taxes for 2017 attach as an enforceable lien on January 1, 2017, 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, 2018 and July 1, 2018 and are payable in two installments, on or about March 1, 2018 and September 1, 2018. 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 2018 tax levy, which attached as an enforceable lien on property as of January 1, 2018, has not been recorded as a receivable as of April 30, 2018, as the tax has not yet been levied by the Village and will not be levied until December 2018 and, therefore, the levy is not measurable at April 30, 2018.

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
Construction in progress	-	84,313	-	84,313
Total capital assets not being depreciated	94,418	84,313	-	178,731
Capital assets being depreciated				
Buildings	8,930,282	-	-	8,930,282
Furniture and fixtures	249,338	5,984	-	255,322
Office equipment	138,999	23,422	-	162,421
Intangible	20,000	-	-	20,000
Total capital assets being depreciated	9,338,619	29,406	-	9,368,025
Less accumulated depreciation for				
Intangible	4,000	4,000	-	8,000
Buildings	2,221,620	224,341	-	2,445,961
Furniture and fixtures	119,657	12,306	-	131,963
Office equipment	71,363	13,410	-	84,773
Total accumulated depreciation	2,416,640	254,057	-	2,670,697
Total capital assets being depreciated, net	6,921,979	(224,651)	-	6,697,328
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 7,016,397	\$ (140,338)	\$ -	\$ 6,876,059

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

4. CAPITAL ASSETS (Continued)

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

GOVERNMENTAL ACTIVITIES	
Culture and recreation	<u>\$ 254,057</u>

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, 2018:

	Balances, May 1	Additions	Retirements	Balances, April 30	Current Portion
Due to the Village	\$ 4,565,000	\$ -	\$ 530,000	\$ 4,035,000	\$ 545,000
Net pension obligation - IMRF	793,881	-	738,400	55,481	-
Unamortized bond premium	80,315	-	10,040	70,275	10,040
Compensated absences	51,057	44,896	51,057	44,896	44,896
TOTAL LONG-TERM LIABILITIES	<u>\$ 5,490,253</u>	<u>\$ 44,896</u>	<u>\$ 1,329,497</u>	<u>\$ 4,205,652</u>	<u>\$ 599,936</u>

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 are to be repaid with the Library's tax levy.	Library Operating	\$ 4,565,000	\$ -	\$ 530,000	\$ 4,035,000	\$ 545,000
		<u>\$ 4,565,000</u>	<u>\$ -</u>	<u>\$ 530,000</u>	<u>\$ 4,035,000</u>	<u>\$ 545,000</u>

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

5. LONG-TERM DEBT (Continued)

b. Governmental Activities (Continued)

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

c. Debt Service Requirements to Maturity

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending April 30,	Village Bonds	
	Principal	Interest
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	\$ 4,035,000	\$ 333,550

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.

7. DEFINED BENEFIT PENSION PLAN (Continued)

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.

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

Benefits Provided

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

Contributions

Participating members are required to contribute 4.50% of their annual salary to IMRF. The Village and the Library are required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the fiscal years ended April 30, 2017 and 2018 were 12.67% and 14.69% of covered payroll, respectively. For the year ended April 30, 2018, salaries totaling \$844,970 were paid that required employer contributions of \$124,143, which are equal to the Library's actual contributions.

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

7. DEFINED BENEFIT PENSION PLAN (Continued)

a. Plan Description (Continued)

Illinois Municipal Retirement Fund (Continued)

Net Pension Liability

At December 31, 2017, the Library reported a liability of \$55,481 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, 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, 2017 relative to the contributions of the Village, actuarially determined. At December 31, 2017, 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, 2017 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, 2017
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	3.39% to 14.25%
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-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF

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

7. DEFINED BENEFIT PENSION PLAN (Continued)

a. Plan Description (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions (Continued)

specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). 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 7.50%. 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 fiscal year ended April 30, 2018, the Library recognized pension expense of \$69,143.

At April 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,253	\$ 95,367
Changes in assumption	3,010	156,845
Contributions made after measurement date	30,642	-
Net difference between projected and actual earnings on pension plan investments	-	287,954
TOTAL	\$ 35,905	\$ 540,166

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

7. DEFINED BENEFIT PENSION PLAN (Continued)

a. Plan Description (Continued)

Illinois Municipal Retirement Fund (Continued)

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

\$30,642 reported as deferred outflows of resources related to pensions resulting from contributions by the Library subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ending April 30, 2019.

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

<u>Year Ending</u> <u>April 30,</u>	
2019	\$ (139,364)
2020	(126,871)
2021	(154,363)
2022	(114,305)
Thereafter	<u>-</u>
TOTAL	<u>\$ (534,903)</u>

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability (asset) to changes in the discount rate. The table below presents the net pension liability (asset) of the Library calculated using the discount rate of 7.50% as well as what the Library's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	\$ 820,857	\$ 55,481	\$ (568,724)

8. OTHER POSTEMPLOYMENT BENEFITS

The Library has evaluated their potential other postemployment benefits liability. The Library provides 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, 2018.

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, 2018

	Original and Final Budget	Actual
REVENUES		
Taxes		
Property	\$ 2,860,773	\$ 3,000,416
Replacement	24,500	29,939
Intergovernmental	12,074	12,455
Fines and forfeits	32,396	31,819
Investment income	23,763	46,846
Miscellaneous		
Donations	1,450	1,633
Other	1,000	4,070
	<u>2,955,956</u>	<u>3,127,178</u>
Total revenues		
EXPENDITURES		
Current		
Culture and recreation	2,472,551	2,112,341
Capital outlay	854,118	129,937
Debt service		
Principal	530,000	530,000
Interest	92,050	92,050
	<u>3,948,719</u>	<u>2,864,328</u>
Total expenditures		
NET CHANGE IN FUND BALANCE	<u>\$ (992,763)</u>	262,850
FUND BALANCE, MAY 1		<u>2,762,087</u>
FUND BALANCE, APRIL 30		\$ 3,024,937

(See independent auditor's report.)

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

SCHEDULE OF THE EMPLOYER CONTRIBUTIONS

Last Three Fiscal Years

FISCAL YEAR END APRIL 30,	2016	2017	2018
Contractually required contribution	\$ 129,265	\$ 125,143	\$ 124,143
Contributions in relation to the contractually required contribution	<u>129,265</u>	<u>125,143</u>	<u>124,143</u>
CONTRIBUTION DEFICIENCY (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,064,271	\$ 987,356	\$ 844,970
Contributions as a percentage of covered-employee payroll	12.15%	12.67%	14.69%

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 26 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 3.75% to 14.50% compounded annually and postretirement benefit increases of 2.75% compounded annually.

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

(See independent auditor's report.)

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

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

Last Three Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2015	2016	2017
Employer's proportion of net pension liability	22.00%	22.00%	22.00%
Employer's proportionate share of net pension liability	\$ 958,927	\$ 793,881	\$ 55,481
Employer's covered employee payroll	1,064,271	987,356	844,970
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	90.10%	80.40%	6.57%
Plan fiduciary net position as a percentage of the total pension liability	84.73%	87.62%	99.13%

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

(See independent auditor's report.)

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2018

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, 2018

	Original and Final Budget	Actual
CULTURE AND RECREATION		
Personnel services	\$ 1,153,629	\$ 1,127,538
General services	357,924	92,952
Materials and supplies	288,621	280,307
Fringe benefits	382,981	338,041
Contractual services	289,256	268,676
Miscellaneous	140	4,827
	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 2,472,551	\$ 2,112,341

(See independent auditor's report.)