

ARLINGTON HEIGHTS MEMORIAL LIBRARY
(A Component Unit of the
Village of Arlington Heights, Illinois)

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2013



ARLINGTON HEIGHTS MEMORIAL LIBRARY
 ARLINGTON HEIGHTS, ILLINOIS
 TABLE OF CONTENTS

	<u>Page(s)</u>
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1-3
GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS	
Management’s Discussion and Analysis.....	MD&A 1-8
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	4
Statement of Activities	5
Fund Financial Statements	
Governmental Funds	
Balance Sheet	6
Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Position	7
Statement of Revenue, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Notes to Financial Statements	10-23
Required Supplementary Information	
Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.....	24
Schedule of Funding Progress and Employer Contributions Other Postemployment Benefit Plan	25
Notes to Required Supplementary Information.....	26
SUPPLEMENTAL DATA	
Schedule of Expenditures - Budget and Actual - General Fund	27-29
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Capital Projects Fund.....	30

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund 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, 2013, and the related notes to financial statements, which collectively comprise the Arlington Heights Memorial Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

As discussed in Note 1, the basic financial statements present only the financial position and changes in financial position of the Arlington Heights Memorial Library and are not intended to present fairly the financial position of the Village of Arlington Heights, Illinois and the changes in its financial position, in conformity with accounting principles generally accepted in the United States of America.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Arlington Heights Memorial Library, as of April 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Arlington Heights Memorial Library adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended April 30, 2013. GASB Statement No. 63 added new classifications on the statements of position and changed net assets to net position. GASB Statement No. 65 changed the classifications of certain items on the statement of position to the new classifications contained in GASB Statement No 63. The adoption of these statements had no effect on any of the Library's net positions or fund balances as of and for the year ended April 30, 2013. Our opinions are not modified with respect to this matter.

Other Matters

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arlington Heights Memorial Library's basic financial statements. The financial information listed as schedules in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink, appearing to read "Subich CP". The signature is written in a cursive style with a large initial "S" and a distinct "CP" at the end.

Naperville, Illinois
August 15, 2013

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

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, 2013. 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 at the close of the most recent fiscal year, April 30, 2013, by \$14,485,053. Of this amount, the net position of \$5,446,886 may be used to meet the library's ongoing services for Culture, Education and Recreation 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 \$6,083,043 which will be spent in the following manner; \$72,261 in prepaid material, \$716,410 for capital improvements, \$200,000 for insurance reserves and the remaining \$5,094,372 may be used at the library's discretion.

This discussion and analysis are 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 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.

(See independent auditor's report)

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 GASB54. 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 and capital fund. A budgetary comparison statement has been provided elsewhere in this report to demonstrate compliance with the budget.

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 in a governmental fund.

Nonspendable Fund Balance - the portion of a governmental fund's net position 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 net position 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:

Committed Fund Balance - the portion of a governmental fund's net position with self-imposed constraints or limitations that have been placed at the highest level of decision making.

Assigned Fund Balance - the portion of a governmental fund's net position to denote an intended use of resources

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 revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

(See independent auditor's report)

MD&A 2

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 10-23 of the financial report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information which can be found on pages 24-26 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 by \$14,485,053 at the close of the most recent fiscal year.

Table 1
Summary of the Statement of Net Position

	April 30	
	2013	2012
Current and Other Assets	\$20,247,964	\$21,500,253
Capital Assets, net of accumulated depreciation	9,038,167	7,281,601
Total Assets	\$29,286,131	\$28,781,854
Current and Other Liabilities	\$ 797,298	\$ 1,405,988
Noncurrent Liabilities		
Unearned Property Tax		13,158,857
Total Liabilities	\$ 1,510,633	\$14,564,845
Unearned Property Tax	\$13,290,445	00
Total Deferred Inflows of Revenue	\$13,290,445	\$ 00
Net Position		
Invested in capital assets	\$ 9,038,167	\$ 7,281,601
Unrestricted for Culture, Education and Recreation	5,446,886	6,935,408
Total Net Position	<u>\$14,485,053</u>	<u>\$14,217,009</u>

(See independent auditor's report)

The largest portion of the Library’s net position, \$9,038,167, 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 of \$5,446,886 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, 2013. Governmental activities increased the Library’s net position by \$268,303.

Table 2
Changes in Net Position

	For the Year Ended April 30	
	2013	2012
Revenue		
Program Revenue		
Charges for Services	\$ 207,714	\$ 241,260
Operating Grants and Donations	239,014	185,560
General Revenue		
Property Taxes	13,070,516	13,014,353
Investment Income	57,387	54,049
Miscellaneous	24,128	27,529
Total Revenue	\$ 13,598,759	\$13,522,751
Expenses		
Culture, Education and Recreation	\$ 13,330,715	\$12,720,404
Total Expenses	\$ 13,330,715	\$12,720,404
Changes in Net Position	\$ 268,044	\$ 802,347
Total Net Position Beginning of the Year	\$ 14,217,009	\$13,414,662
Total Net Position, End of Year	\$ 14,485,053	\$14,217,009

Governmental Funds Analysis

Most 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 library’s general fund (291) is the largest used for day-to-day services. The capital fund (491) is funded by a transfer out from the general fund year by year.

Table 3
Summary Statement of Revenue and Expenditures

	2013	2013	2012
	FUND 291	FUND 491	
Revenue			
Property Taxes	\$ 13,070,516		\$ 13,014,353
Fines, Service Fees, Photocopies	207,714		241,260
Gifts & Grants	238,852		187,338
Investment Income	57,387		54,049
Miscellaneous	24,128		27,529
Total Revenue	\$ 13,598,597		\$ 13,524,529
Expenditures			
Salaries and Benefits	\$ 9,118,930		\$ 8,677,401
Capital Outlay		\$2,878,388	331,351
Printed Materials (Books & Periodicals)	821,852		791,346
Nonprint Materials & Electronic Resources	614,961		590,372
Public Programs, Printing	191,996		127,722
All other operating expenditures*	1,434,961		1,671,151
Total Expenditures	\$ 12,182,700	\$2,878,388	\$ 12,189,343
Other Financing Sources (Uses)			
Transfer In		\$2,878,388	
Transfer Out	(\$ 2,878,388)		

*Building insurance, general office supplies, processing costs, audit, professional fees, contractual services, contingencies, utilities, etc.

Capital Activity

The following is a breakout of the \$2,878,388 expended on the capital outlay stated above:

Rewiring & Re-lamping of Technical Services Area	\$ 47,602
Administrative Carpeting	\$ 46,780
Improvements in HVAC System	\$ 12,400
Renovation 2012 Project	\$2,527,762
Provided by the Friends of the Library	\$ 60,362
Library Furniture	\$ 48,506
Public Copiers	\$ 11,900
Information Technology Equipment	\$ 123,076
Total	\$2,878,388

(See independent auditor's report)

Capital Assets

The library's investment in capital assets for governmental activities at April 30, 2013, was \$9,038,426. This investment in capital assets includes land, building and improvements, equipment, and furniture and fixtures. See pages 16-17 of the financial statements.

Table 4
Capital Assets

	<u>For the Year Ended April 30</u>	
	<u>2013</u>	<u>2012</u>
Assets		
Land	\$ 142,378	\$ 142,378
Buildings and Improvements	14,676,864	13,600,027
Equipment, Furniture and Fixtures	<u>5,105,699</u>	<u>4,150,460</u>
	\$19,924,941	\$ 17,892,865
Less – Accumulated Depreciation	<u>(10,887,033)</u>	(10,611,264)
Total (net of depreciation)	<u>\$ 9,038,167</u>	<u>\$ 7,281,601</u>

General Fund

The general fund balance decreased by \$1,463,027 with a year-end balance of \$6,082,507. The decreased monies were used for the Renovation 2012 project and other capital outlay which were completed at a total cost of \$2,878,388. The other financing source was the transfer out from the general fund (291) to the capital fund (491) for \$2,878,924

Table 5
General Fund

Year Ended April 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Total Revenues	\$ 13,543,633	\$ 13,543,633	\$ 13,598,597
Total Expenditures	<u>\$ 12,941,025</u>	<u>\$ 13,166,270</u>	<u>\$ 12,182,700</u>
Excess of Revenues Over Expenditures	\$ 602,608	\$ 377,363	\$ 1,415,897
Other Financing Sources (Uses) Transfer Out	<u>(\$ 2,878,924)</u>	<u>(\$ 2,878,924)</u>	<u>(\$ 2,878,924)</u>
Net Changes in Fund Balance	(\$ 2,276,316)	(\$2,501,561)	(\$ 1,462,491)

(See independent auditor's report)

The operating budget was amended by \$225,245 to pay a net pension obligation under employee benefits.

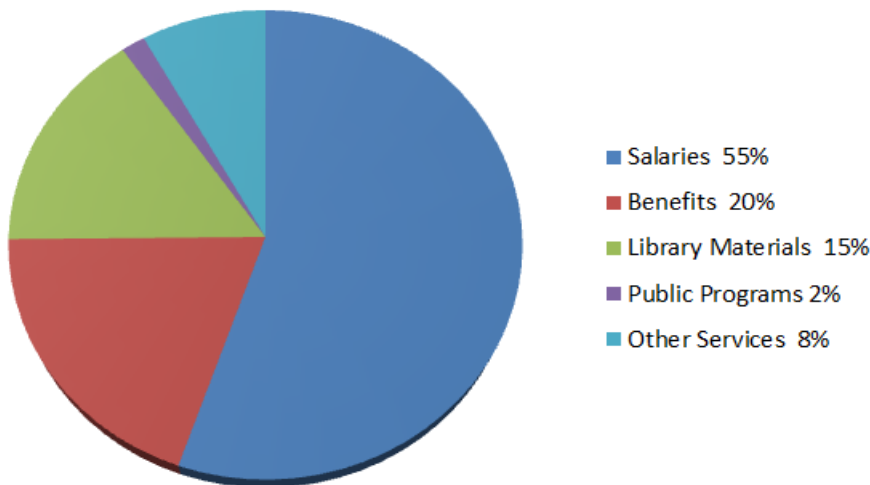
Financial Outlook

The library is currently considering either no increase or a minimal increase for the aggregate 2013 tax levy. The Board of Library Trustees 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% of its revenue from real estate taxes. The receipt of real estate taxes remained steady in FY12-13. The library has not yet received its FY12-13 per capita grant in the amount of \$77,178 and is in the process of applying for the FY13-14 grant in the fall of 2013. The library has a strong reserve fund of \$6,083,043. This fund would sustain the library's operations for approximately six months. The following represents the revenue and operating expenditures for FY12-13.

REVENUES



OPERATING EXPENDITURES



(See independent auditor's report)
MD&A 7

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 Pat Berman, Finance Manager, and Arlington Heights Memorial Library, 500 N. Dunton Avenue, Arlington Heights, Illinois 60004 or mberman@ahml.info.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

STATEMENT OF NET POSITION

April 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 13,701,340
Property taxes receivable (net)	6,384,918
Grant receivable	77,178
Accrued interest	12,267
Prepaid expenses	72,261
Capital assets not being depreciated	142,378
Capital assets (net of accumulated depreciation)	<u>8,895,789</u>
TOTAL ASSETS	<u>29,286,131</u>
LIABILITIES	
Accounts payable	528,420
Accrued payroll	268,878
Noncurrent liabilities	
Due within one year	27,682
Due in more than one year	<u>685,653</u>
Total liabilities	<u>1,510,633</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue - property taxes	<u>13,290,445</u>
Total deferred inflows of resources	<u>13,290,445</u>
Total liabilities and deferred inflows of resources	<u>14,801,078</u>
NET POSITION	
Net investment in capital assets	9,038,167
Unrestricted	<u>5,446,886</u>
TOTAL NET POSITION	<u><u>\$ 14,485,053</u></u>

See accompanying notes to financial statements.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2013

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT	Expenses	Program Revenue			Governmental Activities	Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants		
Governmental activities						
Culture, recreation, and education	\$ 13,330,715	\$ 207,714	\$ 239,014	\$ -		\$ (12,883,987)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 13,330,715</u>	<u>\$ 207,714</u>	<u>\$ 239,014</u>	<u>\$ -</u>		<u>(12,883,987)</u>
		General revenue				
		Taxes				
		Property				13,070,516
		Investment income				57,387
		Miscellaneous				<u>24,128</u>
		Total				<u>13,152,031</u>
		CHANGE IN NET POSITION				268,044
		NET POSITION, MAY 1, 2012				<u>14,217,009</u>
		NET POSITION, APRIL 30, 2013				<u>\$ 14,485,053</u>

See accompanying notes to financial statements.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

April 30, 2013

	General	Capital Projects	Total
ASSETS			
Cash and investments	\$ 13,466,481	\$ 234,859	\$ 13,701,340
Property taxes receivable (net)	6,384,918	-	6,384,918
Grant receivable	77,178	-	77,178
Accrued interest	12,267	-	12,267
Prepaid items	72,261	-	72,261
	\$ 20,013,105	\$ 234,859	\$ 20,247,964
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 294,097	\$ 234,323	\$ 528,420
Accrued payroll	268,878	-	268,878
Unearned revenue - grant	77,178	-	77,178
	640,153	234,323	874,476
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	13,290,445	-	13,290,445
	13,290,445	-	13,290,445
	13,930,598	234,323	14,164,921
FUND BALANCES			
Nonspendable	72,261	-	72,261
Unrestricted			
Assigned for capital projects	715,874	536	716,410
Assigned for insurance reserves	200,000	-	200,000
Unassigned	5,094,372	-	5,094,372
	6,082,507	536	6,083,043
	\$ 20,013,105	\$ 234,859	\$ 20,247,964

See accompanying notes to financial statements.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

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

April 30, 2013

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 6,083,043
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	9,038,167
Grant revenues that are earned but not available are unearned on the fund financial statement level but are recognized as revenue on the statement of activities	77,178
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Compensated absences	(276,819)
Other postemployment benefits obligation	<u>(436,516)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 14,485,053</u>

See accompanying notes to financial statements.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES

For the Year Ended April 30, 2013

	General	Capital Projects	Total
REVENUE			
Property taxes			
Property taxes - General	\$ 11,820,668	\$ -	\$ 11,820,668
Property taxes - IMRF	736,371	-	736,371
Property taxes - FICA	513,477	-	513,477
Intergovernmental			
State grants	77,016	-	77,016
Other restricted	16,799	-	16,799
Copier and film printer fees	40,215	-	40,215
Fines and fees	167,499	-	167,499
Investment income	57,387	-	57,387
Contributions	145,037	-	145,037
Miscellaneous	24,128	-	24,128
	<u>13,598,597</u>	<u>-</u>	<u>13,598,597</u>
EXPENDITURES			
Current			
Culture, recreation, and education			
Salaries	6,740,597	-	6,740,597
Fringe benefits	2,378,333	-	2,378,333
Contractual services	1,082,094	-	1,082,094
Commodities	1,966,462	-	1,966,462
Other charges	15,214	-	15,214
Capital outlay	-	2,878,388	2,878,388
	<u>12,182,700</u>	<u>2,878,388</u>	<u>15,061,088</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,415,897</u>	<u>(2,878,388)</u>	<u>(1,462,491)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,878,924	2,878,924
Transfers (out)	(2,878,924)	-	(2,878,924)
	<u>(2,878,924)</u>	<u>2,878,924</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,463,027)	536	(1,462,491)
FUND BALANCE, MAY 1, 2012	<u>7,545,534</u>	<u>-</u>	<u>7,545,534</u>
FUND BALANCE, APRIL 30, 2013	<u>\$ 6,082,507</u>	<u>\$ 536</u>	<u>\$ 6,083,043</u>

See accompanying notes to financial statements.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (1,462,491)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	2,328,161
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Loss on disposal of capital assets	(259)
Depreciation in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds	(571,336)
Grant revenues that are earned but not available are unearned on the fund financial statement level, but are recognized as revenue on the statement of activities	162
The increase in other postemployment benefits obligation is reported as an expenditure when due in the governmental funds, but as an expense accrual in the statement of activities	(22,718)
The decrease in compensated absences is reported as a reduction of expenditures when due in the governmental funds, but as an expense accrual in the statement of activities	<u>(3,475)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES	<u><u>\$ 268,044</u></u>

See accompanying notes to financial statements.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

The Library operates and maintains the public library within the Village of Arlington Heights, Illinois (the Village). 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. The Library Board has exclusive control of the expenditure of all monies collected for the Library and deposited to the credit of the Library Fund. As required by generally accepted accounting principles, these financial statements present the Library and any existing component units. Currently, the Library does not have any component units and is considered to be a component unit of the Village.

b. Fund Accounting

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

The financial position and changes in financial position of the Library's funds are reported in the basic financial statements of the Village as a component unit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

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

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

The Library reports the following major governmental funds:

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

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.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Library recognizes property taxes when they become both measurable and available in the year intended to finance operations. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as expenditures when due.

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

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

e. Cash and Investments

The Library's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

f. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

ARLINGTON HEIGHTS MEMORIAL LIBRARY
 ARLINGTON HEIGHTS, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	40
Equipment, furniture, and fixtures	3-10

g. Compensated Absences

Accumulated, vested vacation of governmental employees is recorded as an expense and liability as the benefits accrue to employees.

h. Fund Balances/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or are legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities or from enabling legislation adopted by the Library. Committed fund balance is constrained by formal actions of the Library's Board of Trustees, which is considered the Library's highest level of decision making authority. Formal actions include ordinances approved by the Board. Assigned fund balance represents amounts constrained by the Library's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Executive Director. Any residual fund balance in the General Fund and any deficit fund balance of any other governmental fund are reported as unassigned.

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

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Fund Balances/Net Position (Continued)

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. The Library does not report any restricted net position. Net investment in capital assets is the book value of capital assets.

i. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Library does not report any such items. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable property tax revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

2. DEPOSITS AND INVESTMENTS

The Library's investment policy authorizes the Library to invest in all investments allowed by Illinois Compiled Statutes (ILCS). These include deposits/investments 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 within the three highest classifications by at least two standard rating services, Illinois Funds (created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the participants' fair value), and the Illinois Metropolitan Investment Fund (IMET), a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and 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 IMET's share price, the price for which the investment could be sold. The Library's investment policy limits its deposits with financial institutions to institutions that are members of the FDIC system and are capable of posting collateral for amounts in excess of FDIC insurance.

2. DEPOSITS AND INVESTMENTS (Continued)

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.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Library’s deposits may not be returned to it. 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.

Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Library limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for cash requirements for ongoing operations and investing in short-term securities, money market funds, or similar investment pools.

Credit risk is the risk that the issuer of a debt security will not pay its principal value upon maturity. 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 for investments is the risk that, in the event of the failure of the counterparty to the investment, the Library will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Library’s investment policy requires all 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.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
 ARLINGTON HEIGHTS, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Concentration of credit risk is the risk that the Library has a high percentage of its investments invested in one type of investment. 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 pools (LGIPS) or money market funds to ensure that proper liquidity is maintained in order to meet ongoing obligations.

3. RECEIVABLES - TAXES

Property taxes for 2012 attach as an enforceable lien on January 1, 2012 on property values assessed as of the same date. Taxes are levied by December 31, 2012 by passage of a Tax Levy Ordinance. Tax bills are prepared by the County and issued on or about the following February 1 and July 1 and are payable in two installments, on or about March 1 and August 1. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 1% of the tax levy, to reflect projected collection experience. The uncollected portion of the 2012 tax levy less the allowance has been recorded as a receivable; the entire 2012 tax levy has been recorded as unavailable revenue at April 30, 2013. The 2013 tax levy, which attached as an enforceable lien on property as of January 1, 2013, has not been recorded as a receivable as of April 30, 2013 as the tax has not yet been levied by the Library and will not be levied until December 2013 and, therefore, the levy is not measurable at April 30, 2013.

4. CAPITAL ASSETS

	Balances May 1	Additions	Retirements	Balances April 30
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 142,378	\$ -	\$ -	\$ 142,378
Total capital assets not being depreciated	142,378	-	-	142,378
Capital assets being depreciated				
Buildings and improvements	13,600,027	1,076,837	-	14,676,864
Equipment, furniture, and fixtures	4,150,460	1,251,324	295,826	5,105,958
Total capital assets being depreciated	17,750,487	2,328,161	295,826	19,782,822

ARLINGTON HEIGHTS MEMORIAL LIBRARY
 ARLINGTON HEIGHTS, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

	Balances May 1	Additions	Retirements	Balances April 30
GOVERNMENTAL ACTIVITIES (Continued)				
Less accumulated depreciation for				
Buildings and improvements	\$ 7,434,225	\$ 352,225	\$ -	\$ 7,786,450
Equipment, furniture, and fixtures	3,177,039	219,111	295,567	3,100,583
Total accumulated depreciation	10,611,264	571,336	295,567	10,887,033
Total capital assets being depreciated, net	7,139,223	1,756,825	259	8,895,789
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 7,281,601	\$ 1,756,825	\$ 259	\$ 9,038,167

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

GOVERNMENTAL ACTIVITIES	
Culture, recreation, and education	<u>\$ 571,336</u>

5. NONCURRENT LIABILITIES

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

	Balances May 1	Additions	Retirements	Balances April 30	Due Within One Year
Net other postemployment benefits obligation	\$ 413,798	\$ 22,718	\$ -	\$ 436,516	\$ -
Compensated absences	273,344	276,819	273,344	276,819	27,682
TOTAL GOVERNMENTAL ACTIVITIES	\$ 687,142	\$ 299,537	\$ 273,344	\$ 713,335	\$ 27,682

6. PENSION COMMITMENTS

Participating employees are covered by the Illinois Municipal Retirement Fund (IMRF) through the administrative government, the Village. Contributions are paid by the administrative government and are reimbursed by the Library.

Although IMRF is an agent multiple-employer pension plan, the Library's participation through the Village is considered to be that of a cost sharing, multiple-employer pension plan.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
 ARLINGTON HEIGHTS, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

6. PENSION COMMITMENTS (Continued)

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

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Participating members are required to contribute 4.50% of their annual salary to IMRF. The Village and the Library are required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by statute. A separate actuarial valuation for Library employees is not performed. Actuarial information regarding IMRF is presented in the Village's Comprehensive Annual Financial Report.

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 as of December 31, 2012. 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 as of December 31, 2012. 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.

IMRF Funding Status	Total Village	Library Portion*
Actuarial accrued liability (AAL)		
2013 (as of December 31, 2012)	\$ 71,966,783	\$ 15,235,368
2012 (as of December 31, 2011)	72,973,641	19,265,041
2011 (as of December 31, 2010)	72,376,162	18,443,752
Actuarial value of assets		
2013 (as of December 31, 2012)	\$ 49,110,516	\$ 10,396,696
2012 (as of December 31, 2011)	49,241,073	12,999,644
2011 (as of December 31, 2010)	50,606,529	12,896,156

ARLINGTON HEIGHTS MEMORIAL LIBRARY
 ARLINGTON HEIGHTS, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

6. PENSION COMMITMENTS (Continued)

IMRF Funding Status	Total Village	Library Portion*
Unfunded actuarial accrued liability (UAAL)		
2013 (as of December 31, 2012)	\$ 22,856,267	\$ 4,838,672
2012 (as of December 31, 2011)	23,732,568	6,265,398
2011 (as of December 31, 2010)	21,769,633	5,547,596
Funded ratio (actuarial value of plan assets/AAL)		
2013 (as of December 31, 2012)	68.24%	68.24%
2012 (as of December 31, 2011)	67.48%	67.48%
2011 (as of December 31, 2010)	69.92%	69.92%
Covered payroll (active plan members)		
2013 (year ended December 31, 2012)	\$ 22,540,828	\$ 4,771,893
2012 (year ended December 31, 2011)	22,580,121	5,961,152
2011 (year ended December 31, 2010)	22,717,051	5,789,028
UAAL as a percentage of covered payroll		
2013 (as of December 31, 2012)	101.40%	101.40%
2012 (as of December 31, 2011)	105.10%	105.10%
2011 (as of December 31, 2010)	95.83%	95.83%

* Allocation based on Library contribution rate to total Village and Library contribution for 2012 and 2011. In 2013, 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.

7. OTHER POSTEMPLOYMENT BENEFITS

Plan Description, Benefits Offered, and Funding Policy

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 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. Although there is no explicit subsidy as the Library does not pay the retiree premium, there is an implicit 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.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
 ARLINGTON HEIGHTS, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description, Benefits Offered, and Funding Policy (Continued)

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, 2012, membership consisted of:

Retirees and beneficiaries currently receiving benefits	37
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>69</u>
 TOTAL	 <u>106</u>
 Participating employers	 <u>1</u>

Annual OPEB Costs and Net OPEB Obligation

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2011	\$ 97,161	\$ 67,183	69.15%	\$ 389,609
April 30, 2012	97,418	73,229	75.17%	413,798
April 30, 2013	96,611	73,894	76.49%	436,516

ARLINGTON HEIGHTS MEMORIAL LIBRARY
 ARLINGTON HEIGHTS, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Costs and Net OPEB Obligation (Continued)

The net OPEB obligation as of April 30, 2013, was calculated as follows:

Annual required contribution	\$ 93,064
Interest on net OPEB obligation	18,621
Adjustment to annual required contribution	<u>(15,073)</u>
Annual OPEB cost	96,612
Contributions made	<u>73,894</u>
Increase in net OPEB obligation	22,718
Net OPEB obligation, beginning of year	<u>413,798</u>
NET OPEB OBLIGATION, END OF YEAR	<u>\$ 436,516</u>

Funded Status and Funding Progress: The funded status and funding progress of the Plan as of April 30, 2012, was as follows (most recent data available):

Actuarial accrued liability (AAL)	\$ 1,669,900
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	1,669,900
Funded ratio (actuarial value of plan assets/AAL)	41.28%
Covered payroll (active plan members)	\$ 4,045,543
UAAL as a percentage of covered payroll	N/A

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

ARLINGTON HEIGHTS MEMORIAL LIBRARY
 ARLINGTON HEIGHTS, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

In the April 30, 2012 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included an investment rate of return of 4.5% and an initial healthcare cost trend rate of 8.0% 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, 2012 was 30 years.

8. RISK MANAGEMENT

The Library is exposed to various risks of loss including, but not limited to, general liability, property, casualty, illnesses of employees, workers' compensation, and public officials' liability. To limit exposure to these risks, the Library has purchased third party indemnity insurance. 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.

9. ASSIGNED FUND BALANCE

Assigned fund balance in the General Fund consists of the following:

Capital Projects

Outside Signage	\$ 60,000
Digital Signage	40,000
Telephone and Paging System Replacement	204,008
Elevator Update	88,960
Camera Update	24,300
Elevator Smoke Detectors and Sump Pump	13,500
Replacement of Public Furniture	30,000
Catalog, Print Release, Self Check-Out, and Scan Stations; i-Pads	34,360
FOL	15,000
Furniture	64,946
Public Copiers	12,400
Information Technology	<u>128,400</u>
TOTAL	<u>\$ 715,874</u>

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. ASSIGNED FUND BALANCE

Insurance Reserves	<u>\$ 200,000</u>
TOTAL	<u>\$ 200,000</u>

10. PENSION CONTRIBUTIONS

The Library participates with the Village of Arlington Heights, Illinois in providing pension benefits to employees through the Illinois Municipal Retirement Fund (IMRF), which is an agent multiple-employer defined benefit plan. The Library's participation is essentially equivalent to that of a cost-sharing multiple-employer plan. Per election by the Village to use an alternate, "phased-in rate" offered by IMRF, contributions of both the Library and the Village for the past two years, while in accordance with IMRF guidelines, have been less than the full amount of the annual required contributions recommended by IMRF's actuary. This has resulted in the Village being required to report a net pension obligation on its financial statements. Because the Library reports its pension liabilities and expenses on the basis of a cost-sharing plan, it does not report any net pension obligation on its financial statements. During fiscal 2013 the Library elected to make contributions to IMRF (through the Village) to retire its proportionate share of the net pension obligation, which was \$225,245.

11. TRANSFERS

During the fiscal year, the Library transferred \$2,878,924 from the General Fund to the Capital Projects Fund to establish this fund.

REQUIRED SUPPLEMENTARY INFORMATION

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

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

For the Year Ended April 30, 2013

	Original Budget	Final Budget	Actual
REVENUE			
Property taxes			
Property taxes - General	\$ 11,860,216	\$ 11,860,216	\$ 11,820,668
Property taxes - IMRF	789,187	789,187	736,371
Property taxes - FICA	509,455	509,455	513,477
Intergovernmental			
State grants	78,000	78,000	77,016
Other restricted	14,000	14,000	16,799
Copier and film printer fees	38,000	38,000	40,215
Fines and fees	132,775	132,775	167,499
Investment income	45,000	45,000	57,387
Contributions	66,500	66,500	145,037
Miscellaneous	10,500	10,500	24,128
Total revenue	<u>13,543,633</u>	<u>13,543,633</u>	<u>13,598,597</u>
EXPENDITURES			
Current			
Culture, recreation, and education			
Salaries	7,044,401	7,044,401	6,740,597
Benefits	2,503,178	2,728,423	2,378,333
Contractual services	1,242,476	1,242,476	1,082,094
Commodities	2,121,470	2,121,470	1,966,462
Other charges	29,500	29,500	15,214
Total expenditures	<u>12,941,025</u>	<u>13,166,270</u>	<u>12,182,700</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	602,608	377,363	1,415,897
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(2,878,924)</u>	<u>(2,878,924)</u>	<u>(2,878,924)</u>
NET CHANGE IN FUND BALANCE			
	<u>\$ (2,276,316)</u>	<u>\$ (2,501,561)</u>	(1,463,027)
FUND BALANCE, MAY 1, 2012			
			<u>7,545,534</u>
FUND BALANCE, APRIL 30, 2013			
			<u><u>\$ 6,082,507</u></u>

(See independent auditor's report.)

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POSTEMPLOYMENT BENEFITS PLAN

April 30, 2013

Schedule of Funding Progress

Actuarial Valuation Date April 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Active Members Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
2009	\$ -	\$ 2,386,457	0.00%	\$ 2,386,457	\$ 6,288,263	37.95%
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

Schedule of Employer Contributions

Fiscal Year Ended April 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2009	\$ 21,578	\$ 201,826	10.69%
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%

The Library implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available. The amounts above are allocated based on the Library's portion of the total Village net other postemployment benefit obligation.

(See independent auditor's report.)

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2013

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 Library Board of Trustees for review. This governing body holds public meetings and may add to, subtract from, or change appropriations. The budget may be amended by the governing body, and amendments were made during the 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.

SUPPLEMENTAL DATA

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended April 30, 2013

	Original Budget	Final Budget	Actual
Executive office			
Administration			
Salaries	\$ 472,398	\$ 472,398	\$ 456,038
Benefits	296,648	521,893	383,431
Contractual services	293,057	293,057	245,676
Commodities	103,671	103,671	95,589
Other charges	20,000	20,000	8,751
	<u>1,185,774</u>	<u>1,411,019</u>	<u>1,189,485</u>
Communications and marketing			
Salaries	278,350	278,350	277,897
Benefits	97,950	97,950	90,726
Contractual services	87,902	87,902	97,920
Commodities	32,176	32,176	21,359
	<u>496,378</u>	<u>496,378</u>	<u>487,902</u>
Human resources			
Salaries	110,823	110,823	111,902
Benefits	29,497	29,497	29,349
Contractual services	63,100	63,100	37,314
Commodities	4,000	4,000	1,695
Other charges	9,500	9,500	6,463
	<u>216,920</u>	<u>216,920</u>	<u>186,723</u>
Paid by gifts and grants			
Contractual services	5,000	5,000	43,733
Commodities	45,000	45,000	26,940
	<u>50,000</u>	<u>50,000</u>	<u>70,673</u>
Finance			
Salaries	188,879	188,879	187,334
Benefits	80,661	80,661	73,985
Contractual services	32,667	32,667	32,420
Commodities	936	936	713
	<u>303,143</u>	<u>303,143</u>	<u>294,452</u>
Information technology			
Salaries	470,473	470,473	470,288
Benefits	206,468	206,468	189,819
Contractual services	144,639	144,639	125,029
Commodities	180,929	180,929	187,073
	<u>1,002,509</u>	<u>1,002,509</u>	<u>972,209</u>

(This schedule is continued on the following pages.)

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2013

	Original Budget	Final Budget	Actual
Executive office (Continued)			
Security			
Salaries	\$ 197,420	\$ 197,420	\$ 208,372
Benefits	77,350	77,350	75,147
Contractual services	800	800	93
Commodities	225	225	251
	<u>275,795</u>	<u>275,795</u>	<u>283,863</u>
Facilities			
Salaries	370,208	370,208	360,322
Benefits	153,856	153,856	133,403
Contractual services	485,525	485,525	334,742
Commodities	124,400	124,400	106,307
	<u>1,133,989</u>	<u>1,133,989</u>	<u>934,774</u>
Total executive office	<u>4,664,508</u>	<u>4,889,753</u>	<u>4,420,081</u>
User services			
Children's services			
Salaries	714,585	714,585	627,513
Benefits	222,251	222,251	179,686
Contractual services	26,606	26,606	33,261
Commodities	295,754	295,754	273,119
	<u>1,259,196</u>	<u>1,259,196</u>	<u>1,113,579</u>
Program services			
Salaries	432,115	432,115	408,358
Benefits	165,050	165,050	137,141
Contractual services	42,742	42,742	36,032
Commodities	14,380	14,380	12,500
	<u>654,287</u>	<u>654,287</u>	<u>594,031</u>
Customer services			
Salaries	1,929,966	1,929,966	1,883,432
Benefits	522,469	522,469	508,713
Contractual services	26,559	26,559	67,732
Commodities	25,680	25,680	13,350
	<u>2,504,674</u>	<u>2,504,674</u>	<u>2,473,227</u>
Digital services			
Salaries	446,556	446,556	436,702
Benefits	130,110	130,110	134,601
Contractual services	14,439	14,439	15,486
Commodities	273,729	273,729	271,953
	<u>864,834</u>	<u>864,834</u>	<u>858,742</u>

(This schedule is continued on the following page.)

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2013

	Original Budget	Final Budget	Actual
User services (Continued)			
Collection services			
Salaries	\$ 1,432,628	\$ 1,432,628	\$ 1,312,439
Benefits	520,868	520,868	442,332
Contractual services	19,440	19,440	12,656
Commodities	1,020,590	1,020,590	955,613
	<u>2,993,526</u>	<u>2,993,526</u>	<u>2,723,040</u>
Total user services	<u>8,276,517</u>	<u>8,276,517</u>	<u>7,762,619</u>
TOTAL EXPENDITURES	<u>\$ 12,941,025</u>	<u>\$ 13,166,270</u>	<u>\$ 12,182,700</u>

(See independent auditor's report.)

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

SCHEDULE OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND

For the Year Ended April 30, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>
REVENUE		
None	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>
EXPENDITURES		
Capital Outlay		
Administration	2,663,672	2,576,268
Paid by gifts and grants	15,000	60,362
Information technology	147,852	134,976
Facilities	<u>52,400</u>	<u>106,782</u>
Total expenditures	<u>2,878,924</u>	<u>2,878,388</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,878,924)</u>	<u>(2,878,388)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	<u>2,878,924</u>	<u>2,878,924</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	536
FUND BALANCE, MAY 1, 2012		<u>-</u>
FUND BALANCE, APRIL 30, 2013		<u>\$ 536</u>

(See independent auditor's report.)