

**LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2016



LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT



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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Lake Bluff Public Library
Lake Bluff, Illinois

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lake Bluff Public Library, Lake Bluff, 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 from 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 fund of the Lake Bluff Public Library, Lake Bluff, Illinois as of April 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 9, the Library adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses, modified certain disclosures in the notes to the financial statements, and the required supplementary information. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sikich LLP

Naperville, Illinois
September 15, 2016

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended April 30, 2016

As management of the Lake Bluff Public Library, Illinois, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Lake Bluff Public Library for the fiscal year ended April 30, 2016. The Library is a unit of local government operating in accordance with the Illinois Local Library Act, 75 ILCS 5/1-0.1 et seq. The powers and duties of the Board of Library Trustees are set forth in said Act and include "the exclusive control of the expenditure of all moneys collected for the library and deposited to the credit of the library fund" (75 ILCS 5/4-7(2)). Library taxes are levied by the Village in amounts determined by the Library Board and collected with other Village taxes (75 ILCS 5/3-5). Accordingly, the Library's budget is approved by the Library Board and included with other Village budgets.

This management discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues; (2) provide an overview of the Library's financial activity; (3) clarify the Library's financial position and ability to address future challenges; (4) identify material deviations from the budget; and (5) identify concerns specific to individual funds. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The Library's prior year net position was reduced by \$6.367 million from \$24.680 to \$18.313 million due to the change in accounting principle from implementation of GASB Statement 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*". The breakdown of this change is shown on page 24. A significant impact of this accounting rule is the appearance of the net pension liability on the Statement of Net Position and the Statement of Activities.
- The Library's financial condition weakened as total net position of \$2.325 million as of April 30, 2016 decreased \$56,873 or 2.4% from \$2.382 million as of April 30, 2015. The *unrestricted* net position decreased slightly by \$1,754 to \$423,837 from \$425,591 in 2015.
- After depreciation expense, the net investment in capital assets of \$1.90 million declined \$69,065 from the disposal of aged books/media in excess of the cost of new materials.
- Property tax revenues of \$872,666, program revenues of \$38,028 and other revenues of \$29,448 were less than the expenses of \$997,015 accounting for the decrease in net position of \$56,873.
- The net investment in capital assets (net of accumulated depreciation) is \$1,901,426, consisting of \$1,044,313 in buildings; \$377,591 in books and media; \$347,445 land value, and \$132,077 in furniture and equipment.
- The Library's spendable resources, represented by the governmental operating fund balance, increased by \$37,710 or 7.2% to \$564,657 from \$526,947. This balance represents 63% of the total expenditures of \$902,432. The difference of \$94,583 between the changes in fund balance of \$37,710 and the reduction in net position of \$56,873 is attributed to the changes in capital assets (including depreciation and the loss on disposal of assets) of \$69,065 and changes in the net pension liability, other postemployment benefit obligation ("OPEB"), and compensated absences of \$25,518.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Library's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Library's overall financial condition. Financial reporting at this level uses accounting similar to full accrual accounting such as in the private sector. Inter-fund activity is eliminated and the cost of assets with a long service life is spread out over future years so that capital expenditures are amortized through depreciation when the benefits are realized.

The first statement is the **Statement of Net Position** that presents information about all of the Library's assets and liabilities, with the differences reported as net position. Over a multi-year period, an increase or decrease in net position can detect an improvement or deterioration in the financial position of the Library. Additionally, one would need to evaluate non-financial factors, such as the condition of Library

infrastructure, the satisfaction of constituents, and other information beyond the scope of this report to make a more complete assessment of whether the Library as a whole has improved.

The second statement is the **Statement of Activities**, which reports *how* the Library’s net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when the cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the Library’s distinct activities or functions on revenues provided by the Library’s taxpayers.

REPORTING THE LIBRARY’S MOST SIGNIFICANT FUNDS

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library has only one governmental fund.

Governmental funds. Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current position. Unlike the government-wide financial statements, governmental fund financial information focuses on near-term *flow* of spendable resources, as well as on *the balance* of spendable resources available at the end of the fiscal year. *Fund information for the Library is presented in a “Governmental Fund Balance Sheet” on page 5.*

Notes to the financial statements. The accompanying notes to the financial statements provide information essential to a full understanding of these financial statements. *The notes are on pages 9-24 of this report.*

Other information. Pursuant to Governmental Accounting Standards Board (“GASB”) Statement 68 the Library’s Illinois Municipal Retirement Fund net pension liability is shown on the government-wide statements. *The Library’s net pension, post-employment, and compensated absences obligation information is presented on pages 16-23.*

Financial Analysis of the Library

The largest portion of the Library’s net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The Library uses capital assets to provide services to citizens; therefore these assets are not available for future spending.

Lake Bluff Public Library Net Position

| | 2016 | 2015 | Increase/ (Decrease) | Percentage Change |
|---|--------------------|--------------------|---------------------------------|------------------------------|
| Current & other assets | \$1,481,030 | \$1,445,865 | \$ 35,165 | 2.4% |
| Capital assets | \$1,901,426 | \$1,970,491 | \$ (69,065) | (3.5) |
| Deferred outflows of resources | \$ 178,850 | \$ 0 | \$ 178,850 | --- |
| Total assets & deferred outflows | \$3,561,306 | \$3,416,356 | \$ 144,950 | 4.2 |
| Short-term liabilities | \$ 43,410 | \$ 45,000 | \$ (1,590) | (3.5) |
| Long-term liabilities | \$ 306,583 | \$ 101,356 | \$ 205,227 | 202.5 |
| Total liabilities | \$ 349,993 | \$ 146,356 | \$ 203,637 | 139.1 |
| Deferred inflows of resources | \$ 886,050 | \$ 873,918 | \$ 12,132 | 1.4 |
| Total liabilities & deferred inflows | \$1,236,043 | \$1,020,274 | \$ 215,769 | 21.1 |
| Invested in capital assets, net of related debt | \$1,901,426 | \$1,970,491 | \$ (69,065) | (3.5) |
| Unrestricted | \$ 423,837 | \$ 425,591 | \$ (1,754) | (0.4) |
| Total net position | \$2,325,263 | \$2,396,082 | \$ (70,819) | (3.0)% |

Management's Discussion and Analysis – Fiscal Year Ending April 30, 2016

The decrease in total net position of \$70,819 is comprised of the change for FY16 in the amount of \$56,873 and the change in accounting principle of \$13,946 pursuant to GASB Statement 68. Current and other assets increased \$35,165 due to an increase in accounts receivable of \$4,411 for the State per capita grant, and \$16,815 due from the Village. Cash increased due to revenues exceeding expenditures (excluding non-cash transactions.) Capital assets decreased by \$69,065 due to the disposal of dated books/media and depreciation exceeding the cost of replacement books/media. Deferred outflows of \$178,850 is recorded pursuant to GASB Statement 68 mostly attributed to the net difference between projected and actual earnings on pension plan investments and expected and actual experience for the IMRF pension plan (see page 19 for a detailed breakdown.) Long-term liabilities rose by \$205,227 for costs associated with the recognition of net pension liability, OPEB and compensated absences. Unrestricted net position decreased by 0.4% or \$1,754.

Pursuant to GASB Statements 63 and 65, unearned revenues are categorized as deferred inflows of resources. The 2016 deferred inflow of \$886,050 accounts for the 2015 property tax levy to be billed and collected in the next fiscal year. The increase of \$12,132 or 1.4% is attributed to the Consumer Price Index-Urban ("CPI-U") factor of 0.8% and \$3 million of new construction added to the tax rolls.

Library Activities

The Library has a major General Fund to account for its financial transactions. The Library provides books, CD's, and DVD's for rental to its patrons and periodicals, Internet access, research assistance and special programs to the residents of the community. The focus of the General Fund is to provide information on current inflows, outflows, and balances of non-capital (spendable) assets.

Change in Net Position

The schedule below presents a summary of the changes in the net position for the fiscal year ended April 30, 2016 and the amount and percentage of increase or decrease compared to the fiscal year ended April 30, 2015. The fiscal year 2016 revenues rose from the prior year by \$53,799 or 0.6%. Grants and contributions increased by \$3,424 and the property taxes grew by \$22,469. Total expenses decreased during 2016 compared to 2015 by \$11,403 or 1.1%. The net position decreased from 2015 to 2016 by \$56,873 due to the recording of IMRF net pension liability.

Lake Bluff Public Library Changes in Net Position

| | Governmental Activities | | Total | |
|--------------------------------------|-------------------------|--------------------|-------------------------|----------------------|
| | 2016 | 2015 | Increase/ (Decrease) | Percentage Change |
| Revenues: | | | | |
| <i>Program revenues</i> | | | | |
| Charge for services | \$ 21,070 | \$ 20,899 | \$ 171 | 0.8% |
| Operating grants and Contributions | 16,958 | 13,534 | 3,424 | 25.3 |
| <i>General revenues</i> | | | | |
| Property taxes | 872,666 | 850,197 | 22,469 | 2.6 |
| Interest/Investment Income | 968 | 279 | 689 | 147.0 |
| Miscellaneous | 28,480 | 1,434 | 27,046 | 1886.1 |
| <i>Subtotal general revenue</i> | 902,114 | 851,910 | 50,204 | 5.9 |
| Total Revenues | \$ 940,142 | \$ 886,343 | \$ 53,799 | 0.6 |
| Expenses: | | | | |
| Library | \$ 997,015 | \$1,008,418 | \$(11,403) | (1.1) |
| Change in net position | (56,873) | (122,075) | 65,202 | (53.4) |
| Net position – May 1, 2015 | \$2,396,082 | \$2,518,157 | \$(122,075) | (4.8) |
| GASB 68 Prior Period Adjust | (13,946) | ---- | (13,946) | ---- |
| Net position – April 30, 2016 | \$2,325,263 | \$2,396,082 | \$ (70,819) | (3.0)% |

The schedule below presents a summary of **revenues** and **expenditures** for the fiscal year ended April 30, 2016 and the amount and percentage of increase or decrease in relation to the fiscal year ended April 30, 2015. This schedule shows capital outlay as a reduction in spendable resources and does not account for depreciation expense, losses on the disposal of assets, or pension, compensated absences and OPEB costs. These amounts account for the difference between the decrease in net position of \$56,873 and the increase in fund balance of \$37,710. Unrestricted fund balance serves as a useful measure of the Library's net resources available for spending at the end of the year. The 2016 total unrestricted fund balance of \$564,657 is \$37,710 or 7.2% more than 2015.

Lake Bluff Public Library
Changes in Revenues, Expenditures and Changes in Fund Balance

| | 2016 | 2015 | Increase/ (Decrease) | Percentage Change |
|------------------------------------|-------------------|-------------------|---------------------------------|------------------------------|
| Revenues: | | | | |
| Property Taxes | \$ 872,666 | \$ 850,197 | \$ 22,469 | 2.6% |
| Intergovernmental | 4,411 | 7,153 | (2,742) | (38.3) |
| Donations & Grants | 12,547 | 6,381 | 6,166 | 96.6 |
| Charge for Services | 9,301 | 9,657 | (356) | (3.7) |
| Fines & Forfeits | 11,769 | 11,242 | 527 | 4.5 |
| Investment Income | 968 | 279 | 689 | 246.9 |
| Miscellaneous | 28,480 | 1,434 | 27,046 | 1886.1 |
| Total Revenues | \$ 940,142 | \$ 886,343 | \$ 53,799 | 6.1% |
| | | | | |
| Expenditures: | | | | |
| Salaries and benefits | \$ 630,113 | \$ 601,164 | \$ 28,949 | 4.8% |
| Books, DVD, CD | 125,196 | 150,170 | (24,974) | (16.6) |
| Contractual/Professional | 4,359 | 37,019 | (32,660) | (749.3) |
| Commodities/Utilities | 39,293 | 24,279 | 15,014 | 61.8 |
| Special Programs | 14,575 | 14,850 | (275) | (1.9) |
| Building maint/improve | 27,496 | 33,006 | (5,510) | (16.7) |
| Technology | 43,164 | 12,865 | 30,299 | 235.5 |
| Equipment/Capital | 14,966 | 9,485 | 5,481 | 57.8 |
| Contingency | 3,270 | 3,016 | 254 | 8.4 |
| Total Expenditures | \$ 902,432 | \$ 885,854 | \$ 16,578 | 1.9% |
| | | | | |
| Change in fund balance | \$ 37,710 | \$ 489 | \$ 37,221 | 7611.7 |
| Fund balance – May 1, 2015 | \$ 526,947 | \$ 526,458 | \$ 489 | .1 |
| Fund balance–April 30, 2016 | \$ 564,657 | \$ 526,947 | \$ 37,710 | 7.2% |

Revenues

Ninety-three percent of the Library's 2016 revenues are derived from property taxes. The 2014 property taxes (shown as revenue in fiscal year 2016) increased \$22,469 due to new construction added to the tax rolls and a 1.5% CPI-U factor. Miscellaneous revenue includes \$16,518 for the Village contribution to the Library (for a share of the Museum building expenses) for the prior year and the current year and the receipt of \$8,637 for developer impact fees. While the State per capita grant declined by \$2,741 the Library received restricted donations of \$11,545 which contributed to the 97% growth in donations and grants.

Expenditures

Salaries and benefits increased by \$28,949 or 4.8%. Some line items in the Contractual, Books/DVD/CD, and Technology categories were reallocated in FY16 accounting for some of the changes attributed to these expenses. Contractual services in FY15 included \$20,000 for the cost to engage a firm to assist in preparation of a Library Master Plan. Spending on books, publications and other media was \$4,678 or 4% lower than 2015 after accounting for reallocation of software to the technology category. Equipment expenditures increased due to the purchase of two new furnaces for the building. Technology spending increased by \$8,200 due to the use of restricted donations for public access technology.

Budgetary Highlights

The budget was not modified during the year and actual expenditures did not exceed the budget. State statutes and local ordinances require that the budget be approved before the beginning of the fiscal year.

Economic Factors/Subsequent Events

- The library has been exempt from the Property Tax Limitation Act since the voters approved Home Rule in April 2005. With the exception of the 2005 levy, the Library has levied a property tax within the Property Tax Limitation Act.
- The CPI-U factor for the 2015 property levy is 0.8% with a projected increase in total equalized assessed value and minimal new construction added to the tax rolls.
- The library utilization is expected to continue to grow.
- The library anticipates an increase in required building and maintenance expenses.

All of these factors were considered when preparing the fiscal year 2017-18 biennial budget.

Contacting the Library's Financial Management

This financial report is designed to provide a general overview of the Library's finances, comply with finance related laws and regulations and demonstrate the Library's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Library Director, Eric Bailey at 123 E. Scranton Ave, Lake Bluff, IL 60044, 847-234-2540 x 110, or access the Library's website at www.lakeblufflibrary.org.

**LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS**

STATEMENT OF NET POSITION

April 30, 2016

| | Governmental Activities |
|---|------------------------------------|
| | <u> </u> |
| ASSETS | |
| Cash and investments | \$ 584,298 |
| Receivables | |
| Property taxes | 886,050 |
| Intergovernmental | 4,411 |
| Due from other governments | 6,271 |
| Capital assets not being depreciated | 347,445 |
| Capital assets (net of accumulated depreciation) | <u>1,553,981</u> |
| Total assets | <u>3,382,456</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension items - IMRF | <u>178,850</u> |
| Total deferred outflows of resources | <u>178,850</u> |
| Total assets and deferred outflows of resources | <u>3,561,306</u> |
| LIABILITIES | |
| Accounts payable | 11,711 |
| Accrued payroll | 18,612 |
| Noncurrent liabilities | |
| Due within one year | 13,087 |
| Due in more than one year | <u>306,583</u> |
| Total liabilities | <u>349,993</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred revenue - property taxes | <u>886,050</u> |
| Total deferred inflows of resources | <u>886,050</u> |
| Total liabilities and deferred inflows of resources | <u>1,236,043</u> |
| NET POSITION | |
| Net investment in capital assets | 1,901,426 |
| Unrestricted | <u>423,838</u> |
| TOTAL NET POSITION | <u><u>\$ 2,325,264</u></u> |

See accompanying notes to financial statements.

**LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS**

STATEMENT OF ACTIVITIES

April 30, 2016

| FUNCTIONS/PROGRAMS | Program Revenues | | | | Net (Expense) Revenue and Change in Net Position |
|---------------------------------|-------------------|-------------------------|--|--|---|
| PRIMARY GOVERNMENT | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| Culture and recreation | \$ 997,014 | \$ 21,070 | \$ 16,958 | \$ - | \$ (958,986) |
| Total governmental activities | 997,014 | 21,070 | 16,958 | - | (958,986) |
| TOTAL PRIMARY GOVERNMENT | \$ 997,014 | \$ 21,070 | \$ 16,958 | \$ - | (958,986) |
| | | | General Revenues | | |
| | | | Taxes | | |
| | | | Property | | 872,666 |
| | | | Investment income | | 968 |
| | | | Miscellaneous | | 28,480 |
| | | | Total | | 902,114 |
| | | | CHANGE IN NET POSITION | | (56,872) |
| | | | NET POSITION, MAY 1 | | 2,396,082 |
| | | | Change in accounting principle | | (13,946) |
| | | | NET POSITION, MAY 1, AS RESTATED | | 2,382,136 |
| | | | NET POSITION, APRIL 30 | | \$ 2,325,264 |

See accompanying notes to financial statements.

**LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS**

BALANCE SHEET

April 30, 2016

| | General |
|--|---------------------|
| ASSETS | |
| Cash and investments | \$ 584,298 |
| Receivables | |
| Property taxes | 886,050 |
| Intergovernmental | 4,411 |
| Due from other governments | 6,271 |
| TOTAL ASSETS | \$ 1,481,030 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | |
| LIABILITIES | |
| Accounts payable | \$ 11,711 |
| Accrued payroll | 18,612 |
| Total liabilities | 30,323 |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue - property taxes | 886,050 |
| Total deferred inflows of resources | 886,050 |
| Total liabilities and deferred inflows of resources | 916,373 |
| FUND BALANCE | |
| Unrestricted | |
| Unassigned | 564,658 |
| Total fund balance | 564,658 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | \$ 1,481,031 |

See accompanying notes to financial statements.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

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

April 30, 2016

| | |
|--|----------------------------|
| FUND BALANCE OF GOVERNMENTAL FUND | \$ 564,658 |
| 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 governmental funds | 1,901,426 |
| Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings for the Illinois Municipal Retirement Fund are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position | 178,850 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds | |
| Net other postemployment benefit obligation | (75,278) |
| Net pension liability - IMRF | (231,305) |
| Compensated absences | <u>(13,087)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 2,325,264</u></u> |

See accompanying notes to financial statements.

**LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS**

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

April 30, 2016

| | <u>General</u> |
|-------------------------------|--------------------------|
| REVENUES | |
| Taxes | \$ 872,666 |
| Intergovernmental | 4,411 |
| Charges for services | 9,301 |
| Fines and forfeits | 11,769 |
| Investment income | 968 |
| Donations | 12,547 |
| Miscellaneous | <u>28,480</u> |
| Total revenues | <u>940,142</u> |
| EXPENDITURES | |
| Current | |
| Culture and recreation | <u>902,431</u> |
| Total expenditures | <u>902,431</u> |
| NET CHANGE IN FUND BALANCE | 37,711 |
| FUND BALANCE, MAY 1 | <u>526,947</u> |
| FUND BALANCE, APRIL 30 | <u><u>\$ 564,658</u></u> |

See accompanying notes to financial statements.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

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

April 30, 2016

| | |
|--|----------------------------------|
| NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND | \$ 37,711 |
| 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 | 134,414 |
| The gain (loss) on the disposal of capital assets is calculated and reported in the statement of activities | (26,670) |
| Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds | (176,809) |
| The change in the deferred outflows of resources for the Illinois Municipal Retirement Fund is not a source or use of a financial resource | 162,811 |
| The change in the net other postemployment benefit obligation is not a source or use of a financial resource | (129) |
| The change in the Illinois Municipal Retirement Fund net pension liability is not a source or use of a financial resource | (201,320) |
| The change in compensated absences is not a source or use of a financial resource | <u>13,120</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ (56,872)</u></u> |

See accompanying notes to financial statements.

**LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

April 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lake Bluff Public Library (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 reporting principles. The more significant of the accounting policies are described below.

a. Reporting Entity

The Library is governed by a seven-member Library Board of Trustees (the Board) that is separately elected. The Board selects management staff and directs the affairs of the Library. As required by generally accepted accounting principles, these financial statements include all funds of the Library. Management has also considered all potential component units.

Based on the criteria of GASB Statement No 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, the Library does not have any component units. The Friends of the Library, while a potential component unit, is not significant to the Library and, therefore, has been excluded from its reporting entity.

b. Fund Accounting

The Library uses funds to report on its financial position and the changes in its financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into the following categories: governmental, proprietary and fiduciary. The Library reports only governmental funds.

Governmental funds are used to account for all or most of the Library's general activities including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds) and the funds committed, restricted or assigned for the servicing of long-term debt (debt service funds). The General Fund is used to account for all activities of the Library.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Library. The effect of material interfund activity, if any, has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, if any, which rely to a significant extent on fees and charges for support. The Library reports only governmental activities.

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

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

The Library reports the following major governmental fund:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those accounted for in another fund.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are 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 considers revenues to be available if they are collected within six months of the end of the current fiscal period. Expenditures generally are recorded when a fund liability is incurred.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports unavailable/deferred revenue and unearned revenue on its financial statements. Unavailable/deferred revenues arise when a potential revenue does not meet the measurable and available or earned criteria for recognition in the current period. Unearned revenues arise when resources are received by the Library before it has a legal claim to them, 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 deferred inflow for unavailable/deferred revenue or the liability for unearned revenue is removed from the financial statements and revenue is recognized.

e. Investments

Investments are stated at cost or amortized cost, which approximates fair value. The Library’s investments include the Illinois Funds Investment Pool, money market mutual funds and certificates of deposit.

f. Capital Assets

Capital assets, which include property, equipment and books are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost in excess of \$1,000 (except that all books are capitalized) 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.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Capital Assets (Continued)

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

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

| Assets | Years |
|-----------|-------|
| Buildings | 15-50 |
| Equipment | 3-25 |
| Books | 10 |

g. Compensated Absences

Vested or accumulated vacation and sick leave, including related Social Security and Medicare taxes, that is owed to 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. The General Fund has been used in prior years to liquidate the liability for compensated absences.

h. Fund Balance/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or which are legally or contractually required to be maintained intact, unless conversion of the nonspendable asset to a spendable asset would result in a restriction or commitment on the spendable asset, in which case reporting the restriction or commitment takes precedent.

Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities or from enabling legislation adopted by the Library. Committed fund balance is constrained by formal actions of the Library's Board, which is considered the Library's highest level of decision-making authority. Formal actions include ordinances approved by the Board. Assigned fund balance represents amounts constrained by the Library's intent to use them for a specific purpose. The authority to assign fund balance resides with the Executive Director. Any residual fund balance in the General Fund, including fund balance targets and any deficit fund balance of any other governmental fund is reported as unassigned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Fund Balance/Net Position (Continued)

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

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

i. Deferred Outflows/Inflows of Resources

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

j. Accounting Estimates

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

2. DEPOSITS AND INVESTMENTS

The Library's investment policy authorizes 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 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, the price at which the investment could be sold.

It is the policy of the Library to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Library and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are safety of principal, liquidity, yield and maintaining the public trust.

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Library's deposits may not be returned to it. To guard against credit risk for deposits with financial institutions, the Library's investment policy requires that deposits with financial institutions in excess of FDIC insurance be collateralized with collateral held by an independent third party in the name of the Library.

b. Investments

In accordance with its investment policy, the Library limits its exposure to interest rate risk by diversifying its investment portfolio to the best of its ability based on the nature of the funds invested and the cash flow needs of those funds. A variety of financial instruments and maturities, properly balanced, will help to ensure liquidity and reduce risk or interest rate volatility and loss of principal. Diversifying investments and maturities will avoid incurring unreasonable risks in the investment portfolio regarding specific security types, issuers or individual financial institutions. The Library's investment policy does not specifically limit the maximum maturity length of investments.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

The Library limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly guaranteed by the United States Government. However, the Library's investment policy does not specifically limit the Library to these types of investments.

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 the 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.

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 31 of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about May 1 and August 1 and are payable in two installments, on or about June 1 and September 1. The County collects such taxes and remits them periodically. Based upon collection histories, library management does not consider an allowance for uncollectible property taxes at April 30, 2016 to be necessary. These 2015 taxes are intended to finance the 2017 fiscal year and are not considered available or earned for current operations and are, therefore, reported as deferred/unearned revenue. The 2016 tax levy has not been recorded as a receivable at April 30, 2016, as the tax attached as a lien on property as of January 1, 2016; however, the tax will not be levied until December 2016 and, accordingly, is not measurable at April 30, 2016.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2016 was as follows:

| | Balances May 1 | Increase | Decrease | Balances April 30 |
|---|-------------------|-------------|-----------|----------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 347,445 | \$ - | \$ - | \$ 347,445 |
| Total capital assets not being depreciated | 347,445 | - | - | 347,445 |
| Capital assets being depreciated | | | | |
| Buildings | 1,879,164 | 14,816 | - | 1,893,980 |
| Equipment | 247,749 | 11,959 | - | 259,708 |
| Books | 644,169 | 107,639 | 68,357 | 683,451 |
| Total capital assets being depreciated | 2,771,082 | 134,414 | 68,357 | 2,837,139 |
| Less accumulated depreciation for | | | | |
| Buildings | 800,938 | 48,729 | - | 849,667 |
| Equipment | 100,415 | 27,216 | - | 127,631 |
| Books | 246,683 | 100,864 | 41,687 | 305,860 |
| Total accumulated depreciation | 1,148,036 | 176,809 | 41,687 | 1,283,158 |
| Total capital assets being depreciated, net | 1,623,046 | (42,395) | 26,670 | 1,553,981 |
| GOVERNMENTAL ACTIVITIES | | | | |
| CAPITAL ASSETS, NET | | | | |
| | \$ 1,970,491 | \$ (42,395) | \$ 26,670 | \$ 1,901,426 |

Depreciation expense was charged to functions of the primary government as follows:

| | | |
|--------------------------------|--|-------------------|
| GOVERNMENTAL ACTIVITIES | | |
| Culture and recreation | | <u>\$ 176,809</u> |

5. LONG-TERM OBLIGATIONS

During the year, the following changes occurred in liabilities reported in long-term obligations:

| | Balances May 1, Restated | Additions | Retirements | Balances April 30 | Due Within One Year |
|--|--------------------------------|-------------------|------------------|----------------------|---------------------------|
| Net other postemployment benefits obligation | \$ 75,149 | \$ 129 | \$ - | \$ 75,278 | \$ - |
| Net pension liability - IMRF | 29,985 | 201,320 | - | 231,305 | - |
| Compensated absences | 26,207 | 13,087 | 26,207 | 13,087 | 13,087 |
| TOTAL LONG-TERM OBLIGATIONS | <u>\$ 131,341</u> | <u>\$ 214,536</u> | <u>\$ 26,207</u> | <u>\$ 319,670</u> | <u>\$ 13,087</u> |

6. DEFINED BENEFIT PENSION PLAN

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

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 4.5% 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 calendar year 2015 was 10.57% of covered payroll. For the fiscal year ended April 30, 2016, salaries totaling \$426,249 were paid that required employer contributions of \$43,665, which was equal to the Library's actual contributions.

6. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Net Pension Liability

At April 30, 2016, the Library reported a liability of \$231,305 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 April 30, 2016, the Library's proportion was 20% of the Village's total 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 | |
| Price inflation | 2.75% |
| Salary increases | 3.75% to 14.50% |
| Investment rate or return | 7.50% |
| Asset valuation method | Market value of assets |

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments 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). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate

The discount rate used to measure the IMRF total pension liability was 7.49%. 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the employer's fiduciary net position was projected not 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 of 7.50% was blended with the index rate of 3.57% for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a discount rate of 7.49% used 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, 2016, the Library recognized pension expense of \$81,880. At April 30, 2016, the Library reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 27,544 | \$ - |
| Changes in assumptions | 2,231 | - |
| Net difference between projected and actual earnings on pension plan investments | 134,720 | - |
| Contributions subsequent to measurement date | 14,355 | - |
| TOTAL | \$ 178,850 | \$ - |

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 April 30,</u> | |
|----------------------------------|-------------------|
| 2017 | \$ 60,886 |
| 2018 | 46,532 |
| 2019 | 37,752 |
| 2020 | 33,680 |
| TOTAL | \$ 178,850 |

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate Sensitivity

The following is a sensitivity 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 7.49% 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 (6.49%) or 1 percentage point higher (8.49%) than the current rate:

| | 1% Decrease (6.49%) | Current Discount Rate (7.49%) | 1% Increase (8.49%) |
|-----------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability | \$ 578,152 | \$ 231,305 | \$ (52,707) |

7. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

b. Benefits Provided

The Library provides pre and post-Medicare postretirement health insurance to retirees, their spouses and dependents (enrolled at time of employee’s retirement). To be eligible for benefits, the employee must qualify for retirement under the Library’s retirement plan. The retirees pay 100% of the average employer group cost.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Membership

At April 30, 2016, membership consisted of:

| | |
|--|---------------------|
| Retirees and beneficiaries currently receiving benefits | - |
| Terminated employees entitled to benefits but not yet receiving them | - |
| Active employees | <u>5</u> |
| TOTAL | <u><u>5</u></u> |
| Participating employers | <u><u>1</u></u> |

d. Funding Policy

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

e. Annual OPEB Costs and Net OPEB Obligation

The Library's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|------------------------|---------------------------|---|------------------------|
| 2014 | \$ 20,341 | \$ 7,345 | 36.11% | \$ 62,050 |
| 2015 | 20,444 | 7,345 | 35.93% | 75,149 |
| 2016 | 1,308 | 1,179 | 90.14% | 75,278 |

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The net OPEB obligation as of April 30, 2016 was calculated as follows:

| | |
|--|-------------------------|
| Annual required contribution | \$ 2,583 |
| Interest on net OPEB obligation | 3,381 |
| Adjustment to annual required contribution | <u>(4,656)</u> |
| Annual OPEB cost | 1,308 |
| Contributions made | <u>1,179</u> |
| Increase in net OPEB obligation | 129 |
| Net OPEB obligation, beginning of year | <u>75,149</u> |
| NET OPEB OBLIGATION, END OF YEAR | <u>\$ 75,278</u> |

Funded Status and Funding Progress: The funded status and funding progress of the plan as of April 30, 2016 was as follows:

| | |
|---|------------|
| Actuarial accrued liability (AAL) | \$ 21,264 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | 21,264 |
| Funded ratio (actuarial value of plan assets/AAL) | 0.00% |
| Covered payroll (active plan members) | \$ 262,579 |
| UAAL as a percentage of covered payroll | 8.10% |

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

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

In the April 30, 2016 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included an investment rate of return of 5% and an initial healthcare cost trend rate of 9% with an ultimate healthcare inflation rate of 5%. Both rates include a 2.5% inflation assumption. The actuarial value of assets was not determined as the Library has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2016 was 30 years.

8. 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; employee health; natural disasters; and injuries to the Library's employees. Employees' health insurance is purchased through a broker and no risk of loss is retained by the Library.

Intergovernmental Risk Management Agency

The Library participates in the Intergovernmental Risk Management Agency (IRMA). IRMA is an organization of municipalities and special districts in northeastern Illinois that have formed an association under the Illinois Intergovernmental Cooperation Statute to pool their risk management needs. IRMA administers a mix of self-insurance and commercial insurance coverages; property/casualty and workers' compensation claim administration/litigation management services; unemployment claims administration; extension risk management/loss control consulting and training programs; and a risk information system and financial reporting service for its members.

The Library's payments to IRMA are displayed on the financial statements as expenditures/expenses in appropriate funds. Each member assumes the first \$2,500 of each occurrence and IRMA has a mix of self-insurance and commercial insurance at various amounts above that level.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. RISK MANAGEMENT (Continued)

Each member appoints one delegate, along with an alternate delegate, to represent the member on the Board of Directors. The Library does not exercise any control over the activities of IRMA beyond its representation on the Board of Directors.

Initial contributions are determined each year based on the individual member's eligible revenue as defined in the by-laws of IRMA and experience modification factors based on past member loss experience. Members have a contractual obligation to fund any deficit of IRMA attributable to a membership year during which they were a member. Supplemental contributions may be required to fund these deficits. The Library is aware of no additional contributions due to IRMA as of April 30, 2016.

9. CHANGE IN ACCOUNTING PRINCIPLE

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

| | <u>Increase (Decrease)</u> |
|---|--------------------------------|
| CHANGE IN ACCOUNTING PRINCIPLE - GOVERNMENTAL ACTIVITIES | |
| Change in accounting principle | |
| To record deferred outflows of resources for contributions subsequent to the measurement date in accordance with GASB Statement No. 71 | \$ 16,039 |
| To record the IMRF net pension liability in accordance with GASB Statement No. 68 | <u>(29,985)</u> |
| TOTAL | <u><u>\$ (13,946)</u></u> |

With the implementation of GASB Statement No. 68 the Library is required to retroactively record the net pension liability and GASB Statement No.71, required the retroactive reporting deferred outflows of resources for contributions after the measurement date.

REQUIRED SUPPLEMENTARY INFORMATION

**LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS**

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

GENERAL FUND

April 30, 2016

| | Original and Final Budget | Actual | Variance Over (Under) |
|--|------------------------------|------------|-----------------------------|
| REVENUES | | | |
| Taxes | \$ 873,917 | \$ 872,666 | \$ (1,251) |
| Intergovernmental | 7,153 | 4,411 | (2,742) |
| Charges for services | 9,000 | 9,301 | 301 |
| Fines and forfeits | 12,000 | 11,769 | (231) |
| Investment income | 400 | 968 | 568 |
| Donations | 5,000 | 12,547 | 7,547 |
| Miscellaneous | 31,900 | 28,480 | (3,420) |
| | | | |
| Total revenues | 939,370 | 940,142 | 772 |
| EXPENDITURES | | | |
| Culture and recreation | | | |
| Salaries and employee benefits | 645,250 | 630,113 | (15,137) |
| Books, periodicals, films and records | 130,000 | 125,196 | (4,804) |
| Professional services | 7,500 | 4,359 | (3,141) |
| Printing, stationery and office supplies | 27,250 | 24,753 | (2,497) |
| Dues and professional development | 5,000 | 2,842 | (2,158) |
| Utilities | 9,000 | 11,697 | 2,697 |
| Special programs | 12,153 | 14,575 | 2,422 |
| Building and grounds maintenance | 36,000 | 27,496 | (8,504) |
| Computers/automation | 59,000 | 43,164 | (15,836) |
| Equipment | 2,000 | 14,966 | 12,966 |
| Contingency | 5,217 | 3,270 | (1,947) |
| Capital outlay | 1,000 | - | (1,000) |
| | | | |
| Total expenditures | 939,370 | 902,431 | (36,939) |
| NET CHANGE IN FUND BALANCE | | | |
| | \$ - | 37,711 | \$ 37,711 |
| FUND BALANCE, MAY 1 | | 526,947 | |
| FUND BALANCE, APRIL 30 | | \$ 564,658 | |

(See independent auditor's report.)

**LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS**

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2016

Schedule of Funding Progress

| Actuarial Valuation Date April 30, | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) Entry-Age | (3) Funded Ratio (1) / (2) | (4) Unfunded AAL (UAAL) (2) - (1) | (5) Covered Payroll | UAAL as a Percentage of Covered Payroll (4) / (5) |
|---|--|--|-------------------------------------|---|---------------------------|--|
| 2011 | N/A | N/A | N/A | N/A | N/A | N/A |
| 2012 | N/A | N/A | N/A | N/A | N/A | N/A |
| 2013 | \$ - | \$ 89,248 | 0.00% | \$ 89,248 | \$ 246,492 | 36.21% |
| 2014 | N/A | N/A | N/A | N/A | N/A | N/A |
| 2015 | N/A | N/A | N/A | N/A | N/A | N/A |
| 2016 | - | 21,264 | 0.00% | 21,264 | 262,579 | 8.10% |

Schedule of Employer Contributions

| Fiscal Year | Employer Contributions | Annual Required Contribution (ARC) | Percentage Contributed | Net Pension Obligation/ (Asset) |
|----------------|---------------------------|---|---------------------------|--|
| 2011 | \$ 7,345 | \$ 19,640 | 37.40% | \$ 24,795 |
| 2012 | 7,345 | 19,640 | 37.40% | 37,503 |
| 2013 | 411 | 12,410 | 3.31% | 49,054 |
| 2014 | 7,345 | 19,640 | 37.40% | 62,050 |
| 2015 | 7,345 | 19,640 | 37.40% | 75,149 |
| 2016 | 1,179 | 2,583 | 45.64% | 75,278 |

N/A - Information not available

Note: Information for prior years is not available.

(See independent auditor's report.)

**LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2016

| | <u>2016*</u> |
|---|--------------------|
| Contractually required contribution | \$ 45,055 |
| Contributions in relation to the contractually required contribution | <u>45,055</u> |
| CONTRIBUTION DEFICIENCY (Excess) | <u><u>\$ -</u></u> |
| Covered-employee payroll | \$ 426,249 |
| Contributions as a percentage of covered - employee payroll | 10.57% |

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuation as of December 31, 2103 and December 31, 2014. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was aggregate entry-age normal; the amortization method was level percentage of payroll, closed and the amortization period was 28-year closed period until the remaining period reaches 15 years (then a 15-year rolling period); the asset valuation method was five-year smoothed market with a 20% corridor; and the significant actuarial assumptions were wage growth at 4.0% annually; price inflation of 3.0% annually; projected salary increases of 4.4% to 16.0%, annually, including inflation; and an investment rate of return of 7.5% annually.

(See independent auditor's report.)

**LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS**

**SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS**

ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2016

| | <u>2016*</u> |
|--|--------------|
| Employer's proportion of net pension liability | 20.00% |
| Employer's proportionate share of net pension liability | \$ 231,305 |
| Employer's covered employee payroll | 426,249 |
| Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 54.27% |
| Plan fiduciary net position as a percentage of the total pension liability | 91.16% |

Notes to required supplementary information

There was a change in the actuarial assumptions used between the prior year and current year. The investment rate of return used in the current year is 7.49% while that used in the prior year was 7.50%.

*IMRF's measurement date is December 31, 2015; therefore information above is presented for the calendar year ended December 31, 2015.

**LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2016

BUDGETS

The Library Board has the authority to approve the budget for the General Fund. The Village Board passes the tax levy and appropriations ordinance 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 supplementary appropriations were adopted.