

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

A component unit of the Village of Arlington Heights, Illinois

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

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FINANCIAL SECTION

This section includes:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements

INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the Library's independent auditing firm.



INDEPENDENT AUDITORS' REPORT

May 1, 2017

Members of the Board of Trustees
Arlington Heights Memorial Library
Arlington Heights, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arlington Heights Memorial Library, a component unit of the Village of Arlington Heights, Illinois, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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, each major fund, and the aggregate remaining fund information of the Arlington Heights Memorial Library, a component unit of the Village of Arlington Heights, Illinois, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents and budgetary information reported in the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 Arlington Heights Memorial Library, a component unit of the Library of Arlington Heights, Illinois' basic financial statements. The individual fund budgetary comparison schedules, other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

The individual fund budgetary comparison schedules and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 individual fund budgetary comparison schedules and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

ARLINGTON HEIGHTS MEMORIAL LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This is a narrative overview and analysis of the financial activities of the Arlington Heights Memorial Library (the Library) for the most recent fiscal year ended December 31, 2016. Readers are encouraged to consider the information presented here in conjunction with the information provided in the Library's financial statements.

Change in Fiscal Year

As identified in last year's report, effective January 1, 2016, the Arlington Heights Memorial Library (the Library), a discretely presented component unit of the Village of Arlington Heights (the Village), changed its fiscal year, in conjunction with the Village. The year ended December 31, 2016 is the first full year since that change. Our prior fiscal year, May 1, 2015 through December 31, 2015, was an 8-month period, allowing for the transition from the prior fiscal year convention of May 1 through April 30. Since the tax levy decision occurs in December, as required by the state, the Village board approved the change to calendar year reporting to provide for a clearer budget process, allowing for decisions on the tax levy and the upcoming year's budget to be made simultaneously.

Financial statements report information either at a specific point in time or covering a period of time. For all financial statements identifying the Library's position or status at a specific point in time, the measuring point for both 2016 and the prior fiscal year was the same - December 31. December 31 will be the measuring point for these types of statements going forward.

Within the Basic Financial Statements and Supplementary Information sections of the financial report, the statements which measure the Library's position at a point in time are:

- Statement of Net Position – page 3
- Balance Sheet – page 5
- Reconciliation of Total Governmental Fund Balance to Net Position – Governmental Activities – page 6
- Library Investments and Fair Values – pages 14-15
- Capital Assets – page 17
- Fund Balance Classifications – page 19
- Illinois Municipal Retirement Fund (IMRF) Liability – pages 24 and 30-31
- Illinois Municipal Retirement Fund (IMRF) Total Deferred Amounts – page 25
- Net Other Post-Employment Benefits (OPEB) Obligation – page 27
- Other Post-Employment Benefits Plan Funded Status – pages 28-29

Within the Management Discussion & Analysis (MD&A) section, the statements which identify the Library's position at a point in time are:

- Table 1 (Summary of the Statement of Net Position) – page MD&A 5
- Table 4 (Capital Assets) – page MD&A 10

(See independent auditor's report)
MD&A 1

For all financial statements identifying Library activity covering a period of time, the period of time (fiscal year) for this report is the normal 12 months, while the prior fiscal year was only 8 months, as identified above. Within the Basic Financial Statements and Supplementary Information sections of the financial report, the statements which measure the Library's activity covering a period of time are:

- Statement of Activities – page 4
- Statement of Revenues, Expenditures and Changes in Fund Balances – page 7
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Activities – page 8
- Interfund Transfers – page 17
- Long Term Liability Activity – page 18
- General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – page 32
- General Fund – Schedule of Expenditures – Budget and Actual – pages 33-35
- Capital Projects Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – page 36

Within the MD&A section, the statements which measure Library activity covering a period of time are:

- Table 2 (Changes in Net Position) – page MD&A 6
- Table 3 (Summary Statement of Revenues and Expenditures) – page MD&A 7
- Composition of Total Revenue pie chart – page MD&A 8
- Composition of Total Expenditures pie chart – page MD&A 9
- Capital Outlay – page MD&A 10
- Table 5 (General Fund) – page MD&A 11
- Table 6 (Capital Projects Fund) – page MD&A 12

All future financial reports will cover 12-month fiscal years, ending on December 31. This will allow for more useful comparisons of the Library's financial position and activity from year to year.

Financial Highlights

- According to the Statement of Net Position, the assets/deferred outflows of the Library exceeded its liabilities/deferred inflows at the close of the year ended December 31, 2016, by \$17,429,407. Of this amount, the net position of \$9,397,289 may be used to meet the Library's ongoing services for Culture, Recreation and Education for citizens and obligations to creditors.
- According to the Balance Sheet of Governmental Funds, at the close of the year ended December 31, 2016, the Library's governmental funds reported a total fund balance of \$14,176,705 which will be spent in the following manner; \$342,796 in prepaid items, \$326,359 restricted to Social Security expenditures, \$5,933,278 for capital improvements, \$200,000 for insurance reserves, \$1,400,000 for IMRF Unfunded Actuarial Accrued Liability reserves and the remaining \$5,974,272 may be used at the Library's discretion.

(See independent auditor's report)

MD&A 2

This Management Discussion and Analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the general-purpose external financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances. The Statement of Net Position presents information about the Library's assets/deferred outflows and liabilities/deferred inflows, with the difference between the two reported as the net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The Statement of Activities presents information showing how the Library's net position changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement from some items that will only result in cash flows in future fiscal periods (e.g. unused compensated absences, other post-employment benefits payable, grant receivables and accrued interest expense.)

The government-wide financial statements distinguish functions of the Library that are principally supported by taxes and intergovernmental revenue (governmental activities.) The governmental activities of the Library reflect the Library's services, including materials collections, audio/visual labs, computer training, reference and readers' services, programming and outreach services.

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 in accordance with GASB Statement No. 54. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Library adopts an annual budget for the General Fund and Capital Projects Fund. Budgetary comparison schedules are provided to demonstrate compliance with the budget. See Table 5 and Table 6 in the MD&A and pages 32-36 in the Financial Report.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds' financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

(See independent auditor's report)

Fund Balance – the difference between assets/deferred outflows and liabilities/deferred inflows in a governmental fund.

Nonspendable Fund Balance - the portion of a Governmental Fund's fund balance that is not available to be spent, either short-term or long-term, in either form or through legal restrictions (e.g., inventories, prepaid items, land held for resale and endowments.)

Restricted Fund Balance - the portion of a Governmental Fund's fund balance that is subject to external enforceable legal restrictions (e.g. grantor, contributors and property tax levies.)

Unrestricted Fund Balance is made up of three sub-categories:

1. ***Committed Fund Balance*** - the portion of a Governmental Fund's fund balance with self-imposed constraints or limitations that have been placed at the highest level of decision making. The same action is required to remove the commitment of fund balance.
2. ***Assigned Fund Balance*** - the portion of a Governmental Fund's fund balance to denote an intended use of resources, but with no formal Board action required.
3. ***Unassigned Fund Balance*** - available expendable financial resources in a Governmental Fund that are not the object of any tentative management plan (i.e. assignments.)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 9-28 of the financial report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning IMRF employee pension obligations and budgetary comparison schedules for our two major funds, which can be found on pages 29-36 of the financial report.

(See independent auditor's report)

Government-Wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. For the Library, as Table 1 demonstrates, assets exceeded liabilities/deferred inflows by \$17,429,407 at the close of the most recent fiscal year. Please see page 3 of the financial report for more information.

Table 1
Summary of the Statement of Net Position

	As of	
	12/31/2016	12/31/2015
Current and Other Assets	\$ 28,672,532	\$ 28,180,226
Capital Assets, net of accumulated depreciation	7,705,759	7,752,231
Total Assets	\$ 36,378,291	\$ 35,932,457
Deferred Outflows of Resources - IMRF	2,011,258	1,769,125
Total Assets and Deferred Outflows of Resources	\$ 38,389,549	\$ 37,701,582
Current and Other Liabilities	\$ 581,969	\$ 584,719
Noncurrent Liabilities	6,224,556	5,070,547
Total Liabilities	\$ 6,806,525	\$ 5,655,266
Unearned Property Tax	\$ 13,968,392	\$ 13,830,091
Deferred Items - IMRF	185,225	99,644
Total Deferred Inflows of Resources	\$ 14,153,617	\$ 13,929,735
Total Liabilities and Deferred Inflows of Resources	\$ 20,960,142	\$ 19,585,001
<u>Net Position</u>		
Invested in Capital Assets	\$ 7,705,759	\$ 7,752,231
Restricted - Social Security	326,359	301,728
Unrestricted for Culture, Recreation and Education	9,397,289	10,062,622
Total Net Position, End of Year	\$ 17,429,407	\$ 18,116,581

(See independent auditor's report)

A portion of the Library's net position, \$7,705,759, reflects its investment in capital assets (e.g. land; building and improvements; equipment, furniture and fixtures.) The Library uses these capital assets to provide services to citizens. \$326,359 is restricted for the Library's portion of Social Security expenses. The remaining balance of the net position, \$9,397,289, may be used to meet ongoing obligations to citizens and creditors.

Governmental Activities

Table 2 summarizes the revenue and expenses of the Library's governmental activities for the year ended December 31, 2016 compared to the 8 months ended December 31, 2015. The Library's net position decreased by \$687,174.

Table 2
Changes in Net Position

	For the year Ended 12/31/2016	For the 8 months Ended 12/31/2015
Revenue		
Program Revenue		
Charges for Services	\$ 211,184	\$ 142,093
Operating Grants/Contributions	121,167	156,255
General Revenue		
Property Taxes	13,667,250	13,387,421
Interest	71,569	33,839
Miscellaneous	19,521	5,842
Total Revenue	\$ 14,090,691	\$ 13,725,450
Expenses		
Culture, Recreation and Education	\$ 14,777,865	\$ 9,715,881
Total Expenses	\$ 14,777,865	\$ 9,715,881
Changes in Net Position	\$ (687,174)	\$ 4,009,569
Total Net Position, Beginning of the Year	\$ 18,116,581	\$ 14,107,012
Total Net Position, End of the Year	\$ 17,429,407	\$ 18,116,581

(See independent auditor's report)

Governmental Funds Analysis – Table 3

All of the Library’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds, as well as the balances left at year-end that are available for spending. The General Fund (Fund 291) is the Library’s primary fund and is used for day-to-day services. The Capital Projects Fund (Fund 491) is funded by a transfer out from the General Fund. Expenditures in the Capital Projects Fund involve projects or items with a unit cost in excess of \$10,000.

For the 2016 levy, the Board of Library Trustees approved a 0% increase on the 2015 extended levy. Compared to the prior fiscal year, Property Taxes were up \$279,829, while revenue from most other sources was up due to the 12-month fiscal year in 2016 versus the prior fiscal year, which was 8 months in duration, as described above. Gifts & Grants revenue was down due to a smaller Per Capital grant. Total Revenue for 2016 was up \$365,241 versus the prior fiscal year. With 4 additional months in the fiscal year, Total Expenditures were up \$4,923,519 for the year ending December 31, 2016 versus last fiscal year.

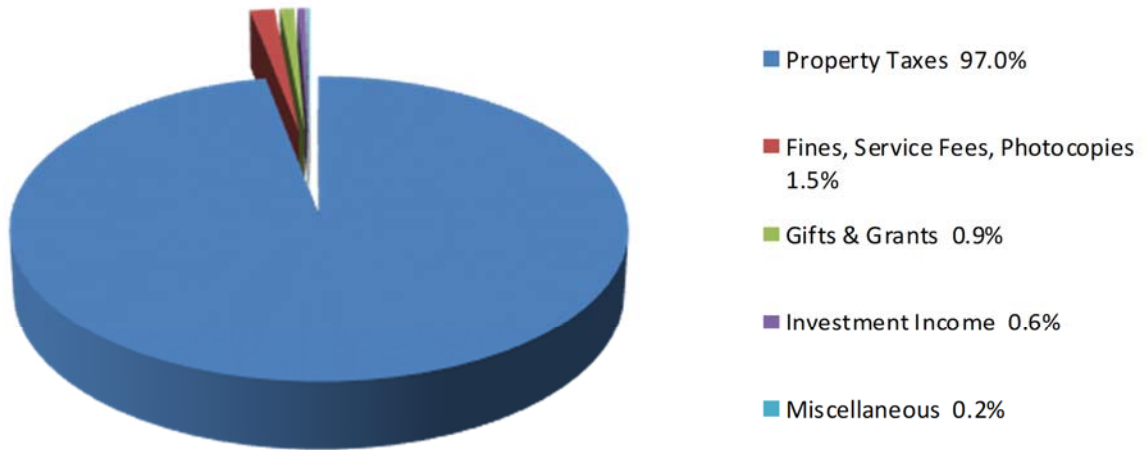
Table 3
Summary Statement of Revenues and Expenditures

	<u>For the year ended</u>		<u>For the 8 months ended</u>	
	<u>12/31/2016</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2015</u>
	<u>Fund 291</u>	<u>Fund 491</u>	<u>Fund 291</u>	<u>Fund 491</u>
Revenue				
Property Taxes	\$ 13,667,250		\$ 13,387,421	\$ -
Fines, Service Fees, Photocopies	211,184		142,093	-
Gifts & Grants	121,167		156,255	-
Investment Income	54,518	17,051	28,800	5,039
Miscellaneous	19,521		5,842	-
Total Revenue	\$ 14,073,640	\$ 17,051	\$ 13,720,411	\$ 5,039
Expenditures				
Salaries and Benefits	\$ 9,349,998		\$ 6,148,097	\$ -
Equipment/Capital Outlay	430,543	578,420	255,246	252,095
Printed Materials (Books & Periodicals)	812,597		545,964	-
Nonprint Materials/Electronic Resources	733,275		475,439	-
Public Programs/Services	464,847		252,717	-
All other Operating Expenditures*	1,362,703		878,507	800
Total Expenditures	\$ 13,153,964	\$ 578,420	\$ 8,555,970	\$ 252,895
Other Financing Sources/(Uses)				
Transfer In		\$ 1,750,000		\$ 2,450,000
Transfer Out	\$ (1,750,000)		(2,450,000)	

*Building insurance, building and equipment maintenance, general office supplies, processing costs, audit, professional fees, contractual services, utilities, IMET expense, contingencies, etc.

The following charts show the composition of total revenues and total expenditures for the year ended December 31, 2016, as identified in Table 3. For 2016, property taxes decreased to 97.0% of total revenue from 97.5% in the eight-month period ended December 31, 2015, which had four less months for the Library to receive revenue from other sources.

Composition of Total Revenue for the year ended December 31, 2016



For the year ending December 31, 2016, salaries constituted 50.5% of the most recent fiscal year’s total expenditures versus 51.6% in the prior fiscal year (8 months ended December 31, 2015). Expenditures for personal services (salaries plus benefits) in the last fiscal year represented 67.9% of total expenditures versus 69.7% in the prior fiscal year. Spending on equipment/capital outlay increased to 7.3% in the year ending December 31, 2016 versus 5.8% during the last fiscal year. While spending on library materials dropped to 11.3% of expenditures from 11.6% of expenditures in the prior fiscal year, spending on public programs/services increased from 2.9% of expenditures last year to 3.4% this year. On a percentage to total expenditures basis, spending on other services in 2016 remained roughly the same as experienced in the prior fiscal year.

Composition of Total Expenditures for the year ended December 31, 2016



Capital Outlay

The schedule below details the \$578,420 expended on capital outlay in the Capital Projects Fund for the year ended December 31, 2016, as identified in **Table 3**.

Capital Outlay 2016

Replace Boiler - 1968 Building	\$ 326,848
Upgrade Integrated Library System	105,456
Consulting/Design services for 2017 Parking Lot project	54,779
Replace Exterior sign	47,126
Upgrade camera security system	30,935
Replace Administration area copier	12,595
2015 Fire Safety Enhancement Project final payment	681
Total	<u><u>\$ 578,420</u></u>

Capital Assets

The Library's investment in capital assets for governmental activities at December 31, 2016, was \$7,705,759, down \$46,472 from total capital assets, net of depreciation at December 31, 2015. This investment in capital assets includes land; building and improvements; and equipment, furniture and fixtures. Refer to page 17 of the financial statements for more detail.

Table 4
Capital Assets

	As of	
	<u>12/31/2016</u>	<u>12/31/2015</u>
Capital Assets		
Land	\$ 142,378	\$ 142,378
Construction in Progress	458,099	78,539
Buildings and Improvements	14,791,166	14,882,932
Equipment, Furniture and Fixtures	<u>3,710,367</u>	<u>3,561,381</u>
Total Capital Assets, before depreciation	\$ 19,102,010	\$ 18,665,230
Less - Accumulated Depreciation	<u>(11,396,251)</u>	<u>(10,912,999)</u>
Total Capital Assets, net of depreciation	<u><u>\$ 7,705,759</u></u>	<u><u>\$ 7,752,231</u></u>

General Fund

For the year ended December 31, 2016, the ending fund balance of the General Fund was \$9,993,427, a decrease of \$830,324 from the fund balance at the close of business on December 31, 2015. The budgeted net change in fund balance for the General Fund was \$(2,228,160). As a comparison, the fund balance at December 31, 2015 was \$10,823,751. Total revenues were \$20,369 (0.1%) less than budgeted and total expenditures were \$1,418,205 (9.7%) less than budgeted. The Library transferred \$1,750,000 from the General Fund (Fund 291) to the Capital Projects Fund (Fund 491) in 2016 to fund upcoming capital projects.

Table 5
General Fund

	<u>For the 12 months Ended December 31, 2016</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	
Total Revenues	\$ 14,094,009	\$ 14,094,009	\$ 14,073,640
Total Expenditures	\$ 14,572,169	\$ 14,572,169	\$ 13,153,964
Excess/(Deficiency) of Revenues Over Expenditures	\$ (478,160)	\$ (478,160)	\$ 919,676
Other Financing Sources (Uses)			
Transfer Out	<u>(1,750,000)</u>	<u>(1,750,000)</u>	<u>(1,750,000)</u>
Net Change in Fund Balance	\$ (2,228,160)	\$ (2,228,160)	\$ (830,324)
Fund Balance - January 1, 2016			<u>\$ 10,823,751</u>
Fund Balance - December 31, 2016			<u><u>\$ 9,993,427</u></u>

Capital Projects Fund

For the year ended December 31, 2016, the ending fund balance of the Capital Projects Fund was \$4,183,278, an increase of \$1,188,631 from the fund balance at December 31, 2015. As a comparison, the fund balance at December 31, 2015 was \$2,994,647. Total Expenditures were \$561,580 less than budgeted as three large projects were rescheduled to future years. The Capital Projects Fund (Fund 491) received a transfer in of \$1,750,000 in 2016 from the General Fund (Fund 291).

Table 6
Capital Projects Fund

	For the 12 months Ended December 31, 2016		
	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>
Total Revenues	\$ 2,000	\$ 2,000	\$ 17,051
Total Expenditures	1,065,000	1,140,000	578,420
Excess/(Deficiency) of Revenues Over Expenditures	\$ (1,063,000)	\$ (1,138,000)	\$ (561,369)
Other Financing Sources (Uses) Transfer In	1,750,000	1,750,000	1,750,000
Net Change in Fund Balance	\$ 687,000	\$ 612,000	\$ 1,188,631
Fund Balance - January 1, 2016			<u>\$ 2,994,647</u>
Fund Balance - December 31, 2016			<u><u>\$ 4,183,278</u></u>

Budget Amendments

During the fiscal year, the Board of Library Trustees approved three budget amendment items. The first budget amendment item re-allocated the real estate taxes revenue budget among its three components. This amendment resulted in no change in the budgeted real estate tax revenue for 2016. The changes in budget are shown in the first three lines of the schedule on page 32.

The second budget amendment item involved increasing our hours of operation on the weekend. During 2015, and while the 2016 Budget was being prepared, the Library instituted a pilot program to evaluate increasing our weekly operating hours from 79 to 85. The 2016 General Fund budget included a \$125,000 contingency, allowing the Board of Library Trustees the opportunity to approve permanently increasing our operating hours. The board did approve increasing our operating hours and this second budget amendment item re-allocated the budget from the contingency account into the specific accounts needed to provide the services for six additional hours per week to our customers. There was no increase in overall General Fund budgeted expenditures due to this budget amendment item. As a result, Table 5 in the MD&A above shows no change in budgeted expenditures. The detailed budget amendment changes are shown in the Supplementary Information schedules on pages 33-35.

The third budget amendment item affected our Capital Projects Fund. The Board of Library Trustees approved a \$75,000 increase in our Capital Projects Fund budgeted expenses to cover the fabrication and installation of exterior signage, which had been delayed from the prior fiscal year. The change in budgeted expenditures is shown in Table 6 in the MD&A above and on Supplementary Information schedule on page 36.

Financial Outlook

For the 2017 tax levy, the Board of Library Trustees is considering a 0% increase on the 2016 extended levy. Should that be the decision, it would be the eighth consecutive year where the levy was a 0% increase over the prior year's extended levy. The Board feels this is responsive to residents' concerns in the current economic climate while maintaining the Five Star quality of Library services that is expected by the residents. For the year ended December 31, 2016, the Library received 97.0% of its revenue from real estate taxes. The real estate tax payments were received in a normal manner with no delay or interruption. The Library continues to annually apply for and receive per capita grants from the State of Illinois. At December 31, 2016, the Library's General Fund has a fund balance of \$9,993,427. This amount would sustain the Library's operations for just over eight months, based on budgeted operating expenditures for calendar year 2017. For additional information regarding the components of the Library's fund balance, please review page 19 in the financial report.

(See independent auditor's report)

Requests for Information

This financial report is designed to provide a general overview of Arlington Heights Memorial Library's finances. Questions and comments concerning any information provided in this report should be addressed to:

Kelly C. Spokas
Director of Finance
Arlington Heights Memorial Library
500 N. Dunton Avenue
Arlington Heights, IL 60004

or via email at kspokas@ahml.info.

BASIC FINANCIAL STATEMENTS

The basic financial Statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

Statement of Net Position
December 31, 2016

ASSETS	
Current Assets	
Cash and Investments	\$ 14,273,948
Receivables - Net of Allowances	
Property Taxes	13,968,392
Accounts	74,450
Accrued Interest	12,946
Prepays	342,796
Total Current Assets	<u>28,672,532</u>
Noncurrent Assets	
Capital Assets	
Nondepreciable	600,477
Depreciable	18,501,533
Accumulated Depreciation	(11,396,251)
Total Noncurrent Assets	<u>7,705,759</u>
Total Assets	<u>36,378,291</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Items - IMRF	<u>2,011,258</u>
Total Assets and Deferred Outflows of Resources	<u>38,389,549</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	285,813
Accrued Payroll	237,835
Other Payables	3,787
Compensated Absences Payable	54,534
Total Current Liabilities	<u>581,969</u>
Noncurrent Liabilities	
Compensated Absences Payable	218,137
Net Pension Liability - IMRF	5,917,431
Net Other Post-Employment Benefit Obligation Payable	88,988
Total Noncurrent Liabilities	<u>6,224,556</u>
Total Liabilities	<u>6,806,525</u>
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	13,968,392
Deferred Items - IMRF	185,225
Total Deferred Inflows of Resources	<u>14,153,617</u>
Total Liabilities and Deferred Inflows of Resources	<u>20,960,142</u>
NET POSITION	
Investment in Capital Assets	7,705,759
Restricted - Social Security	326,359
Unrestricted	9,397,289
Total Net Position	<u><u>17,429,407</u></u>

The notes to the financial statements are an integral part of this statement.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

Statement of Activities
For the Fiscal Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		Net
		Charges for Services	Operating Grants/ Contributions	(Expense) Revenue and Changes in Net Position
Governmental Activities				
Culture, Recreation and Education	\$ 14,777,865	211,184	121,167	(14,445,514)
		General Revenues		
		Property Taxes		13,667,250
		Interest		71,569
		Miscellaneous		19,521
				<u>13,758,340</u>
		Change in Net Position		(687,174)
		Net Position - Beginning		<u>18,116,581</u>
		Net Position - Ending		<u><u>17,429,407</u></u>

The notes to the financial statements are an integral part of this statement.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Balance Sheet
December 31, 2016**

	General	Capital Projects	Totals
ASSETS			
Cash and Investments	\$ 10,040,707	4,233,241	14,273,948
Receivables - Net of Allowances			
Property Taxes	13,968,392	-	13,968,392
Accounts	71,645	2,805	74,450
Accrued Interest	12,946	-	12,946
Prepays	342,796	-	342,796
 Total Assets	 <u>24,436,486</u>	 <u>4,236,046</u>	 <u>28,672,532</u>
LIABILITIES			
Accounts Payable	233,045	52,768	285,813
Accrued Payroll	237,835	-	237,835
Other Payables	3,787	-	3,787
Total Liabilities	<u>474,667</u>	<u>52,768</u>	<u>527,435</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	13,968,392	-	13,968,392
Total Liabilities and Deferred Inflows of Resources	<u>14,443,059</u>	<u>52,768</u>	<u>14,495,827</u>
FUND BALANCES			
Nonspendable	342,796	-	342,796
Restricted	326,359	-	326,359
Assigned	3,350,000	4,183,278	7,533,278
Unassigned	5,974,272	-	5,974,272
Total Fund Balances	<u>9,993,427</u>	<u>4,183,278</u>	<u>14,176,705</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>24,436,486</u>	 <u>4,236,046</u>	 <u>28,672,532</u>

The notes to the financial statements are an integral part of this statement.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Reconciliation of Total Governmental Fund Balance to Net Position - Governmental Activities
December 31, 2016**

Total Governmental Fund Balances \$ 14,176,705

Amounts reported in the Statement of Net Position
are different because:

Capital assets are not financial resources and therefore,
are not reported in the funds. 7,705,759

Deferred outflows (inflows) of resources related to the pensions not reported in the funds.
Deferred Items - IMRF 1,826,033

Long-term liabilities are not due and payable in the current period and,
therefore, are not reported in the funds.

Compensated Absences Payable	(272,671)
Net Pension Liability - IMRF	(5,917,431)
Net Other Post-Employment Benefit Obligation Payable	<u>(88,988)</u>

Net Position of Governmental Activities 17,429,407

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2016

	General	Capital Projects	Totals
Revenues			
Taxes	\$ 13,667,250	-	13,667,250
Intergovernmental	83,670	-	83,670
Charges for Services	42,257	-	42,257
Fines and Fees	168,927	-	168,927
Interest	54,518	17,051	71,569
Miscellaneous	57,018	-	57,018
Total Revenues	14,073,640	17,051	14,090,691
Expenditures			
Culture, Recreation and Education	13,153,964	-	13,153,964
Capital Outlay	-	578,420	578,420
Total Expenditures	13,153,964	578,420	13,732,384
Excess (Deficiency) of Revenues Over (Under) Expenditures	919,676	(561,369)	358,307
Other Financing Sources (Uses)			
Transfers In	-	1,750,000	1,750,000
Transfers Out	(1,750,000)	-	(1,750,000)
	(1,750,000)	1,750,000	-
Changes in Fund Balances	(830,324)	1,188,631	358,307
Fund Balances - Beginning	10,823,751	2,994,647	13,818,398
Fund Balances - Ending	9,993,427	4,183,278	14,176,705

The notes to the financial statements are an integral part of this statement.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Activities
For the Fiscal Year Ended December 31, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ 358,307

Amounts reported in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital Outlays	588,781
Depreciation Expense	(631,137)
Disposal - Cost	(152,001)
Disposal - Accumulated Depreciation	147,885

Deferred outflows (inflows) of resources related to the pensions not reported in the funds.

Change in Deferred Items - IMRF	156,552
---------------------------------	---------

The increases to long-term liabilities provides current financial resources to
governmental funds, while the reduction of the balances
consumes the current financial resources of the governmental funds.

Decrease to Compensated Absences Payable	(7,762)
Increase to Net Pension Liability - IMRF	(1,134,279)
Increases to Net Other Post-Employment Benefit Obligation Payable	<u>(13,520)</u>

Changes in Net Position of Governmental Activities (687,174)

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Arlington Heights Memorial Library (the Library) operates and maintains the public library within the Village of Arlington Heights (the Village). The government-wide financial statements are prepared in accordance with generally accepted accounting principles in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP in the United States for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Library's accounting policies established in GAAP in the United States and used by the Library are described below.

REPORTING ENTITY

The Library is a legally separate entity whose Board is elected by the voters of the Village. The Library may not issue bonded debt without the Village's approval, and its property tax levy is incorporated with the Village's levy. The Library is reported as a discretely presented component unit of the Village of Arlington Heights, Illinois. This report represents the financial activity of the Library for the fiscal year ended December 31, 2016.

The Library is a Public Library operating in accordance with the Illinois Local Library Act, 75 ILCS 5/1-0.1 et seq.

BASIS OF PRESENTATION

Government–Wide and Fund Financial Statements

The government-wide Statement of Activities reports both the gross and net cost of the Library's functions. The Library's activities are primarily supported by taxes and intergovernmental revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

A fund is a separate accounting entity with a self-balancing set of accounts. Separate financial statements are provided for the general fund and capital projects fund. The Library only maintains governmental funds.

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Library:

General fund is the general operating fund of the Library. It is used to account for all financial resources, except for those required or desired to be accounted for in another fund. The General Fund is a major fund.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Governmental Funds – Continued

Capital projects fund accounts for financial resources that are restricted, committed or assigned to expenditure for capital outlays. Major projects include renovation of the Library. The Capital Projects Fund is treated as a major fund.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, activities are presented using the economic resources measurement focus. The accounting objectives of the economic resources measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets/deferred outflows, liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the Library utilizes a “current financial resources” measurement focus. Only current financial assets/deferred outflows and liabilities/deferred inflows are generally included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets/deferred outflows, and liabilities/deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Basis of Accounting – Continued

The Library recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70. A sixty day availability period is used for revenue recognition for all other fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recognized when due.

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes and interest revenue. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, the Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of purchase.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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; Level 3 inputs are significant unobservable inputs.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements. Prepaids are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased.

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Major receivables balances include property taxes.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Library as a whole. When purchased, such assets are recorded as expenditures in the governmental fund and capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

<u>Capital Asset</u>	<u>Years</u>
Buildings and Improvements	40
Equipment, Furniture and Fixtures	3 - 10

Deferred Outflows/Inflows of Resources

Deferred outflow/inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an outflow of resources (expense)/inflow of resources (revenue) until that future time.

Compensated Absences

The Library accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for this amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities on the Statement of Net Position.

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other net position balances that do not meet the definition of “restricted” or “investment in capital assets.”

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgets are prepared for the General and Capital Projects funds by function and activity, and include information on the past year, current year estimates, and requested appropriations for the next fiscal year. The proposed budget is presented to the Board of Library Trustees for review. This governing body holds public meetings and may add to, subtract from, or change appropriations. Both the General Fund and the Capital Projects Fund were amended by the governing body in the current fiscal year. 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.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 3 – DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

Permitted 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 or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated with the three highest classifications by at least two standard rating services.

The Illinois Metropolitan Investment Fund (IMET) is a non-for-profit investment trust formed pursuant to the Illinois Municipal Code. IMET is managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an Investment Company. Investments in IMET are valued at the share price, the price for which the investment could be sold.

The Illinois Funds is an investment pool managed by the Illinois Public Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. Although not registered with the SEC, Illinois Funds operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

Interest Rate Risk, Credit Risk, Concentration Risk and Custodial Credit Risk

Deposits. At year-end, the carrying amount of the Library’s deposits totaled \$3,709,074 and the bank balances totaled \$4,227,707.

Investments. The Library has the following investment fair values and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasury Obligations	\$ 5,390,854	5,390,854	-	-	-
U.S. Agency Obligations	1,666,775	1,666,775	-	-	-
Commercial Paper	300,098	300,098	-	-	-
Illinois Funds	46,357	46,357	-	-	-
IMET	3,160,790	3,160,790	-	-	-
	<u>10,564,874</u>	<u>10,564,874</u>	-	-	-

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

Notes to the Financial Statements
December 31, 2016

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Interest Rate Risk, Credit Risk, Concentration Risk and Custodial Credit Risk – Continued

The Library has the following recurring fair value measurements as of December 31, 2016:

	December 31, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury Obligations	\$ 5,390,854	5,390,854	-	-
U.S. Agency Obligations	1,666,775	-	1,666,775	-
Total Investments by Fair Value Level	<u>7,057,629</u>	<u>5,390,854</u>	<u>1,666,775</u>	<u>-</u>
Investments Measured at the Net Asset Value (NAV)				
Commercial Paper	300,098			
Illinois Funds	46,357			
IMET	<u>3,160,790</u>			
Total Investments Measured at NAV	<u>3,507,245</u>			
Total Investments Measured at Fair Value	<u>10,564,874</u>			

Interest Rate Risk. 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 cash requirements for ongoing operations in shorter-term securities, money market funds or similar investment pools. The Library's investments in the Illinois Funds and IMET have an average maturity of less than one year.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Library's policy limits its exposure to credit risk by limiting investments to the safest types of securities, prequalifying the financial institution, intermediaries and advisors with which the Library will conduct business; and diversifying the investment portfolio so that potential losses on individual investments will be minimized. At year-end, the Library's investment in Illinois Funds is rated Aaam by Moody's, the IMET 1-3 Year Fund is rated Aaa/bf by Moody's and the commercial paper is rated AAA by Moody's. The investment ratings for the U.S. agency obligations are not available and the IMET Convenience Fund is not rated.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Interest Rate Risk, Credit Risk, Concentration Risk and Custodial Credit Risk – Continued

Concentration Risk. This is the risk of loss attributed to the magnitude of the Library's investment in a single issuer. The Library's investment policy requires diversification of investments to avoid unreasonable risk by limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities); limiting investment in securities that have higher credit risks; investing in securities with varying maturities; and continuously investing a portion of the portfolio in readily available funds such as local government investment pool (LGIPs) or money market funds to ensure that proper liquidity is maintained in order to meet ongoing obligations. At year-end, the Library does not have any investments over 5 percent (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, at an amount not less than 110% of the market value of the funds secured, with the collateral witnessed by a written collateral agreement and held by an independent third party. At year-end, the entire amount of the bank balance of deposits was covered by collateral, federal depository or equivalent insurance.

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 basis with the underlying investments held by an independent third-party custodian and evidenced by safekeeping receipts and a written custodial agreement. The Library's investments in the Illinois Funds and IMET are not subject to custodial credit risk.

PROPERTY TAXES

Property taxes for 2016 attach as an enforceable lien on January 1, 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 are payable in two installments, on or about March 1 and August 1. The County collects such taxes and remits them periodically to the Library. The allowance for uncollectible taxes has been stated at 1% of the tax levy, to reflect projected collection experience. The uncollected portion of the 2016 tax levy less the allowance has been recorded as a receivable; the entire 2016 tax levy has been recorded as unavailable revenue at year-end.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS

Capital asset activity For the fiscal year ended December 31, 2016 was as follows:

	Beginning Balances	Additions	Deductions	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 142,378	-	-	142,378
Construction in Progress	78,539	439,795	60,235	458,099
	<u>220,917</u>	<u>439,795</u>	<u>60,235</u>	<u>600,477</u>
Depreciable Capital Assets				
Buildings and Improvements	14,882,932	60,235	152,001	14,791,166
Equipment, Furniture and Fixtures	3,561,381	148,986	-	3,710,367
	<u>18,444,313</u>	<u>209,221</u>	<u>152,001</u>	<u>18,501,533</u>
Less Accumulated Depreciation				
Buildings and Improvements	8,871,420	418,069	147,885	9,141,604
Equipment, Furniture and Fixtures	2,041,579	213,068	-	2,254,647
	<u>10,912,999</u>	<u>631,137</u>	<u>147,885</u>	<u>11,396,251</u>
 Total Net Depreciable Capital Assets	 <u>7,531,314</u>	 <u>(421,916)</u>	 <u>4,116</u>	 <u>7,105,282</u>
 Total Net Capital Assets	 <u>7,752,231</u>	 <u>17,879</u>	 <u>64,351</u>	 <u>7,705,759</u>

Depreciation expense of \$631,137 was charged to the culture, recreation and education function.

INTERFUND TRANSFERS

Interfund transfers for the year consisted of the following:

Transfers In	Transfers Out	Amount
Capital Projects	General	<u>\$ 1,750,000</u>

Transfers are used to move unrestricted revenues collected in the General Fund to finance capital projects in accordance with budgetary authorizations.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM LIABILITY ACTIVITY

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Compensated Absences	\$ 264,909	15,524	7,762	272,671	54,534
Net Pension Liability - IMRF	4,783,152	1,134,279	-	5,917,431	-
Net Other Post-Employment Benefit Obligation	75,468	13,520	-	88,988	-
	<u>5,123,529</u>	<u>1,163,323</u>	<u>7,762</u>	<u>6,279,090</u>	<u>54,534</u>

The compensated absences, the net pension liability, and the net other post-employment benefit obligation are generally liquidated by the General Fund.

FUND BALANCE CLASSIFICATIONS

In the governmental funds financial statements, the Library considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The Library first utilizes committed, then assigned and then unassigned fund balances when an expenditure is incurred for purposes for which all three unrestricted fund balances are available.

Assigned Fund Balance. The Library reports assigned fund balance in the General and Capital Projects funds, both major funds. Assigned fund balance represents amounts constrained by the Library’s intent to use them for a specific purpose.

Minimum Fund Balance Policy. The Library’s policy manual states that the General Fund should maintain a minimum fund balance equal to 4 months of budgeted operating expenditures.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

FUND BALANCE CLASSIFICATIONS – Continued

The following is a schedule of fund balance classifications for the governmental funds as of the date of this report:

	General	Capital Projects	Totals
Fund Balances			
Nonspendable			
Prepays	\$ 342,796	-	342,796
Restricted			
Social Security	326,359	-	326,359
Assigned			
Capital Projects	1,750,000	4,183,278	5,933,278
IMRF UAAL	1,400,000	-	1,400,000
Insurance Reserves	200,000	-	200,000
	<u>3,350,000</u>	<u>4,183,278</u>	<u>7,533,278</u>
Unassigned	<u>5,974,272</u>	-	<u>5,974,272</u>
Total Fund Balances	<u>9,993,427</u>	<u>4,183,278</u>	<u>14,176,705</u>

NOTE 4 – OTHER INFORMATION

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; natural disasters; and injuries to the Library’s employees. These risks are provided for through insurance from private insurance companies. The Library currently reports all its risk management activities in the General Fund. Claims incurred have not exceeded purchased coverage during the current and three previous fiscal years. The Library participates in the Village insurance program with respect to employee health risks.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN

Illinois Municipal Retirement Fund (IMRF)

Library employees contribute to one defined benefit pension plan, the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system. Participating employees are covered by IMRF through the Village. Contributions are paid by the Village and are reimbursed by the Library. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained on-line at www.imrf.org. The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly.

Plan Description

Plan Administration. The Library’s defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Library’s plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF’s pension benefits is provided in the “Benefits Provided” section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan’s fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided. IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff’s Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date). All of the Library’s employees participate in the Regular Plan.

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Description – Continued

Benefits Provided – Continued. Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Plan Membership. As of December 31, 2016, the measurement date, the following employees were covered by the benefit terms:

Active Plan Members	<u>159</u>
---------------------	------------

A detailed breakdown of IMRF membership for the Village and the Library combined is available in the Village of Arlington Height's comprehensive annual financial report.

Contributions. As set by statute, the Library's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Library's annual contribution rate for calendar year 2016 was 13.07%.

Net Pension Liability. The Library's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Description – Continued

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed, as of December 31, 2016, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.50%
Salary Increases	3.75% - 14.50%
Cost of Living Adjustments	2.75%
Inflation	2.75%

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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 tables was used with fully generational projection scale MP-2014 (base year 2012). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.50% and the prior valuation used a discount rate of 7.47%. 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 Library contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following presents the plan’s net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan’s net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 11,366,821	5,917,431	1,397,696

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

Notes to the Financial Statements
December 31, 2016

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 35,166,587	30,383,435	4,783,152
Changes for the Year:			
Service Cost	655,302	-	655,302
Interest on the Total Pension Liability	3,920,604	-	3,920,604
Difference Between Expected and Actual Experience of the Total Pension Liability	407,287	-	407,287
Changes of Assumptions	(151,925)	-	(151,925)
Contributions - Employer	-	808,736	(808,736)
Contributions - Employees	-	284,286	(284,286)
Net Investment Income	-	2,466,004	(2,466,004)
Benefit Payments, including Refunds of Employee Contributions	(2,168,343)	(2,168,343)	-
Other (Net Transfer)	-	137,963	(137,963)
Net Changes	2,662,925	1,528,646	1,134,279
Balances at December 31, 2016	37,829,512	31,912,081	5,917,431

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended December 31, 2016, the Library recognized pension expense of \$1,789,880. At December 31, 2016, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 296,842	(74,498)	222,344
Change in Assumptions	45,365	(110,727)	(65,362)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,669,051	-	1,669,051
Total Deferred Amounts Related to IMRF	<u>2,011,258</u>	<u>(185,225)</u>	<u>1,826,033</u>

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

Fiscal Year	Net Deferred Outflows of Resources
2017	\$ 595,810
2018	600,545
2019	591,118
2020	38,560
2021	-
Thereafter	-
Total	<u>1,826,033</u>

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

Plan Descriptions, Provisions and Funding Policies

In addition to providing the pension benefits described, the Library offers pre and post-Medicare post-retirement health insurance to retirees, their spouses, and dependents (enrolled at the time of employee’s retirement). To be eligible for benefits, the employee must qualify for retirement under the Library’s retirement plan. If the retiree elects to participate, the retiree pays the current full blended premium. There is no explicit subsidy as defined by GASB Statement No. 45 as the retiree pays the same premium as an active employee. Upon a retiree becoming eligible for Medicare, the amount payable under the Library’s health plan will be reduced by the amount payable under Medicare for those expenses that are covered under both.

The post-employment health care benefits (OPEB) for retired employees are offered through a single-employer defined benefit plan (the Plan). The benefits, benefit levels, employee/retiree contributions, and employer contributions are governed by the Village/Library and can be amended by the Village/Library through their personnel manuals. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the Plan. 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. The Plan does not issue a separate report. The activity of the Plan is reported in the Library’s governmental activities.

At December 31, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them.	36
Active Employees	<u>74</u>
Total	<u>110</u>
Participating Employers	1

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation (NOPEBO) as of December 31, 2016, was calculated as follows:

Annual Required Contribution	\$ 22,751
Interest on the NOPEBO	3,396
Adjustment to the ARC	<u>(4,434)</u>
Annual OPEB Cost	21,713
Actual Contribution	<u>8,193</u>
Change in NOPEBO	13,520
NOPEBO - Beginning	<u>75,468</u>
NOPEBO - Ending	<u><u>88,988</u></u>

Trend Information

The Library's annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed and the net OPEB obligation are as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
4/30/2015	\$ 60,933	\$ 47,580	78.09%	\$ 469,065
12/31/2015	18,421	5,057	27.45%	75,468
12/31/2016	21,713	8,193	37.73%	88,988

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

**Notes to the Financial Statements
December 31, 2016**

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2016, was as follows:

Actuarial Accrued Liability (AAL)	\$ 219,200
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 219,200
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	\$ 4,091,904
UAAL as a Percentage of Covered Payroll	5.36%

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 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 the financial statements, presents multiyear 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.

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 December 31, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return, projected salary increases of 3.0% and an initial healthcare cost trend rate of 8.0% reduced to an ultimate healthcare inflation rate of 4.5% after eight years. Both rates include a 2.5% inflation assumption. The actuarial value of assets was not determined as the Library has not advanced funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2016, was 30 years.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Funding Progress and Employer Contributions
Other Post-Employment Benefit Plan
- Schedule of Employer Contributions
Illinois Municipal Retirement Fund
- Schedule of Changes in the Employer's Net Pension Liability
Illinois Municipal Retirement Fund
- Budgetary Comparison Schedule
General Fund

Notes to the Required Supplementary Information

Budgetary Information – Budgets are adopted on a basis consistent with generally accepted accounting principles.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

Other Post-Employment Benefits Plan

**Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
December 31, 2016**

Funding Progress						(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	
4/30/12	\$ -	\$ 1,669,900	0.00%	\$ 1,669,900	\$ 4,045,543	41.28%
4/30/13	N/A	N/A	N/A	N/A	N/A	N/A
4/30/14	-	1,545,146	0.00%	1,545,146	6,505,722	23.75%
4/30/15	-	1,322,810	0.00%	1,322,810	6,498,209	20.36%
12/31/15	-	207,012	0.00%	207,012	3,972,722	5.21%
12/31/16	-	219,200	0.00%	219,200	4,091,904	5.36%

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
4/30/12	\$ 73,229	\$ 94,079	77.84%
4/30/13	73,894	93,064	79.40%
4/30/14	62,579	90,441	69.19%
4/30/15	47,580	80,529	59.08%
12/31/15	5,057	18,990	26.63%
12/31/16	8,193	22,751	36.01%

N/A - Not Available

The Library is required to have an actuarial valuation biennially. The amounts above are allocated based on the Library's portion of the total Village net other post-employment benefit obligation.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

Illinois Municipal Retirement Fund

**Required Supplementary Information
Schedule of Employer Contributions
December 31, 2016**

Calendar Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
12/31/2015	\$ 663,537	\$ 665,380	\$ 1,843	\$ 5,119,881	13.00%
12/31/2016	808,736	808,736	-	6,187,727	13.07%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	27 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.75%
Salary Increases	3.75% - 14.50%
Investment Rate of Return	7.50%
Retirement Age	See the Notes to the Financial Statements
Mortality	IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012).

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

Illinois Municipal Retirement Fund

**Required Supplementary Information
Schedule of Changes in the Employer's Net Pension Liability
December 31, 2016**

	12/31/2015	12/31/2016
Total Pension Liability		
Service Cost	\$ 554,539	655,302
Interest	2,492,496	3,920,604
Changes in Benefit Terms	-	-
Differences Between Expected and Actual Experience	(136,273)	407,287
Change of Assumptions	82,983	(151,925)
Benefit Payments, Including Refunds of Member Contributions	(1,655,072)	(2,168,343)
Net Change in Total Pension Liability	1,338,672	2,662,925
Total Pension Liability - Beginning	33,827,915	35,166,587
Total Pension Liability - Ending	35,166,587	37,829,512
Plan Fiduciary Net Position		
Contributions - Employer	\$ 665,380	808,736
Contributions - Members	248,358	284,286
Net Investment Income	151,997	2,466,004
Benefit Payments, Including Refunds of Member Contributions	(1,655,072)	(2,168,343)
Administrative Expense	202,712	137,963
Net Change in Plan Fiduciary Net Position	(386,625)	1,528,646
Plan Net Position - Beginning	30,770,060	30,383,435
Plan Net Position - Ending	30,383,435	31,912,081
Employer's Net Pension Liability	\$ 4,783,152	5,917,431
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.40%	84.36%
Covered-Employee Payroll	\$ 5,119,881	6,187,727
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	93.42%	95.63%

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

General Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2016**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Taxes - General	\$ 12,275,391	12,326,684	12,303,237
Property Taxes - IMRF	874,042	826,581	825,131
Property Taxes - FICA	543,726	539,894	538,882
Intergovernmental			
State/Local Grants	99,000	99,000	83,670
Charges for Services			
Copier and Film Printer Fees	38,000	38,000	42,257
Fines and Fees	164,350	164,350	168,927
Interest	25,000	25,000	54,518
Miscellaneous			
Donations	66,500	66,500	37,497
Miscellaneous	8,000	8,000	19,521
Total Revenues	<u>14,094,009</u>	<u>14,094,009</u>	<u>14,073,640</u>
Expenditures			
Culture, Recreation and Education			
Executive Office	6,113,724	6,021,412	5,102,880
User Services	8,458,445	8,550,757	8,051,084
Total Expenditures	<u>14,572,169</u>	<u>14,572,169</u>	<u>13,153,964</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(478,160)	(478,160)	919,676
Other Financing (Uses)			
Transfers Out	<u>(1,750,000)</u>	<u>(1,750,000)</u>	<u>(1,750,000)</u>
Changes in Fund Balance	<u>(2,228,160)</u>	<u>(2,228,160)</u>	(830,324)
Fund Balance - Beginning			<u>10,823,751</u>
Fund Balance - Ending			<u>9,993,427</u>

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Budgetary Comparison Schedules - Major Governmental Funds
 - General Fund
 - Capital Projects Fund

INDIVIDUAL FUND SCHEDULES

GENERAL FUND

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

CAPITAL PROJECTS FUND

Capital Projects Funds are created to account for all resources used for the acquisition of capital facilities by a governmental unit except those financed by Proprietary Funds.

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

General Fund

**Schedule of Expenditures - Budget and Actual
For the Fiscal Year Ended December 31, 2016**

	Budget		Actual
	Original	Final	
Culture, Recreation and Education			
Executive Office			
Administration			
Salaries	\$ 343,212	343,212	351,107
Benefits	198,270	198,270	133,679
Contractual Services	489,172	489,172	424,489
Commodities	170,264	45,264	24,119
Other Charges	5,000	5,000	-
Other Equipment	676,701	676,701	108,582
	<u>1,882,619</u>	<u>1,757,619</u>	<u>1,041,976</u>
Communication and Marketing			
Salaries	283,846	283,846	286,376
Benefits	109,226	109,226	106,011
Contractual Services	223,172	223,172	193,595
Commodities	32,034	32,034	23,373
	<u>648,278</u>	<u>648,278</u>	<u>609,355</u>
Human Resources			
Salaries	154,534	154,534	155,635
Benefits	66,264	66,264	64,315
Contractual Services	20,035	20,035	14,646
Commodities	4,750	4,750	4,100
Other Charges	20,600	20,600	13,211
	<u>266,183</u>	<u>266,183</u>	<u>251,907</u>
Paid by Gifts and Grants			
Contractual Services	25,000	25,000	29,803
Commodities	35,000	35,000	27,960
Other Equipment	5,000	5,000	-
	<u>65,000</u>	<u>65,000</u>	<u>57,763</u>
Finance			
Salaries	255,703	255,703	219,602
Benefits	73,226	73,226	64,127
Contractual Services	32,754	32,754	39,966
	<u>361,683</u>	<u>361,683</u>	<u>323,695</u>

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

General Fund

**Schedule of Expenditures - Budget and Actual - Continued
For the Fiscal Year Ended December 31, 2016**

	Budget		Actual
	Original	Final	
Culture, Recreation and Education - Continued			
Executive Office - Continued			
Information Technology			
Salaries	\$ 595,188	607,878	611,333
Benefits	276,970	277,941	268,311
Contractual Services	141,914	141,914	148,676
Commodities	242,583	242,583	200,557
Other Equipment	338,420	338,420	302,067
	<u>1,595,075</u>	<u>1,608,736</u>	<u>1,530,944</u>
Security			
Salaries	221,778	229,578	231,279
Benefits	95,324	95,921	92,849
Contractual Services	500	500	108
Commodities	225	225	196
	<u>317,827</u>	<u>326,224</u>	<u>324,432</u>
Facilities			
Salaries	376,730	386,604	383,428
Benefits	187,910	188,666	180,501
Contractual Services	287,025	287,025	296,310
Commodities	109,894	109,894	85,115
Other Equipment	15,500	15,500	17,454
	<u>977,059</u>	<u>987,689</u>	<u>962,808</u>
Total Executive Office	<u>6,113,724</u>	<u>6,021,412</u>	<u>5,102,880</u>
User Services			
Children's Services			
Salaries	757,014	769,865	751,717
Benefits	223,939	224,925	215,549
Contractual Services	34,044	34,044	21,483
Commodities	44,082	44,082	35,787
	<u>1,059,079</u>	<u>1,072,916</u>	<u>1,024,536</u>

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

General Fund

**Schedule of Expenditures - Budget and Actual - Continued
For the Fiscal Year Ended December 31, 2016**

	Budget		Actual
	Original	Final	
Culture, Recreation and Education - Continued			
User Services - Continued			
Program Services			
Salaries	\$ 431,496	431,496	423,710
Benefits	147,191	147,191	142,963
Contractual Services	9,366	9,366	4,394
Commodities	11,398	11,398	7,134
	<u>599,451</u>	<u>599,451</u>	<u>578,201</u>
Customer Services			
Salaries	2,356,271	2,408,967	2,253,645
Benefits	675,803	679,837	645,072
Contractual Services	117,266	132,791	93,884
Commodities	24,538	24,538	16,240
	<u>3,173,878</u>	<u>3,246,133</u>	<u>3,008,841</u>
Digital Services			
Salaries	461,552	467,330	484,092
Benefits	139,784	140,226	141,728
Contractual Services	11,115	11,115	9,595
Commodities	304,060	304,060	306,116
Other Equipment	1,776	1,776	2,440
	<u>918,287</u>	<u>924,507</u>	<u>943,971</u>
Collection Services			
Salaries	820,081	820,081	788,928
Benefits	373,934	373,934	354,041
Contractual Services	95,642	95,642	82,660
Commodities	1,418,093	1,418,093	1,269,906
	<u>2,707,750</u>	<u>2,707,750</u>	<u>2,495,535</u>
Total User Services	<u>8,458,445</u>	<u>8,550,757</u>	<u>8,051,084</u>
Total Expenditures	<u>14,572,169</u>	<u>14,572,169</u>	<u>13,153,964</u>

**ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS**

Capital Projects Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2016**

	Budget		Actual
	Original	Final	
Revenues			
Interest	\$ 2,000	2,000	17,051
Expenditures			
Capital Outlay			
Administration	155,000	155,000	105,456
Information Technology	-	-	12,595
Facilities	910,000	985,000	460,369
Total Expenditures	1,065,000	1,140,000	578,420
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,063,000)	(1,138,000)	(561,369)
Other Financing Sources			
Transfers In	1,750,000	1,750,000	1,750,000
Changes in Fund Balance	687,000	612,000	1,188,631
Fund Balance - Beginning			2,994,647
Fund Balance - Ending			4,183,278