



ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2020

The background of the lower half of the cover features a grayscale photograph of a library interior with rows of bookshelves. Overlaid on this image is a complex, semi-transparent geometric pattern of overlapping lines and shapes, creating a modern, architectural aesthetic.

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ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS
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ARLINGTON HEIGHTS, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

The Honorable President
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 (the Library) as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Arlington Heights Memorial Library, Arlington Heights, Illinois as of December 31, 2020, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the Library previously adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*. The new standard required the Library to recognize a liability, deferred inflow and deferred outflow in its government-wide financial statements for the net pension liability associated with its pension plan.

In 2020, the Library made a determination to report information from the December 31, 2019 actuarial valuation for the Illinois Municipal Retirement Fund. In order to continue its dedication to timely financial reporting, the Library adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses, modified certain disclosures in the notes to financial statements and required supplementary information. Therefore, the related accounts were restated for the prior year to reflect the net pension liabilities and deferred outflows as of December 31, 2018. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Sikich LLP

Naperville, Illinois
May 13, 2021

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

ARLINGTON HEIGHTS MEMORIAL LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

As the management of the Arlington Heights Memorial Library (AHML), we offer this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information furnished in the library's financial Statements.

This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of AHML's financial activity, (3) identify changes in AHML's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

USING THE FINANCIAL SECTION OF THIS ANNUAL REPORT

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of AHML's finances, in a manner similar to a private-sector business. The focus of the Statement of Net Position presents information on all of AHML's assets and liabilities, with the difference between the two reported as net position. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of AHML is improving or deteriorating.

The Statement of Activities presents information showing how AHML's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements describe functions of AHML that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of AHML reflect AHML's basic services, including materials collections, reference and readers' services, programming, interlibrary loan and outreach services.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements to be more familiar. The focus of the presentation is on major funds rather than fund types. 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. AHML, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of AHML are in one category: governmental funds.

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 fund financial statements focus on near-term inflows and outflows of spendable resources, as well as 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.

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 financing 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.

AHML maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Reserve Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be "major" funds. Data from the other five governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report.

AHML adopts an annual budget for each of its governmental funds. A budgetary comparison statement has been provided elsewhere in this report to demonstrate compliance with the budget. The basic governmental fund financial statements have been included.

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. Additional notes to the financial statements can be found throughout this annual financial report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning AHML's progress in funding its obligation to provide benefits to its employees. Required supplementary information has been provided.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules are included.

GOVERNMENT-WIDE STATEMENTS

Net Position

The following table reflects the condensed Statement of Net Position.

Table 1: Statement of Net Position

	Governmental Activities
ASSETS	
Cash and investments	\$ 14,831,345.00
Receivables (net, where applicable, of allowance for uncollectibles)	
Property taxes	14,390,209.00
Accounts	3,143.00
Prepaid expenses	336,581.00
Capital assets not being depreciated	834,611.00
Capital assets being depreciated (net of accumulated depreciation)	7,869,129.00
Total assets	38,265,018.00
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items - OPEB	108,405.00
Pension related items - IMRF	2,069,626.00
Total deferred outflows of resources	2,178,031.00
Total assets and deferred outflows of resources	40,443,049.00
LIABILITIES	
Accounts payable	360,514.00
Retainage Payable	3,542.00
Accrued payroll	158,636.00
Unearned revenue	8,296.00
Long-term liabilities	
Due within one year	111,314.00
Due in more than one year	4,447,238.00
Total liabilities	5,089,540.00
DEFERRED INFLOWS OF RESOURCES	
Pension related items - OPEB	127,866.00
Pension related items - IMRF	2,318,952.00
Deferred revenue - property taxes	14,390,209.00
Total deferred inflows of resources	16,837,027.00
Total liabilities and deferred inflows of resources	21,926,567.00
NET POSITION	
Net investment in capital assets	8,703,740.00
Unrestricted	9,812,742.00
TOTAL NET POSITION	\$18,516,482.00

Net position increased \$1,086,489 during 2020 - from \$17,429,993 (restated 01-01-2020) to \$18,516,482.

Fund Balances

The following table summarizes the revenue and expenses of AHML's fund balances in 2020:

Table 2
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Combined Total</u>
REVENUES			
Property Taxes	\$ 14,139,567.00	\$ -	\$ 14,139,567.00
Intergovernmental			
Replacement taxes	334,521.00	-	334,521.00
Grants	145,876.00	-	145,876.00
Other intergovernmental	61,589.00	-	61,589.00
Charges for services	65,840.00	-	65,840.00
Investment income	807.00	45,334.00	46,141.00
Miscellaneous income	52,740.00	-	52,740.00
Total revenues	<u>14,800,940.00</u>	<u>45,334.00</u>	<u>14,846,274.00</u>
EXPENDITURES			
Current			
Culture and recreation			
Administration	11,211,533.00	-	11,211,533.00
Building	524,548.00	-	524,548.00
Books and materials	1,814,984.00	-	1,814,984.00
Capital outlay	63,645.00	269,254.00	332,899.00
Total expenditures	<u>13,614,710.00</u>	<u>269,254.00</u>	<u>13,883,964.00</u>
NET CHANGE IN FUND BALANCES	<u>1,186,230.00</u>	<u>(223,920.00)</u>	<u>962,310.00</u>
FUND BALANCES, JANUARY 1	<u>7,992,881.00</u>	<u>5,684,890.00</u>	<u>13,677,771.00</u>
FUND BALANCES, DECEMBER 31	<u>\$ 9,179,111.00</u>	<u>\$ 5,460,970.00</u>	<u>\$ 14,640,081.00</u>

As noted earlier, the Arlington Heights Memorial Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of December 31, 2020, the governmental funds had a combined fund balance of \$14,640,081. The combined fund balance increased by \$962,310 in 2020, from \$13,677,771 to \$14,640,081.

Capital Assets

The following schedules reflect AHML's capital asset balances:

Table 3
Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 592,378	\$ -	\$ -	\$ 592,378
Permanent art	55,000	-	-	55,000
Construction in Progress	-	187,233	-	187,233
Total capital assets not being depreciated	647,378	187,233	-	834,611
Capital assets being depreciated				
Buildings and improvements	\$ 18,086,759	\$ 34,877	\$ -	\$ 18,121,636
Equipment	3,743,004	47,144	-	3,790,148
Total capital assets being depreciated	21,829,763	82,021	-	21,911,784
Less accumulated depreciation for				
Buildings and improvements	10,798,334	603,549	-	11,401,883
Equipment	2,515,399	125,373	-	2,640,772
Total accumulated depreciation	13,313,733	728,922	-	14,042,655
Total capital assets being depreciated, net	8,516,030	(646,901)	-	7,869,129
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 9,163,408	\$ (459,668)	\$ -	\$ 8,703,740

At year-end, AHML's investment in capital assets (net of accumulated depreciation) for its governmental-type activities was \$8,703,740 (down 5.01% from \$9,163,408 in 2019).

CURRENTLY KNOWN FACTS AND CONDITIONS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of the Arlington Heights Memorial Library. While considerable uncertainty remains about the long-term impact, administration and management will continue to carefully monitor the situation and evaluate its options for the current year and following year's budgetary position as the situation continues to evolve.

CONTACTING ARLINGTON HEIGHTS MEMORIAL LIBRARY

This financial report is designed to provide our citizens with a general overview of AHML's finances and to demonstrate accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Mike Driskell, Executive Director, Arlington Heights Memorial Library, 500 N. Dunton Ave., Illinois, 60004.

BASIC FINANCIAL STATEMENTS

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

STATEMENT OF NET POSITION

December 31, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 14,831,345
Receivables (net, where applicable, of allowance for uncollectibles)	
Property taxes	14,390,209
Accounts	3,143
Prepaid expenses	336,581
Capital assets not being depreciated	834,611
Capital assets being depreciated (net of accumulated depreciation)	<u>7,869,129</u>
Total assets	<u>38,265,018</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items - OPEB	108,405
Pension related items - IMRF	<u>2,069,626</u>
Total deferred outflows of resources	<u>2,178,031</u>
Total assets and deferred outflows of resources	<u>40,443,049</u>
LIABILITIES	
Accounts payable	360,514
Retainage Payable	3,542
Accrued payroll	158,636
Unearned revenue	8,296
Long-term liabilities	
Due within one year	111,314
Due in more than one year	<u>4,447,238</u>
Total liabilities	<u>5,089,540</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items - OPEB	127,866
Pension related items - IMRF	2,318,952
Deferred revenue - property taxes	<u>14,390,209</u>
Total deferred inflows of resources	<u>16,837,027</u>
Total liabilities and deferred inflows of resources	<u>21,926,567</u>
NET POSITION	
Net investment in capital assets	8,703,740
Unrestricted	<u>9,812,742</u>
TOTAL NET POSITION	<u><u>\$ 18,516,482</u></u>

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Culture and recreation	\$ 13,759,785	\$ 65,840	\$ 207,465	\$ -	\$ (13,486,480)
Total governmental activities	13,759,785	65,840	207,465	-	(13,486,480)
TOTAL PRIMARY GOVERNMENT	\$ 13,759,785	\$ 65,840	\$ 207,465	\$ -	(13,486,480)

General Revenues	
Taxes	
Property	14,139,567
Intergovernmental - unrestricted	
Replacement taxes	334,521
Investment income	46,141
Miscellaneous income	52,740
Total	14,572,969
CHANGE IN NET POSITION	1,086,489
NET POSITION, JANUARY 1	17,050,824
Change in accounting principle	379,169
NET POSITION, JANUARY 1, (RESTATED)	17,429,993
NET POSITION, DECEMBER 31	\$ 18,516,482

See accompanying notes to financial statements.

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

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2020

	General	Capital Projects	Total Governmental
ASSETS			
Cash and investments	\$ 9,246,880	\$ 5,584,465	\$ 14,831,345
Receivables			
Property taxes	14,390,209	-	14,390,209
Accounts receivable	3,143	-	3,143
Prepaid items	336,581	-	336,581
	TOTAL ASSETS	\$ 5,584,465	\$ 14,831,345
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 240,561	\$ 119,953	\$ 360,514
Retainage Payable	-	3,542	3,542
Accrued payroll	158,636	-	158,636
Unearned revenue	8,296	-	8,296
	Total liabilities	123,495	530,988
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	14,390,209	-	14,390,209
	Total deferred inflows of resources	-	14,390,209
	Total liabilities and deferred inflows of resources	123,495	14,921,197
FUND BALANCES			
Nonspendable			
Prepaid items	336,581	-	336,581
Assigned			
Capital projects	-	5,460,970	5,460,970
Unassigned	8,842,530	-	8,842,530
	Total fund balances	5,460,970	14,640,081
	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 5,584,465	\$ 14,921,197
	\$ 23,976,813	\$ 5,584,465	\$ 29,561,278

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**

December 31, 2020

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 14,640,081
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	8,703,740
Differences between expected and actual experiences, assumption changes, and net differences between projected and actual earnings for IMRF are recognized as deferred outflows and deferred inflows of resources on the statement of net position	(249,326)
Differences between expected and actual experiences, assumption changes, and net difference between projected and actual earnings for the OPEB are recognized as deferred outflows and inflows of resources on the statement of net position	(19,461)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Compensated absences payable	(406,526)
Net pension liability	(3,860,124)
Total OPEB liability	<u>(291,902)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 18,516,482</u></u>

See accompanying notes to financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2020

	General	Capital Projects	Total Governmental
REVENUES			
Property taxes	\$ 14,139,567	\$ -	\$ 14,139,567
Intergovernmental			
Replacement taxes	334,521	-	334,521
Grants	145,876	-	145,876
Other intergovernmental	61,589	-	61,589
Charges for services	65,840	-	65,840
Investment income	807	45,334	46,141
Miscellaneous income	52,740	-	52,740
	<hr/>		
Total revenues	14,800,940	45,334	14,846,274
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EXPENDITURES			
Current			
Culture and recreation			
Administration	11,211,533	-	11,211,533
Building	524,548	-	524,548
Books and materials	1,814,984	-	1,814,984
Capital outlay	63,645	269,254	332,899
	<hr/>		
Total expenditures	13,614,710	269,254	13,883,964
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NET CHANGE IN FUND BALANCES	1,186,230	(223,920)	962,310
FUND BALANCES, JANUARY 1	7,992,881	5,684,890	13,677,771
<hr/>			
FUND BALANCES, DECEMBER 31	\$ 9,179,111	\$ 5,460,970	\$ 14,640,081
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See accompanying notes to financial statements.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

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

For the Year Ended December 31, 2020

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 962,310
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	
Capital outlay	269,254
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(728,922)
The change in compensated absences payable is shown as an expense on the statement of activities	(51,893)
The change in the net pension liability and related deferred outflows and inflows of resources for IMRF is reported only in the statement of activities	537,019
The change in total OPEB liability, deferred inflows, and deferred outflows of resources are not a source or use of financial resources	<u>98,721</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,086,489</u></u>

See accompanying notes to financial statements.

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Arlington Heights Memorial Library, Arlington Heights, Illinois (the Library), have been prepared in accordance with accounting principles generally accepted in the United States of America, as applied to governmental 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. Financial Reporting Entity

The Library is governed by a seven-member Library Board of Trustees that is separately elected. The Library Board of Trustees selects management staff and directs the affairs of the Library. As required by GAAP, these financial statements include all funds of the Library. Management has also considered all potential component units. Criteria for including a component unit in the Library's reporting entity principally consist of the potential component unit's financial interdependency and accountability to the Library. Based upon those criteria, there are no potential component units to be included in the reporting entity. Additionally, based on the same criteria, the Library has been determined not to be a component unit of the Village of Arlington Heights, Illinois (the Village).

b. Fund Accounting

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

Funds are classified into the following categories: governmental, proprietary, and fiduciary. All of the Library's funds are governmental funds.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted, or assigned for the acquisition or construction of capital assets (capital projects funds), the funds committed, restricted, or assigned for the servicing of long-term debt (debt service funds), and the management of funds held in trust that can be used for governmental services (permanent funds). The General Fund is used to account for all activities of the Library not accounted for in some other fund.

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

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 activities of the Library. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Library has no business-type activities.

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

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

The Library reports the following major governmental funds:

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

The Capital Projects Fund accounts for the amounts assigned for future capital projects.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. The Library recognizes property taxes when they become both measurable and available in the period the tax is intended to finance. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Property taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. Fines and miscellaneous revenues are considered to be measurable and available only when cash is received by the Library.

In applying the susceptible to accrual concept to intergovernmental revenues (i.e., federal and state grants), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Library; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are generally revocable only for failure to comply with prescribed eligibility requirements, such as equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Investments

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

f. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost in excess of \$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 acquisition value at the date of donation.

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

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

	<u>Years</u>
Buildings and improvements	40
Equipment	5-10

g. Compensated Absences

Vested or accumulated vacation leave is reported as an expenditure and a fund liability of the governmental fund that will pay it once retirement or separation has occurred. Vested or accumulated vacation leave of governmental activities is recorded as an expense and liability on the statement of net position as the benefits accrue to employees.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities.

i. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items.

j. Deferred Outflows/Inflows of Resources

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

k. Fund Balance/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or that 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 are externally imposed by outside entities. 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 of Trustees. Assigned fund balance represents amounts constrained by the Library's intent to use them for a specific purpose. The authority to assign fund balance resides with the Board of Trustees. Any residual fund balance in the General Fund and any deficit fund balances in any other governmental funds are reported as unassigned.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Fund Balance/Net Position (Continued)

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

l. Interfund Transactions

Interfund transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except interfund services and reimbursements, are reported as transfers.

m. Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

If applicable, advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

n. Use of Estimates

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

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

2. DEPOSITS AND INVESTMENTS

The Library categorizes fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Library held no investments subject to fair value measurement at December 31, 2020.

Permitted Deposits and Investments - Statutes and the Library's investment policy authorize the Library to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and The Illinois Funds.

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

a. Library Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library's investment policy requires pledging of collateral for bank balances in excess of federal depository insurance.

The Library's deposits with financial institutions were covered either by FDIC or collateral pledged to the Library, held in the Library's name.

b. Library Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 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 objective of the policy is safety of principal, liquidity, return on investment, and simplicity of management. The investment policy does not limit the maturity lengths of library investments.

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

2. DEPOSITS AND INVESTMENTS (Continued)

b. Library Investments (Continued)

The Library limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in The Illinois Funds. The Illinois Funds are rated AAA by Standard and Poor's.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Library will not be able to recover the value of its investments that are in the possession of an outside party. The Library's investment policy does not address custodial credit risk for investments. The Illinois Funds are not subject to custodial credit risk.

Concentration of Credit Risk - The Library places no limit on the amount that may be invested in any one issuer, stating only that the Library diversify its investments to the best of its ability based on the nature of the funds invested and the cash flow needs of those funds.

3. PROPERTY TAXES

Property taxes for 2020 attach as an enforceable lien on January 1, 2020, on property values assessed as of the same date. Taxes are levied by December of the fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about February 1, 2021 and August 1, 2021 and are payable in two installments, on or about March 1, 2021 and September 1, 2021. 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 actual collection experience. Since the 2020 levy is intended to fund the 2021 fiscal year, the levy has been recorded as a receivable and deferred inflow of resources.

4. CAPITAL ASSETS

Capital asset activity for the Library for the year ended December 31, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 592,378	\$ -	\$ -	\$ 592,378
Permanent art	55,000	-	-	55,000
Construction in Progress	-	187,233	-	187,233
Total capital assets not being depreciated	<u>647,378</u>	<u>187,233</u>	<u>-</u>	<u>834,611</u>

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

4. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES (Continued)				
Capital assets being depreciated				
Buildings and improvements	\$ 18,086,759	\$ 34,877	\$ -	\$ 18,121,636
Equipment	3,743,004	47,144	-	3,790,148
Total capital assets being depreciated	<u>21,829,763</u>	<u>82,021</u>	<u>-</u>	<u>21,911,784</u>
Less accumulated depreciation for				
Buildings and improvements	10,798,334	603,549	-	11,401,883
Equipment	2,515,399	125,373	-	2,640,772
Total accumulated depreciation	<u>13,313,733</u>	<u>728,922</u>	<u>-</u>	<u>14,042,655</u>
Total capital assets being depreciated, net	<u>8,516,030</u>	<u>(646,901)</u>	<u>-</u>	<u>7,869,129</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 9,163,408</u>	<u>\$ (459,668)</u>	<u>\$ -</u>	<u>\$ 8,703,740</u>

5. 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 employees. The Library is a member of the Libraries of Illinois Risk Agency (LIRA), which is a consortium of 55 charter member libraries that provides risk management services and coverages to the pool of member libraries. Premiums have been displayed as expenditures in appropriate funds. Medical insurance is through the Village with third-party indemnity coverage. Losses have not exceeded coverage for the last three years.

6. CONTINGENT LIABILITIES - GRANTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the Library expects such amounts, if any, to be immaterial.

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

7. CHANGES IN LONG-TERM LIABILITIES

Issue	Balances January 1, Restated	Increases	Decreases	Balances December 31	Current Portion
Total OPEB liability	\$ 490,818	\$ -	\$ 198,916	\$ 291,902	\$ 30,009
Net pension liability	7,926,473	-	4,066,349	3,860,124	-
Compensated absences payable	354,633	122,819	70,926	406,526	81,305
TOTAL	\$ 8,771,924	\$ 122,819	\$ 4,336,191	\$ 4,558,552	\$ 111,314

8. EMPLOYEE RETIREMENT SYSTEM

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

Illinois Municipal Retirement Fund

Plan Administration

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

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

Benefits Provided

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

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

8. EMPLOYEE RETIREMENT SYSTEM (Continued)

Illinois Municipal Retirement Fund (Continued)

Benefits Provided (Continued)

entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Contributions

Participating members are required to contribute 4.50% of their annual salary to IMRF. The Village and the Library are required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The required employer contribution rate for the 2020 calendar was 12.64% of covered payroll.

Net Pension Liability

At December 31, 2019, the Library reported a liability of \$3,860,124 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on the Library's actual contribution to the plan for the year ended December 31, 2019, relative to the contributions of the Village, actuarially determined. At December 31, 2019, the Library's proportion was 26.15% of the total contribution to the plan.

Actuarial Assumptions

The Library's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

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

8. EMPLOYEE RETIREMENT SYSTEM (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions (Continued)

Actuarial valuation date	December 31, 2019
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	3.35% to 14.25%
Discount rate	7.25%
Cost of living adjustments	3.00%
Asset valuation method	Fair

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2015 (base year 2017). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2015 (base year 2017). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Investment Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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

8. EMPLOYEE RETIREMENT SYSTEM (Continued)

Illinois Municipal Retirement Fund (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2020, the Library recognized pension expense of \$379,169. At December 31, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 591,516	\$ 4,608
Changes in assumption	561,922	288,372
Net difference between projected and actual earnings on pension plan investments	-	2,025,972
Employer contributions subsequent to the measurement date	916,188	-
TOTAL	<u>\$ 2,069,626</u>	<u>\$ 2,318,952</u>

\$916,188 reported as deferred outflows of resources related to pensions resulting from the Library contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the reporting year ending December 31, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2021	\$ (238,970)
2022	(232,170)
2023	276,585
2024	<u>(970,959)</u>
TOTAL	<u>\$ (1,165,514)</u>

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

8. EMPLOYEE RETIREMENT SYSTEM (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability (asset) to changes in the discount rate. The table below presents the net pension liability (asset) of the Library calculated using the discount rate of 7.25% as well as what the Library's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	\$ 10,020,890	\$ 3,860,123	\$ (1,245,843)

9. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, the Library provides postemployment health care insurance benefits (OPEB) for its eligible retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the Library and can be amended by the Library through its personnel manual. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue a separate report. The activity of the plan is reported in the Library's governmental activities.

b. Benefits Provided

The Library provides pre and post-Medicare postemployment healthcare benefits to all retirees, their spouses and dependents (enrolled at time of employee's retirement). To be eligible for benefits, the employee must qualify for retirement under the Library's retirement plan. The retirees pay the blended premium. Upon a retiree becoming eligible for Medicare, the amount payable under the 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)

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

b. Benefits Provided (Continued)

All health care benefits are provided through the Library's health insurance plans. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; vision care; and prescriptions. Upon a retiree reaching 65 years of age, Medicare becomes the primary insurer and the Library's plan becomes secondary.

c. Membership

At December 31, 2020, membership consisted of:

Inactive employees currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>77</u>
 TOTAL	 <u>78</u>
 Participating employers	 <u><u>1</u></u>

d. Actuarial Assumptions and Other Inputs

The total OPEB liability at December 31, 2020, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Actuarial valuation date	December 31, 2020
Measurement date	December 31, 2020
Actuarial cost method	Entry-age normal
Inflation	3.00%
Discount rate	2.00%
Healthcare cost trend rates	7.00% Initial 4.50% Ultimate
Asset valuation method	N/A
Mortality rates	RP2014 Blue Collar base rates projected to 2020 using scale MP-2020

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

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Discount Rate

The discount rate was based on The Bond Buyer 20-Bond GO Index, which is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA.

f. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
BALANCES AT JANUARY 1, 2020	<u>\$ 431,112</u>
Changes for the period	
Service cost	22,503
Interest	11,443
Changes in assumptions	24,911
Benefit changes	(47,757)
Differences between expected and actual experience	(120,301)
Benefit payments	<u>(30,009)</u>
Net changes	<u>(139,210)</u>
BALANCES AT DECEMBER 31, 2020	<u>\$ 291,902</u>

There were changes in assumptions related to the discount rate, healthcare cost trend rates, and mortality rates.

g. Rate Sensitivity

The following is a sensitivity analysis of total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability of the Library calculated using the discount rate of 2% as well as what the Library's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1%) or 1 percentage point higher (3%) than the current rate:

	1% Decrease (1%)	Current Discount Rate (2%)	1% Increase (3%)
Total OPEB liability	\$ 327,818	\$ 291,902	\$ 258,832

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

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

g. Rate Sensitivity (Continued)

The table below presents the total OPEB liability of the Library calculated using the healthcare rate of 7% as well as what the Library's total OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease (6%)	Current Healthcare Rate (7%)	1% Increase (8%)
Total OPEB liability	\$ 242,071	\$ 291,902	\$ 353,861

h. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the Library recognized OPEB expense of \$(39,015). At December 31, 2020, the Library reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,019	\$ 108,648
Changes in assumption	73,386	19,218
TOTAL	\$ 108,405	\$ 127,866

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2021	\$ 4,805
2022	4,805
2023	4,805
2024	4,805
2025	986
Thereafter	<u>(39,667)</u>
TOTAL	\$ <u>(19,461)</u>

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

10. CHANGE IN ACCOUNTING PRINCIPLE

In 2015, the Library adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*.

The new standards require the Library to recognize a liability, deferred inflow and deferred outflow in its government-wide financial statements for the net pension liability associated with its pension plan.

In 2020, the Library made a determination to report information from the December 31, 2019 actuarial evaluation from IMRF in order to continue its dedication to timely financial reporting. Therefore, the related accounts were restated for the prior year to reflect the net pension liabilities and deferred outflows from December 31, 2018.

The beginning net position reported in the government-wide financial statements has been restated as follows:

	<u>Increase (Decrease)</u>
GOVERNMENTAL ACTIVITIES	
Change in accounting principle	
To record the IMRF net pension liability	<u>\$ 379,169</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 379,169</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

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

For the Year Ended December 31, 2020

	Original and Final Budget	Actual
REVENUES		
Taxes		
Property taxes	\$ 14,391,649	\$ 14,139,567
Intergovernmental		
Replacement taxes	-	334,521
Grants	60,500	145,876
Other intergovernmental	562	61,589
Charges for services		
Special events	50,000	-
Fines	168,468	65,840
Investment income	90,395	807
Miscellaneous income	125,000	52,740
	<u>14,886,574</u>	<u>14,800,940</u>
EXPENDITURES		
Culture and recreation		
Administration	12,682,980	11,211,533
Building	688,575	524,548
Book and library materials	2,187,679	1,814,984
Capital outlay	222,920	63,645
	<u>15,782,154</u>	<u>13,614,710</u>
NET CHANGE IN FUND BALANCE	<u>\$ (895,580)</u>	<u>1,186,230</u>
FUND BALANCE, JANUARY 1		<u>7,992,881</u>
FUND BALANCE, DECEMBER 31		<u>\$ 9,179,111</u>

(See independent auditor's report.)

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

**SCHEDULE OF CHANGES IN THE EMPLOYER'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTRETIREMENT BENEFIT PLAN**

Last Three Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2018	2019	2020
TOTAL OPEB LIABILITY			
Service cost	\$ 9,231	\$ 16,755	\$ 22,503
Interest	10,210	13,891	11,443
Changes in assumptions	(16,812)	71,130	24,911
Benefit changes	-	-	(47,757)
Differences between expected and actual experience	53,226	-	(120,301)
Benefit payments	(14,604)	(18,959)	(30,009)
Net change in total OPEB liability	41,251	82,817	(139,210)
Total OPEB liability - beginning	307,044	348,295	431,112
TOTAL OPEB LIABILITY - ENDING	\$ 348,295	\$ 431,112	\$ 291,902
Covered payroll	\$ 4,705,766	\$ 4,846,939	\$ 4,658,129
Employer's total OPEB liability as a percentage of covered payroll	7.40%	8.89%	6.27%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

There was a change in assumptions related to the discount rate in 2019.

There were changes in assumptions related to the discount rate, mortality rates, and healthcare cost trend rates in 2020.

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

(See independent auditor's report.)

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND**

Last Six Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 3,159,698	\$ 3,257,572	\$ 3,170,250	\$ 876,141	\$ 694,837	\$ 916,188
Contributions in relation to the actuarially determined contribution	3,168,474	3,257,572	3,170,250	877,582	704,063	916,188
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ (8,776)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,441)</u>	<u>\$ (9,226)</u>	<u>\$ -</u>
Covered payroll	\$ 24,380,386	\$ 24,924,034	\$ 25,690,842	\$ 6,887,899	\$ 7,102,344	\$ 7,248,323
Contributions as a percentage of covered payroll	13.00%	13.07%	12.34%	12.74%	10.14%	12.64%

Notes to the Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed, and the amortization period was 23 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.25% annually, projected salary increases assumption of 3.35% to 14.25% compounded annually and postretirement benefit increases of 3.25% compounded annually.

Beginning December 31, 2018, the information above is presented for the Library only. Prior years include Village information.

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

(See independent auditor's report.)

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

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

Last Five Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2014	2015	2016	2017	2018	2019
Employer's proportion of net pension liability	26.15%	26.15%	26.15%	26.15%	26.15%	26.15%
Employer's proportionate share of net pension liability	\$ 3,807,757	\$ 5,821,779	\$ 6,092,299	\$ 1,299,308	\$ 7,926,473	\$ 3,860,124
Employer's covered payroll	5,073,649	6,231,627	6,370,583	6,566,068	6,887,899	7,102,344
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	75.05%	93.42%	95.63%	19.79%	115.08%	54.35%
Plan fiduciary net position as a percentage of the total pension liability	90.96%	86.40%	86.35%	97.10%	83.82%	92.46%

Prior to 2019, the Library was presented as a component unit of the Village. Beginning January 1, 2019, IMRF is presented as a cost-sharing plan with the Village. Information above for 2015 through 2018 is estimated based on the allocation used in 2019.

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

(See independent auditor's report.)

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2020

BUDGETS

Budgets are adopted on a basis consistent with GAAP. The budget is prepared for the General Fund, and Capital Projects Fund by function and activity, and includes 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. State statutes and local ordinances require that the budget be approved before the beginning of the fiscal year.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, no supplementary appropriations were adopted.

INDIVIDUAL FUND SCHEDULES

MAJOR GOVERNMENTAL FUNDS

ARLINGTON HEIGHTS MEMORIAL LIBRARY
ARLINGTON HEIGHTS, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2020

	Original and Final Budget	Actual
EXPENDITURES		
Administration		
Salaries	\$ 8,326,012	\$ 7,527,345
Employee benefits	1,359,940	1,357,888
IMRF	1,054,012	883,851
Insurance - medical/life	17,000	8,481
Social Security and Medicare	638,241	558,315
Other employee benefits	44,350	43,446
Professional technical services	271,793	221,395
Office supplies	37,023	29,401
Contractual services	934,609	581,411
	<hr/>	<hr/>
Total administration	12,682,980	11,211,533
	<hr/>	<hr/>
Building		
Utilities	17,672	17,755
Maintenance	529,613	426,919
Equipment rental	7,326	1,909
Tools and equipment	84,943	46,228
Other property services	49,021	31,737
	<hr/>	<hr/>
Total building	688,575	524,548
	<hr/>	<hr/>
Books and Library Materials		
Library supplies	1,918,036	1,650,421
Other supplies	269,643	164,563
	<hr/>	<hr/>
Total books and library materials	2,187,679	1,814,984
	<hr/>	<hr/>
Capital outlay	222,920	63,645
	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 15,782,154	\$ 13,614,710

(See independent auditor's report.)

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

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

For the Year Ended December 31, 2020

	Original and Final Budget	Actual
REVENUES		
Investment income	\$ 70,000	\$ 45,334
Total revenues	70,000	45,334
EXPENDITURES		
Capital outlay	943,000	269,254
Total expenditures	943,000	269,254
NET CHANGES IN FUND BALANCE	<u>\$ (873,000)</u>	(223,920)
FUND BALANCE, JANUARY 1		<u>5,684,890</u>
FUND BALANCE, DECEMBER 31		<u><u>\$ 5,460,970</u></u>

(See independent auditor's report.)