

**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
APRIL 30, 2015**

**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

August 14, 2015

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 April 30, 2015, 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 April 30, 2015, 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 Village of Arlington Heights, Illinois', financial statements as a whole. The individual fund budgetary comparison schedules and 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 for the fiscal year ended April 30, 2015. Readers are encouraged to consider the information presented here in conjunction with additional information that is in the library's financial statements.

Financial Highlights

- According to the Statement of Net Position, the assets of the library exceeded its liabilities/deferred inflows at the close of the most recent fiscal year, April 30, 2015, by \$16,092,527. Of this amount, the net position of \$8,158,395 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, as of the close of the current fiscal year, the library's governmental funds reported a total fund balance of \$8,901,813 which will be spent in the following manner; \$236,195 in prepaid material, \$2,542,503 for capital improvements, \$200,000 for insurance reserves, \$1,400,000 for IMRF Unfunded Actuarial Accrued Liability reserves and the remaining \$4,523,115 may be used at the library's discretion.

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 and liabilities, 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
(See independent auditor's report)

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, Table 6 in the MD&A and pages 25-29 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.

Fund Balance – the difference between assets 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.

(See independent auditor's report)

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 9-23 of the financial report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the IMRF employee pension obligation and budgetary comparison schedules for our two major funds, which can be found on pages 24-29 of the financial report.

Government-Wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the Arlington Heights Memorial Library, as the following table demonstrates, assets exceeded liabilities/deferred inflows by \$16,092,527 at the close of the most recent fiscal year.

Table 1
Summary of the Statement of Net Position

	April 30	
	2015	2014
Current and Other Assets	\$ 23,152,307	\$ 21,449,632
Capital Assets, net of accumulated depreciation	7,934,132	8,483,779
Total Assets	\$ 31,086,439	\$ 29,933,411
Current and Other Liabilities	\$ 747,782	\$ 710,096
Noncurrent Liabilities	688,547	668,585
Total Liabilities	\$ 1,436,329	\$ 1,378,681
Unearned Property Tax	\$ 13,557,583	\$ 13,423,350
Total Deferred Inflows of Revenue	\$ 13,557,583	\$ 13,423,350
<u>Net Position</u>		
Invested in Capital Assets	\$ 7,934,132	\$ 8,483,779
Unrestricted for Culture, Recreation and Education	8,158,395	6,647,601
Total Net Position	\$ 16,092,527	\$ 15,131,380

(See independent auditor's report)

A portion of the library's net position, \$7,934,132, reflects its investment in capital assets (e.g. land, building and improvements, equipment, and furniture and fixtures.) The library uses these capital assets to provide services to citizens. The remaining balance of the net position, \$8,158,395, may be used to meet ongoing obligations to citizens and creditors.

Governmental Activities

The following table summarizes the revenue and expenses of the library's governmental activities for fiscal year ended April 30, 2015. Governmental activities increased the library's net position by \$975,988. Please see page MD&A 11 for the explanation of the prior period adjustment.

Table 2
Changes in Net Position

	For the Year Ended April 30	
	2015	2014
Revenue		
Program Revenue		
Charges for Services	\$ 224,392	\$ 209,716
Operating Grants/Contributions	230,626	108,622
General Revenue		
Property Taxes	13,274,084	13,177,915
Interest	53,784	52,392
Miscellaneous	9,143	19,496
Total Revenue	\$ 13,792,029	\$ 13,568,141
Expenses		
Culture, Recreation and Education	\$ 12,816,041	\$ 12,921,814
Total Expenses	\$ 12,816,041	\$ 12,921,814
Changes in Net Position	\$ 975,988	\$ 646,327
Total Net Position, Beginning of the Year	\$ 15,116,539	\$ 14,485,053
Total Net Position, End of the Year	\$ 16,092,527	\$ 15,131,380
Prior Period Adjustment	-	(14,841)
Total Net Position, End of the Year, Restated	\$ 16,092,527	\$ 15,116,539

(See independent auditor's report)
MD&A 4

Governmental Funds Analysis – For 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 and 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 annually by a transfer out from the General Fund.

Total Revenue increased \$146,710 over last fiscal year. The Board of Library Trustees approved a 0% increase on the 2013 extended levy for 2014. Property Taxes were up \$96,169, while revenue from Gifts & Grants increased by \$44,826 primarily due to the receipt of a \$50,000 grant from the Illinois Department of Commerce & Economic Opportunity.

Total Expenditures were down \$99,338. With expenditures for Equipment/Capital Outlay down by \$200,456, the sum of all remaining expenditures increased by \$101,118, less than 0.82% versus FY13-14. Salaries and Benefits were up \$24,883, less than 0.3%, versus the prior fiscal year. Expenditures for Nonprint Materials/Electronic Resources were up \$28,541 while expenditures for Printed Materials and Public Programs decreased slightly. All other Operating Expenditures were up \$53,462, including a \$97,834 market value adjustment expenditure to write down a portion of the library's IMET investment which had been defrauded. Without that adjustment, all other Operating Expenditures were down \$47,656.

(See independent auditor's report)

Table 3
Summary Statement of Revenues and Expenditures

	For the Year Ended April 30			
	2015	2015	2014	2014
	<u>Fund 291</u>	<u>Fund 491</u>	<u>Fund 291</u>	<u>Fund 491</u>
Revenue				
Property Taxes	\$ 13,274,084	\$ -	\$ 13,177,915	\$ -
Fines, Service Fees, Photocopies	224,392	-	209,716	-
Gifts & Grants	230,626	-	185,800	-
Investment Income	50,360	3,424	52,036	356
Miscellaneous	9,143	-	19,496	-
Total Revenue	\$ 13,788,605	\$ 3,424	\$ 13,644,963	\$ 356
Expenditures				
Salaries and Benefits	\$ 8,817,307	\$ -	\$ 8,792,424	\$ -
Equipment/Capital Outlay	156,583	108,174	-	465,213
Printed Materials (Books & Periodicals)	747,578	-	749,646	-
Nonprint Materials/Electronic Resources	698,344	-	669,803	-
Public Programs/Services	340,667	-	344,367	-
All other Operating Expenditures*	1,386,965	4,002	1,337,505	-
Total Expenditures	\$ 12,147,444	\$ 112,176	\$ 11,893,745	\$ 465,213
Other Financing Sources/(Uses)				
Transfer In		\$ 649,702		\$ 715,874
Transfer Out	\$ (649,702)		\$ (715,874)	

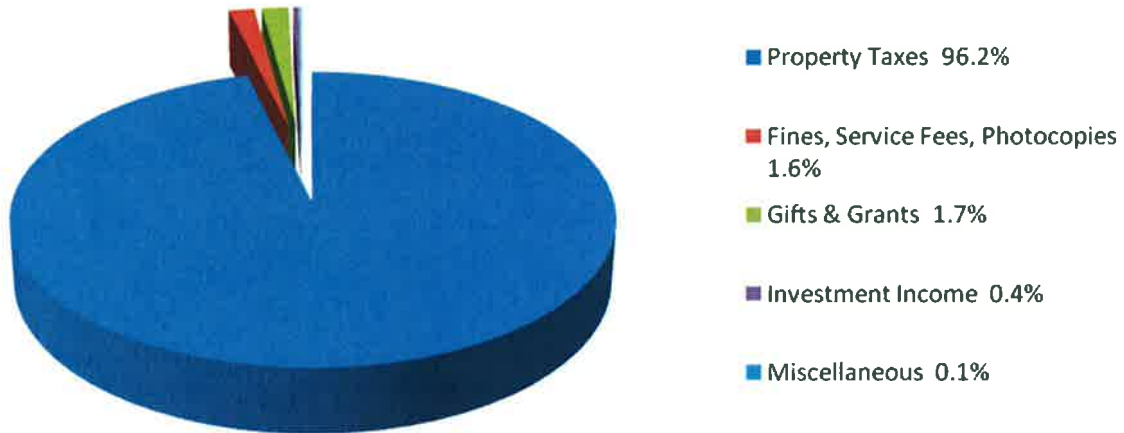
*Building insurance, building and equipment maintenance, general office supplies, processing costs, audit, professional fees, contractual services, utilities, IMET expense, contingencies, etc.

(See independent auditor's report)
MD&A 6

The following charts show the composition of total revenues and total expenditures for the fiscal year ended April 30, 2015, as shown in Table 3.

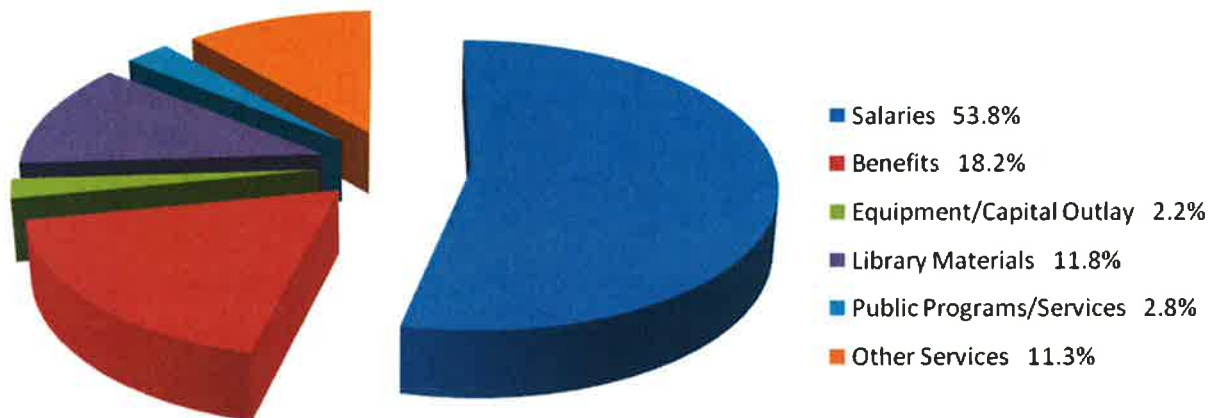
Composition of Total Revenue

for the year ended April 30, 2015



Composition of Total Expenditures

for the year ended April 30, 2015



(See independent auditor's report)

Capital Outlay

The schedule below details the \$108,174 expended on Capital Outlay in the Capital Projects Fund for the year ended April 30, 2015, as shown in Table 3.

Information Technology	\$ 18,000
Consulting/Design Services for future capital projects	12,976
Fire Safety Enhancement Project	59,554
Hendrickson Room Hearing Loop (Funded by Friends of the Library)	<u>17,644</u>
Total	\$ 108,174

Capital Assets

The library's investment in capital assets for governmental activities at April 30, 2015, was \$7,934,132. This investment in capital assets includes land, building and improvements, equipment, and furniture and fixtures. Refer to page 16 of the financial statements for more detail. Also, please see the explanation of the prior period adjustment on page MD&A 11.

Table 4
Capital Assets

	April 30	
	2015	2014
Capital Assets		
Land	\$ 142,378	\$ 142,378
Construction in Progress	71,030	-
Buildings and Improvements	14,694,508	14,676,864
Equipment, Furniture and Fixtures	<u>3,514,837</u>	<u>3,514,792</u>
Total Capital Assets, before depreciation	\$18,422,753	\$18,334,034
Less - Accumulated Depreciation	<u>(10,488,621)</u>	<u>(9,865,096)</u>
Total Capital Assets, net of depreciation	\$ 7,934,132	\$ 8,468,938

(See independent auditor's report)
MD&A 8

General Fund

For the year ended April 30, 2015, the ending fund balance of the general fund was \$8,109,310, an increase of \$991,459 from the prior year. The General Fund (Fund 291) transferred \$649,702 to the Capital Projects Fund (Fund 491) during the year ended April 30, 2015.

Table 5
General Fund

	<u>For the Year Ended April 30, 2015</u>		
	<u>Original</u>	<u>Final</u>	
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>
Total Revenues	\$ 13,822,678	\$ 13,822,678	\$ 13,788,605
Total Expenditures	\$ 13,141,795	\$ 13,287,295	\$ 12,147,444
Excess/(Deficiency) of Revenues Over Expenditures	\$ 680,883	\$ 535,383	\$ 1,641,161
Other Financing Sources (Uses)			
Transfer Out	<u>(649,702)</u>	<u>(649,702)</u>	<u>(649,702)</u>
Net Change in Fund Balance	\$ 31,181	\$ (114,319)	\$ 991,459
Fund Balance - May 1, 2014			<u>\$ 7,117,851</u>
Fund Balance - April 30, 2015			<u><u>\$ 8,109,310</u></u>

Capital Projects Fund

For the year ended April 30, 2015, the ending fund balance of the Capital Projects Fund was \$792,503, an increase of \$540,950 from the prior year. The Capital Projects Fund (Fund 491) received a transfer in of \$649,702 from the General Fund (Fund 291).

Table 6
Capital Projects Fund

	<u>For the Year Ended April 30, 2015</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	
Total Revenues	\$ -	\$ -	\$ 3,424
Total Expenditures	<u>649,702</u>	<u>504,202</u>	<u>112,176</u>
Excess/(Deficiency) of Revenues Over Expenditures	\$ (649,702)	\$ (504,202)	\$ (108,752)
Other Financing Sources (Uses)			
Transfer In	<u>649,702</u>	<u>649,702</u>	<u>649,702</u>
Net Change in Fund Balance	\$ -	\$ 145,500	\$ 540,950
Fund Balance - May 1, 2014			<u>\$ 251,553</u>
Fund Balance - April 30, 2015			<u><u>\$ 792,503</u></u>

(See independent auditor's report)

Budget Amendment and Prior Period Adjustment

During the fiscal year, the Board of Library Trustees approved amendment to the General Fund expenditure budget and the Capital Projects Fund expenditure budget. The General Fund expenditure budget was increased by \$145,500 and the Capital Projects Fund expenditure budget was decreased by \$145,500, resulting in no net change in budgeted expenditures overall. These changes are shown in Table 5 and Table 6 above and in the Supplementary Information on pages 26-29. The amendments were made to classify the budget for non-capitalized fixed asset purchases in the General Fund rather than the Capital Projects Fund.

In concert with the budget amendments, prior period adjustments were made in the schedules identifying Capital Assets. The cost of prior year purchases and the associated accumulated depreciation of non-capitalized fixed assets have been removed from the Beginning Balances shown in the Capital Assets schedule on page 16, and in the 2014 column in Table 4 above. The adjustment decreased the Depreciable Capital Assets for Equipment, Furniture and Fixtures by \$1,635,019 and decreased Accumulated Depreciation for Equipment, Furniture and Fixtures by \$1,620,178, resulting in a reduction of \$14,841 in Total Net Capital Assets as of April 30, 2014.

Financial Outlook

For the 2015 tax levy, the Board of Library Trustees is currently considering a 0% increase on the 2014 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. The library receives 96.2% of its revenue from real estate taxes. The receipt of real estate taxes remained steady for the fiscal year ended April 30, 2015. The library continues to annually apply for and receive per capita grants from the State of Illinois. The library's General Fund has a fund balance of \$8,109,310. This amount would sustain the library's operations for about seven months, based on budgeted operating expenditures for the fiscal year ending December 31, 2015.

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

Michael L. Kelly
Director of Finance
Arlington Heights Memorial Library
500 North Dunton Avenue
Arlington Heights, Illinois 60004

or via email at mkelly@ahml.info.

(See independent auditor's report)

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
April 30, 2015**

ASSETS	
Current Assets	
Cash and Investments	\$ 16,339,075
Receivables - Net of Allowances	
Property Taxes	6,478,915
Accounts	88,913
Accrued Interest	9,209
Prepays	236,195
Total Current Assets	<u>23,152,307</u>
Noncurrent Assets	
Capital Assets	
Nondepreciable	213,408
Depreciable	18,209,345
Accumulated Depreciation	<u>(10,488,621)</u>
Total Noncurrent Assets	<u>7,934,132</u>
Total Assets	<u>31,086,439</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	285,102
Accrued Payroll	313,094
Other Payables	94,715
Compensated Absences Payable	54,871
Total Current Liabilities	<u>747,782</u>
Noncurrent Liabilities	
Compensated Absences Payable	219,482
Net Other Post-Employment Benefit Obligation Payable	469,065
Total Noncurrent Liabilities	<u>688,547</u>
Total Liabilities	<u>1,436,329</u>
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	<u>13,557,583</u>
Total Liabilities and Deferred Inflows of Resources	<u>14,993,912</u>
NET POSITION	
Investment in Capital Assets	7,934,132
Unrestricted	<u>8,158,395</u>
Total Net Position	<u>16,092,527</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 April 30, 2015**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants/ Contributions	
Functions/Programs				
Governmental Activities				
Culture, Recreation and Education	\$ 12,816,041	224,392	230,626	(12,361,023)
		General Revenues		
		Property Taxes		13,274,084
		Interest		53,784
		Miscellaneous		9,143
				<u>13,337,011</u>
		Change in Net Position		975,988
		Net Position - Beginning as Restated		<u>15,116,539</u>
		Net Position - Ending		<u><u>16,092,527</u></u>

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

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

**Balance Sheet
April 30, 2015**

	General	Capital Projects	Totals
ASSETS			
Cash and Investments	\$ 15,521,386	817,689	16,339,075
Receivables - Net of Allowances			
Property Taxes	6,478,915	-	6,478,915
Accounts	85,308	3,605	88,913
Accrued Interest	9,209	-	9,209
Prepays	236,195	-	236,195
Total Assets	<u>22,331,013</u>	<u>821,294</u>	<u>23,152,307</u>
LIABILITIES			
Accounts Payable	256,311	28,791	285,102
Accrued Payroll	313,094	-	313,094
Other Payables	94,715	-	94,715
Total Liabilities	<u>664,120</u>	<u>28,791</u>	<u>692,911</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	13,557,583	-	13,557,583
Total Liabilities and Deferred Inflows of Resources	<u>14,221,703</u>	<u>28,791</u>	<u>14,250,494</u>
FUND BALANCES			
Nonspendable	236,195	-	236,195
Assigned	3,350,000	792,503	4,142,503
Unassigned	4,523,115	-	4,523,115
Total Fund Balances	<u>8,109,310</u>	<u>792,503</u>	<u>8,901,813</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>22,331,013</u>	<u>821,294</u>	<u>23,152,307</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
April 30, 2015**

Total Governmental Fund Balances	\$ 8,901,813
 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.	 7,934,132
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated Absences Payable	(274,353)
Net Other Post-Employment Benefit Obligation Payable	<u>(469,065)</u>
 Net Position of Governmental Activities	 <u><u>16,092,527</u></u>

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

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

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended April 30, 2015**

	General	Capital Projects	Totals
Revenues			
Taxes	\$ 13,274,084	-	13,274,084
Intergovernmental	162,004	-	162,004
Charges for Services	45,301	-	45,301
Fines and Fees	179,091	-	179,091
Interest	50,360	3,424	53,784
Miscellaneous	77,765	-	77,765
Total Revenues	13,788,605	3,424	13,792,029
Expenditures			
Culture, Recreation and Education	12,147,444	4,002	12,151,446
Capital Outlay	-	108,174	108,174
Total Expenditures	12,147,444	112,176	12,259,620
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,641,161	(108,752)	1,532,409
Other Financing Sources (Uses)			
Transfers In	-	649,702	649,702
Transfers Out	(649,702)	-	(649,702)
	(649,702)	649,702	-
Changes in Fund Balances	991,459	540,950	1,532,409
Fund Balances - Beginning	7,117,851	251,553	7,369,404
Fund Balances - Ending	8,109,310	792,503	8,901,813

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 April 30, 2015**

Net Change in Fund Balances - Total Governmental Funds **\$ 1,532,409**

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	106,674
Depreciation Expense	(641,480)

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.

Additions to Compensated Absences Payable	(8,262)
Additions to Net Other Post-Employment Benefit Obligation Payable	<u>(13,353)</u>

Changes in Net Position of Governmental Activities **975,988**

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

**Notes to the Financial Statements
April 30, 2015**

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 year ended April 30, 2015.

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
April 30, 2015**

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
April 30, 2015**

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 reported at fair value. Short-term investments are reported at cost, which approximates fair value. Investments that do not have any established market, if any, are reported at estimated fair value.

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. Prepays 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
April 30, 2015**

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 are 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

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.

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.

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

**Notes to the Financial Statements
April 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Net Position

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

Net 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 “net 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
April 30, 2015**

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 and Illinois Funds (a money market fund created by the State legislature under the control of the State Treasurer that maintains a \$1 share value), and the Illinois Metropolitan Investment Fund (IMET).

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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments held by the Illinois Funds are valued at the share price, the price for which the investment could be sold.

The Illinois Metropolitan Investment Fund (IMET) is a not-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.

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

Deposits. At year-end the carrying amount of the Library’s deposits totaled \$16,339,075 and the bank balances totaled \$16,372,245.

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, 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, in order of priority, safety of principal, liquidity, and yield. The Library limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for cash requirements for ongoing operations and investing in short-term securities, money market funds, or similar investment pools.

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

**Notes to the Financial Statements
April 30, 2015**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Library limits its exposure to credit risk by limiting investments to the safest types of securities pre-qualifying the financial institutions, 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.

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 the pledging of collateral with a fair value of not less than 110% of the funds secured for all bank balances in excess of federal depository insurance, with the collateral held by an independent third party or the Federal Reserve Bank of Chicago for the account of the Village. At year-end, the entire amount of the bank balance of deposits was covered by collateral, federal depository or equivalent insurance.

For an investment, this is the risk that in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To limit its exposure, the Library's investment policy requires all securities transactions that are exposed to custodial credit risk be processed on a delivery versus payment (DVP) basis with the underlying investments held by an independent third party custodian and evidenced by safekeeping receipts and a written custodial agreement.

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 (LGIPD) or money market funds to ensure that proper liquidity is maintained in order to meet ongoing obligations.

PROPERTY TAXES

Property taxes for 2014 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 2014 tax levy less the allowance has been recorded as a receivable; the entire 2014 tax levy has been recorded as unavailable revenue at year-end.

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

**Notes to the Financial Statements
April 30, 2015**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND TRANSFERS

Interfund transfers for the year consisted of the following:

Transfers In	Transfers Out	Amount
Capital Projects	General	<u>\$ 649,702</u>

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

CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2015 was as follows:

	Restated Beginning Balances	Additions	Deductions	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 142,378	-	-	142,378
Construction in Progress	-	71,030	-	71,030
	<u>142,378</u>	<u>71,030</u>	<u>-</u>	<u>213,408</u>
Depreciable Capital Assets				
Buildings and Improvements	14,676,864	17,644	-	14,694,508
Equipment, Furniture and Fixtures	3,514,792	18,000	17,955	3,514,837
	<u>18,191,656</u>	<u>35,644</u>	<u>17,955</u>	<u>18,209,345</u>
Less Accumulated Depreciation				
Buildings and Improvements	8,192,430	406,541	-	8,598,971
Equipment, Furniture and Fixtures	1,672,666	234,939	17,955	1,889,650
	<u>9,865,096</u>	<u>641,480</u>	<u>17,955</u>	<u>10,488,621</u>
Total Net Depreciable Capital Assets	<u>8,326,560</u>	<u>(605,836)</u>	<u>-</u>	<u>7,720,724</u>
Total Net Capital Assets	<u>8,468,938</u>	<u>(534,806)</u>	<u>-</u>	<u>7,934,132</u>

Depreciation expense of \$641,480 was charged to the culture, recreation and education function.

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

**Notes to the Financial Statements
April 30, 2015**

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	\$ 266,091	16,524	8,262	274,353	54,871
Net Other Post-Employment Benefit Obligation	455,712	13,353	-	469,065	-
	<u>721,803</u>	<u>29,877</u>	<u>8,262</u>	<u>743,418</u>	<u>54,871</u>

Compensated absences and the net other post-employment benefit obligation are generally liquidated by the General Fund.

NET POSITION RESTATEMENT

Net Position was restated due to the Library implementing the current capital asset capitalization threshold. The following is a summary of the net position as originally reported and as restated:

Net Position	As Reported	As Restated	(Decrease)
Governmental Activities	\$ 15,131,380	15,116,539	(14,841)

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.

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

**Notes to the Financial Statements
April 30, 2015**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

FUND BALANCE CLASSIFICATIONS – Continued

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.

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	\$ 236,195	-	236,195
Assigned			
Capital Projects	1,750,000	792,503	2,542,503
IMRF UAAL	1,400,000	-	1,400,000
Insurance Reserves	200,000	-	200,000
	<u>3,350,000</u>	<u>792,503</u>	<u>4,142,503</u>
Unassigned	<u>4,523,115</u>	-	<u>4,523,115</u>
Total Fund Balances	<u>8,109,310</u>	<u>792,503</u>	<u>8,901,813</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
April 30, 2015**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN

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 and can only be amended by the Illinois General Assembly.

Plan Descriptions, Provisions and Funding Policies

Illinois Municipal Retirement Fund

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Participating members hired before January 1, 2011 who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. Participating members hired on or after January 1, 2011 who retire at or after age 67 with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3 percent of their final rate (average of the highest 96 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service, with a maximum salary cap of \$106,800 at January 1, 2011. The maximum salary cap increases each year thereafter. The monthly pension of a member hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 62, by the lesser of 3% or ½ of the consumer price index. Employees with at least 10 years of credited service may retire at or after age 62 and receive a reduced benefit.

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is established by state statute. The Library is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute.

The amount shown below as the actuarial accrued liability is a standardized disclosure measure of the present value of pension benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of IMRF on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial entry age normal method prorated on service and is the same as the funding method used to determine contributions to IMRF.

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

**Notes to the Financial Statements
April 30, 2015**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Plan Descriptions, Provisions and Funding Policies – Continued

Illinois Municipal Retirement Fund – Continued

Fiscal Year	Actuarial Valuation Dec. 31,	Total Village	Library Portion*
Actuarial Accrued Liability (AAL)			
2013	2012	\$ 71,966,783	\$ 15,235,368
2014	2013	73,416,479	15,542,269
2015	2014	78,518,815	16,622,434
Actuarial Value of Assets			
2013	2012	\$ 49,110,516	\$ 10,396,696
2014	2013	54,268,943	11,488,735
2015	2014	56,987,625	12,064,280
Unfunded Actuarial Accrued Liability (UAAL)			
2013	2012	\$ 22,856,267	\$ 4,838,672
2014	2013	19,147,536	4,053,534
2015	2014	21,531,190	4,558,154
Funded Ratio			
2013	2012	68.24%	68.24%
2014	2013	73.92%	73.92%
2015	2014	72.58%	72.58%
Covered Payroll (Active Plan Members)			
2013	2012	\$ 22,540,828	\$ 4,771,893
2014	2013	23,242,652	4,920,469
2015	2014	23,966,223	5,073,649
UAAL as a Percentage of Covered Payroll			
2013	2012	101.40%	101.40%
2014	2013	82.38%	82.38%
2015	2014	89.84%	89.84%

* Allocation based on Library contribution rate to total Village and Library contribution for 2013. For 2014 and 2015, the Library allocation is based on the present value of benefits for active and inactive members. The effects of the early retirement incentive have been excluded from the calculation.

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

**Notes to the Financial Statements
April 30, 2015**

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 postretirement 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 then 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 postemployment 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 April 30, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them.	33
Active Employees	<u>68</u>
Total	<u>101</u>
Participating Employers	1

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

**Notes to the Financial Statements
April 30, 2015**

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation (NOPEBO) as of April 30, 2015, was calculated as follows:

Annual Required Contribution	\$ 80,529
Interest on the NOPEBO	19,458
Adjustment to the ARC	<u>(39,054)</u>
Annual OPEB Cost	60,933
Actual Contribution	<u>47,580</u>
Change in NOPEBO	13,353
NOPEBO - Beginning	<u>455,712</u>
NOPEBO - Ending	<u><u>469,065</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
2013	\$ 96,611	\$ 73,894	76.49%	\$ 436,516
2014	81,775	62,579	76.53%	455,712
2015	60,933	47,580	78.09%	469,065

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

**Notes to the Financial Statements
April 30, 2015**

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Funded Status and Funding Progress

The funded status of the plan as of April 30, 2015, the date of the latest actuarial valuation, was as follows:

Actuarial Accrued Liability (AAL)	\$ 1,322,810
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,322,810
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	\$ 6,498,209
UAAL as a Percentage of Covered Payroll	20.36%

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 April 30, 2015 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 7.0% with an ultimate healthcare inflation rate of 5.0%. Both rates include a 3.0% 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, 2015, 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 Benefits Plan
- 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
April 30, 2015**

Funding Progress						(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
Actuarial Valuation Date April 30	(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	
2010	\$ -	\$ 1,564,397	0.00%	\$ 1,564,397	\$ 4,589,180	34.09%
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	-	1,669,900	0.00%	1,669,900	4,045,543	41.28%
2013	N/A	N/A	N/A	N/A	N/A	N/A
2014	-	1,545,146	0.00%	1,545,146	6,505,722	23.75%
2015	-	1,322,810	0.00%	1,322,810	6,498,209	20.36%

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2010	\$ 23,520	\$ 201,826	11.65%
2011	67,183	94,079	71.41%
2012	73,229	94,079	77.84%
2013	73,894	93,064	79.40%
2014	62,579	90,441	69.19%
2015	47,580	80,529	59.08%

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**

General Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2015**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Taxes - General	\$ 12,010,332	12,010,332	11,890,087
Property Taxes - IMRF	883,779	883,779	860,057
Property Taxes - FICA	529,239	529,239	523,940
Intergovernmental			
State Grants	84,000	84,000	162,004
Charges for Services			
Copier and Film Printer Fees	38,000	38,000	45,301
Fines and Fees	170,328	170,328	179,091
Interest	30,000	30,000	50,360
Miscellaneous			
Donations	66,500	66,500	68,622
Miscellaneous	10,500	10,500	9,143
Total Revenues	<u>13,822,678</u>	<u>13,822,678</u>	<u>13,788,605</u>
Expenditures			
Culture, Recreation and Education			
Executive Office	4,645,022	4,790,522	4,363,090
User Services	8,496,773	8,496,773	7,690,522
Other Charges	-	-	93,832
Total Expenditures	<u>13,141,795</u>	<u>13,287,295</u>	<u>12,147,444</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	680,883	535,383	1,641,161
Other Financing (Uses)			
Transfers Out	<u>(649,702)</u>	<u>(649,702)</u>	<u>(649,702)</u>
Changes in Fund Balance	<u>31,181</u>	<u>(114,319)</u>	991,459
Fund Balance - Beginning			<u>7,117,851</u>
Fund Balance - Ending			<u>8,109,310</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 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

The 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.

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

General Fund

**Schedule of Expenditures - Budget and Actual
For the Fiscal Year Ended April 30, 2015**

	Budget		Actual
	Original	Final	
Culture, Recreation and Education			
Executive Office			
Administration			
Salaries	\$ 348,635	348,635	334,342
Benefits	278,861	278,861	141,544
Contractual Services	428,279	428,279	381,382
Commodities	11,695	11,695	10,315
Other Charges	20,000	20,000	11,839
Other Equipment	-	75,000	59,566
	<u>1,087,470</u>	<u>1,162,470</u>	<u>938,988</u>
Communication and Marketing			
Salaries	277,169	277,169	274,509
Benefits	99,129	99,129	95,411
Contractual Services	150,408	150,408	113,113
Commodities	32,526	32,526	23,479
	<u>559,232</u>	<u>559,232</u>	<u>506,512</u>
Human Resources			
Salaries	118,226	118,226	136,950
Benefits	31,592	31,592	34,942
Contractual Services	21,565	21,565	14,556
Commodities	4,000	4,000	2,465
Other Charges	15,000	15,000	6,819
	<u>190,383</u>	<u>190,383</u>	<u>195,732</u>
Paid by Gifts and Grants			
Contractual Services	5,000	5,000	15,724
Commodities	45,000	45,000	28,019
Other Equipment	-	5,000	5,459
	<u>50,000</u>	<u>55,000</u>	<u>49,202</u>
Finance			
Salaries	283,464	283,464	214,676
Benefits	100,482	100,482	83,060
Contractual Services	37,959	37,959	52,960
Commodities	500	500	388
	<u>422,405</u>	<u>422,405</u>	<u>351,084</u>

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

General Fund

**Schedule of Expenditures - Budget and Actual - Continued
For the Fiscal Year Ended April 30, 2015**

	Budget		Actual
	Original	Final	
Culture, Recreation and Education - Continued			
Executive Office - Continued			
Information Technology			
Salaries	\$ 503,542	503,542	511,230
Benefits	210,061	210,061	206,898
Contractual Services	145,384	145,384	132,516
Commodities	202,817	202,817	173,991
Other Equipment	-	65,500	75,137
	<u>1,061,804</u>	<u>1,127,304</u>	<u>1,099,772</u>
Security			
Salaries	203,828	203,828	211,101
Benefits	79,981	79,981	77,800
Contractual Services	500	500	-
Commodities	225	225	112
	<u>284,534</u>	<u>284,534</u>	<u>289,013</u>
Facilities			
Salaries	377,184	377,184	370,354
Benefits	153,966	153,966	147,992
Contractual Services	343,644	343,644	292,356
Commodities	114,400	114,400	105,664
Other Equipment	-	-	16,421
	<u>989,194</u>	<u>989,194</u>	<u>932,787</u>
Total Executive Office	<u>4,645,022</u>	<u>4,790,522</u>	<u>4,363,090</u>
User Services			
Children's Services			
Salaries	683,858	683,858	593,042
Benefits	203,911	203,911	182,008
Contractual Services	22,726	22,726	14,012
Commodities	34,105	34,105	34,839
	<u>944,600</u>	<u>944,600</u>	<u>823,901</u>

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

General Fund

**Schedule of Expenditures - Budget and Actual - Continued
For the Fiscal Year Ended April 30, 2015**

	Budget		Actual
	Original	Final	
Culture, Recreation and Education - Continued			
User Services - Continued			
Program Services			
Salaries	\$ 540,396	540,396	484,614
Benefits	203,322	203,322	186,752
Contractual Services	83,248	83,248	44,774
Commodities	30,783	30,783	22,228
	<u>857,749</u>	<u>857,749</u>	<u>738,368</u>
Customer Services			
Salaries	1,889,930	1,889,930	1,782,674
Benefits	529,324	529,324	501,042
Contractual Services	16,321	16,321	9,645
Commodities	20,678	20,678	12,841
	<u>2,456,253</u>	<u>2,456,253</u>	<u>2,306,202</u>
Digital Services			
Salaries	445,250	445,250	445,853
Benefits	159,828	159,828	154,507
Contractual Services	4,870	4,870	4,553
Commodities	308,813	308,813	243,160
	<u>918,761</u>	<u>918,761</u>	<u>848,073</u>
Collection Services			
Salaries	1,286,501	1,286,501	1,230,554
Benefits	442,074	442,074	415,452
Contractual Services	183,600	183,600	94,261
Commodities	1,407,235	1,407,235	1,233,711
	<u>3,319,410</u>	<u>3,319,410</u>	<u>2,973,978</u>
Total User Services	<u>8,496,773</u>	<u>8,496,773</u>	<u>7,690,522</u>
Other Charges	-	-	93,832
Total Expenditures	<u>13,141,795</u>	<u>13,287,295</u>	<u>12,147,444</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 April 30, 2015**

	Budget		Actual
	Original	Final	
Revenues			
Interest	\$ -	-	3,424
Expenditures			
Culture, Recreation and Education			
Other Charges	-	-	4,002
Capital Outlay			
Administration	300,000	225,000	-
Paid by Gifts and Grants	15,000	10,000	17,644
Information Technology	85,500	20,000	18,000
Facilities	249,202	249,202	72,530
Total Capital Outlay	649,702	504,202	108,174
Total Expenditures	649,702	504,202	112,176
Excess (Deficiency) of Revenues Over (Under) Expenditures	(649,702)	(504,202)	(108,752)
Other Financing Sources			
Transfers In	649,702	649,702	649,702
Changes in Fund Balance	-	145,500	540,950
Fund Balance - Beginning			251,553
Fund Balance - Ending			792,503