

ELMWOOD PARK PUBLIC LIBRARY
(A Component Unit of the Village of Elmwood Park)
Elmwood Park, Illinois

FINANCIAL STATEMENTS
Year Ended April 30, 2016

ELMWOOD PARK PUBLIC LIBRARY

Elmwood Park, Illinois

FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Elmwood Park Public Library
Elmwood Park, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Elmwood Park Public Library (the "Library"), a component unit of the Village of Elmwood Park, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 Library, as of April 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

In June 2012 the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Also, in November 2013 the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As disclosed in Note 6, Statements 68 and 71 are effective for the Library's fiscal year ended April 30, 2016. These Statements replace the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*. Statements 68 and 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison and Pension Schedules as 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 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.

Crowe Horwath LLP

Crowe Horwath LLP

Oak Brook, Illinois
September 15, 2016

ELMWOOD PARK PUBLIC LIBRARY
Management's Discussion and Analysis
Year Ended April 30, 2016

The discussion and analysis of Elmwood Park Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended April 30, 2016. The management of the Library encourages readers to consider the information presented herein in conjunction with the financial statements to enhance their understanding of the Library's financial performance.

Financial Highlights

- The total Net Position of the Library at the close of the fiscal year was \$6,322,687. Of this amount, \$1,088,432 (unrestricted Net Position) may be used to meet the Library's ongoing obligations to citizens and creditors.
- General revenues were \$1,573,571, or 94%, of all revenues. Program-specific revenues, in the form of charges for services and grants, were \$93,453, or 6%, of total revenues of \$1,667,024.

Operational Highlights

- The Elmwood Park Public Library is one of the cornerstones of our community. Free access to books, ideas, resources, and information is imperative for education, employment, enjoyment, and self-government. We don't just check out books, we connect residents with the information and resources they need to become lifelong learners - informed, literate, educated, and culturally enriched.
- This year the Library undertook large-scale projects that will assist the Library in providing more robust and meaningful services to the community. In FY16, the Library finalized a new strategic plan with the guiding vision of "Explore. Connect. Create. A place where life, work and play unite." In FY15 and FY16 the Library received a construction grant to improve the Kids & Teens department. The department was painted, and a new floor plan, shelving, desk, LEGO cube and balcony railing were installed. We also began to mail our quarterly newsletter, which had never been done before. New services and programs include wireless printing options, a migration to a new ILS (computer catalog), an enhanced website with tutorials and staff reading recommendations, an adult bestsellers club, and the addition of MidKid (grades 3-6) programming and advisory council.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The basic financial statements are comprised of four components:

- Library-wide financial statements,
- Fund financial statements,
- Notes to the financial statements, and
- Required supplementary information.

Each component is explained below.

Library-Wide Financial Statements

The Library-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all Library assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

(Continued)

ELMWOOD PARK PUBLIC LIBRARY
Management's Discussion and Analysis
Year Ended April 30, 2016

The statement of activities presents information showing how the Library's Net Position changed during the fiscal year being reported. All changes in Net Position are reported when revenue is earned and expenses are incurred. Additionally, activity related to the acquisition, depreciation and year-end balances of capital assets, as well as year-end balances and related changes in long-term debt in its government-wide financial statements, are reported.

The Library-wide financial statements present the Library functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The Library has no business-type activities; that is, functions that are intended to recover all or a significant portion of their costs through user fees and charges. The Library's governmental activities include Library Programs and Services, and non-programmed charges.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Library funds are considered governmental funds (the Library maintains no proprietary or fiduciary funds).

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Library-wide financial statements. However, unlike the Library-wide financial statements, governmental fund 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 the Library's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Library-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Library-wide financial statements. By doing so, readers may better understand the long-term impact of the Library'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.

The Library maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Building Fund, both of which are considered to be major funds.

The Library adopts an annual budget for the General Fund. Actual general fund expenditures were \$54,624 below budget for the current fiscal year because grant revenues and expenditures were included in the budget that were not awarded. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the Library-wide and fund financial statements.

Required Supplementary Information

The required supplementary information includes this management discussion and analysis, the budgetary comparison schedule for the general fund, the schedule of Illinois Municipal Retirement Fund (IMRF) contributions, and the schedule of the Library's proportionate share of the IMRF net pension liability. These are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

(Continued)

ELMWOOD PARK PUBLIC LIBRARY
Management's Discussion and Analysis
Year Ended April 30, 2016

Library-Wide Financial Analysis

Net Position

Condensed Statement of Net Position			Table 1
	2016	2015	Change
Current and other assets	\$ 1,777,265	\$ 1,888,960	\$ (111,695)
Capital assets	5,248,984	5,306,603	(57,619)
Deferred pension outflows	319,326	-	319,326
Total assets and deferred outflows of resources	<u>7,345,575</u>	<u>7,195,563</u>	150,012
Long-term debt outstanding	962,084	89,050	873,034
Other liabilities	36,955	65,305	(28,350)
Deferred pension inflows	23,849	-	23,849
Total liabilities and deferred inflows of resources	<u>1,022,888</u>	<u>154,355</u>	868,533
Net investment in capital assets	5,234,255	5,288,641	(54,386)
Unrestricted net position	1,088,432	1,752,567	(664,135)
Total net position	<u>\$ 6,322,687</u>	<u>\$ 7,041,208</u>	<u>\$ (718,521)</u>

The Library implemented the provisions of GASB 34 and, accordingly, has included provisions for the depreciation of capital assets. The inclusion of depreciation expense in year-end April 30, 2016 was \$239,448.

Changes in Net Position

The decrease in Net Position of \$62,501 consists of an excess of operating expenditures over revenues as portrayed on the statement of activities for the year ended April 30, 2016.

(Continued)

ELMWOOD PARK PUBLIC LIBRARY
Management's Discussion and Analysis
Year Ended April 30, 2016

Changes in Net Position			
	2016	2015	Change
Revenues:			
Program revenues:			
Charges for services	\$ 29,911	\$ 31,657	\$ (1,746)
Operating grants and contributions	63,542	43,974	19,568
General revenues:			
Taxes	1,506,919	1,464,434	42,485
Investment earnings	875	258	617
Miscellaneous	65,777	13,132	52,645
Total revenues	1,667,024	1,553,455	113,569
Expenses:			
Library programs and services	1,727,624	1,687,783	39,841
Interest on long-term debt	1,901	1,084	817
Total expenses	1,729,525	1,688,867	40,658
Increase (decrease) in net position	(62,501)	(135,412)	72,911
Net position - Beginning, as restated	6,385,188	7,176,620	(791,432)
Net position - Ending	\$ 6,322,687	\$ 7,041,208	\$ (718,521)

Financial Analysis of the Library's Funds

The balances of cash and temporary investments in the General and the Building funds are as follows:

	April 30, 2016	April 30, 2015	Change
General fund	\$ 869,184	\$ 877,257	\$ (8,073)
Building fund	163,711	257,446	(93,735)
Total	\$ 1,032,895	\$ 1,134,703	\$ (101,808)

Capital Asset and Debt Administration

Capital Assets

By the end of 2016, the Library had invested \$8,254,234 (before depreciation) in a broad range of capital assets, including buildings, fixtures and equipment (computer, audio-visual, books and furniture) and land (See Table 3 below). (More detailed information about capital assets can be found in Note 2 to the financial statements).

Depreciation expense for the year was \$239,448.

(Continued)

ELMWOOD PARK PUBLIC LIBRARY
Management's Discussion and Analysis
Year Ended April 30, 2016

Table 3			
Capital Assets			
	2016	2015	Change
Land	\$ 45,685	\$ 45,685	\$ -
Land improvements	265,116	265,116	-
Buildings	5,417,821	5,433,321	(15,500)
Furniture and equipment	845,126	841,871	3,255
Books	1,680,486	1,666,245	14,241
Total	\$ 8,254,234	\$ 8,252,238	\$ 1,996

At year-end, the Library had \$965,709 in long-term debt outstanding, as shown below. (More detailed information about the Library's long-term liabilities is presented in Note 4 to the financial statements).

Table 4			
Outstanding Long-Term Debt			
	2016	2015	Change
Compensated absences	\$ 37,880	\$ 43,180	\$ (5,300)
IMRF net pension obligation	-	31,140	(31,140)
IMRF net pension liability	913,100	-	913,100
Capital lease obligation	14,729	17,962	(3,233)
Total	\$ 965,709	\$ 92,282	\$ 873,427

Factors Bearing on the Library's Future

At the time these financial statements were prepared and audited the Library was aware of the following existing circumstances that could significantly affect its financial health in the future:

Due to the need to meet starting salary levels of the new salary scale, the Library levy request for FY17 was increased by 2% again this year, plus an additional \$9,000 in operating reserves were needed. The Village has created 2 TIF districts and is working on many infrastructure improvements and drawing in more businesses. However, this may not see an increase in tax revenue to the Library for several years. The Library is also still paying the retirement pensions early retirement obligation. The Library has had to use its Building Fund and Illinois State Library Per Capita Grant to supplement general purchases for building maintenance and collections and lessen their use on targeted improvements. In FY15-16 the Library completed a renovation project and received a grant for \$29,471 toward the project. We also received a \$56,000 reimbursement from LIMRiCC, which will be transferred to the Building Fund. The Library continues to plan for building improvements and increased staff salary and benefits and need to develop a comprehensive savings plan to accomplish this.

(Continued)

ELMWOOD PARK PUBLIC LIBRARY
Management's Discussion and Analysis
Year Ended April 30, 2016

Requests for Information

This financial report is designed to provide the Library's patrons, taxpayers and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the funding received. If you have questions about this report or need additional financial information, contact the Elmwood Park Public Library Board of Trustees or the Library Director. The Board generally meets the third Thursday of every month.

ELMWOOD PARK PUBLIC LIBRARY
STATEMENT OF NET POSITION
April 30, 2016

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and investments	\$ 1,032,895
Property taxes receivable	707,185
Grants receivable	19,181
Prepays	18,004
Total current assets	1,777,265
Capital assets	
Capital assets not being depreciated	45,685
Capital assets, net of accumulated depreciation	5,203,299
Total assets	7,026,249
Deferred outflows of resources	
Deferred pension outflows	319,326
Total deferred outflows of resources	319,326
Liabilities	
Current liabilities	
Accrued payroll	22,017
Accounts payable	7,515
Unearned grant revenues	3,798
Lease payable, current	3,625
Total current liabilities	36,955
Long term obligations, due in more than one year	
Compensated absences	37,880
IMRF net pension liability	913,100
Lease payable	11,104
Total long term liabilities	962,084
Total liabilities	999,039
Deferred inflows of resources	
Deferred pension inflows	23,849
Total deferred inflows of resources	23,849
Net position	
Net investment in capital assets	5,234,255
Unrestricted	1,088,432
Total net position	\$ 6,322,687

ELMWOOD PARK PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
Year Ended April 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Primary government				
Governmental activities				
Library programs and services	\$ 1,727,624	\$ 29,911	\$ 63,542	\$ (1,634,171)
Interest on long-term debt	<u>1,901</u>	<u>-</u>	<u>-</u>	<u>(1,901)</u>
Total governmental activities	<u>\$ 1,729,525</u>	<u>\$ 29,911</u>	<u>\$ 63,542</u>	<u>(1,636,072)</u>
General revenues				
Taxes				
Property taxes, levied for general purposes				1,497,419
Replacement taxes				9,500
Unrestricted investment earnings				875
Miscellaneous				<u>65,777</u>
Total general revenues				<u>1,573,571</u>
Change in net position				(62,501)
Net position - beginning, as restated				<u>6,385,188</u>
Net position - ending				<u>\$ 6,322,687</u>

ELMWOOD PARK PUBLIC LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET
April 30, 2016

	Major Funds		Total
	General Fund	Building Fund	
Assets			
Cash and investments	\$ 869,184	\$ 163,711	\$ 1,032,895
Property taxes receivable	707,185	-	707,185
Grants receivable	19,181	-	19,181
Prepays	12,386	5,618	18,004
Total assets	<u>\$ 1,607,936</u>	<u>\$ 169,329</u>	<u>\$ 1,777,265</u>
Liabilities			
Accrued payroll	\$ 22,017	\$ -	\$ 22,017
Accounts payable	7,515	-	7,515
Unearned grant revenue	3,798	-	3,798
Total Liabilities	<u>33,330</u>	<u>-</u>	<u>33,330</u>
Deferred inflows of resources			
Unavailable revenue-property taxes	693,542	-	693,542
Total deferred inflows of resources	<u>693,542</u>	<u>-</u>	<u>693,542</u>
Fund balance			
Nonspendable			
Prepays	12,386	5,618	18,004
Assigned			
Building improvement/repairs	-	163,711	163,711
Unassigned	868,678	-	868,678
Total fund balances	<u>881,064</u>	<u>169,329</u>	<u>1,050,393</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 1,607,936</u>	<u>\$ 169,329</u>	<u>\$ 1,777,265</u>

ELMWOOD PARK PUBLIC LIBRARY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
April 30, 2016

Total fund balances - governmental funds \$ 1,050,393

Amounts reported for governmental activities net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets	\$	8,254,234	
Accumulated depreciation		<u>(3,005,250)</u>	
Capital outlay in excess of depreciation			5,248,984

Property taxes receivable and to be collected in the next fiscal year are intended to be used to pay for the current period's expenditures, and therefore are recorded as revenue in the government-wide statements and unavailable in the fund statements. 693,542

Deferred outflows of resources related to pensions do not involve available financial resources and accordingly are not reported on the fund financial statements. 319,326

Deferred inflows of resources related to pensions do not involve available financial resources and accordingly are not reported on the fund financial statements. (23,849)

Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in the governmental funds. These liabilities consist of:

Compensated absences		37,880	
IMRF net pension liability		913,100	
Lease payable		<u>14,729</u>	
			<u>(965,709)</u>

Net position of governmental activities \$ 6,322,687

ELMWOOD PARK PUBLIC LIBRARY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended April 30, 2016

	Major Funds		Total
	General Fund	Building Fund	
Revenues			
Property taxes	\$ 1,483,322	\$ -	\$ 1,483,322
Charges for services	29,911	-	29,911
Grants	34,071	29,471	63,542
Other taxes	9,500	-	9,500
Other revenue	65,777	-	65,777
Interest income	783	92	875
Total revenue	<u>1,623,364</u>	<u>29,563</u>	<u>1,652,927</u>
Expenditures			
Current			
Wages	863,934	-	863,934
Health insurance	99,410	-	99,410
Payroll taxes	207,073	-	207,073
Professional fees	32,885	-	32,885
General Insurance	15,094	-	15,094
Utilities	5,303	-	5,303
Telephone	11,034	-	11,034
Software	33,536	-	33,536
Building improvements and repairs	33,406	174,191	207,597
Supplies	10,814	-	10,814
Books	76,826	-	76,826
Periodicals	13,534	-	13,534
Grant expenditures	51,937	-	51,937
AV materials	42,640	-	42,640
Contingencies	55	-	55
Office and computer equipment	11,570	-	11,570
Postage	1,487	-	1,487
Marketing and advertising	9,021	-	9,021
Conferences and training	10,755	-	10,755
Fees	15,815	-	15,815
Programs	24,165	-	24,165
Miscellaneous	358	-	358
Debt service			
Principal	1,077	2,155	3,232
Interest	634	1,267	1,901
Total expenditures	<u>1,572,363</u>	<u>177,613</u>	<u>1,749,976</u>
Excess (deficiency) of revenues over expenditures	<u>51,001</u>	<u>(148,050)</u>	<u>(97,049)</u>
Other financing sources (uses)			
Transfers in	-	46,360	46,360
Transfers out	(46,360)	-	(46,360)
Total other financing sources (uses)	<u>(46,360)</u>	<u>46,360</u>	<u>-</u>
Net change in fund balance	4,641	(101,690)	(97,049)
Fund balance at beginning of year	<u>876,423</u>	<u>271,019</u>	<u>1,147,442</u>
Fund balance at end of year	<u>\$ 881,064</u>	<u>\$ 169,329</u>	<u>\$ 1,050,393</u>

ELMWOOD PARK PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended April 30, 2016

Net change in fund balances - total governmental funds	\$	(97,049)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
Depreciation	\$ (239,448)	
Capital outlay	<u>215,079</u>	
Net capital assets		(24,369)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property tax difference		14,097
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.</p>		
		(33,250)
<p>Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.</p>		
		3,233
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Increase in pension liability and deferral items		69,537
Increase in compensated absences		<u>5,300</u>
Change in net position of governmental activities	\$	<u>(62,501)</u>

ELMWOOD PARK PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Elmwood Park Public Library (Library) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The accepted standard setting body for establishing accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB). The following is a summary of the significant policies.

Reporting Entity and Its Services: The Library has adopted the provisions of GASB Statement No. 61. Based on these criteria, the Library has no component units. However, the Library is a component unit of the Village of Elmwood Park and is included in their Basic Financial Statements.

Basis of Presentation – Fund Accounting: The Library's basic financial statements consist of Library-wide statements, including a statement of net position, statement of activities and fund financial statements, which provide a more detailed level of financial information. The Library-wide focus is more on the sustainability of the Library as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

Library-Wide Financial Statements – The statement of position and the statement of activities display information about the Library as a whole. In the Library-wide statement of net position, the governmental activities are presented on a consolidated basis. For the most part, the effect of interfund activity has been removed 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 does not participate in any business-type activities. The Library-wide statement of activities reflects both the direct expenses and net cost of each function of the Library's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Library, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the Library.

Fund Financial Statements – The financial transactions of the Library are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures or expenses, as appropriate.

Measurement Focus and Basis of Accounting:

Library-Wide Financial Statements – The Library-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the balance sheet and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, if measurable, and expenses are recognized as incurred, regardless of the timing of related cash flows.

(Continued)

ELMWOOD PARK PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Library has reported two categories of program revenues in the statement of activities: (1) charges for services, and (2) program-specific operating grants and contributions. Program revenues are derived directly from the program itself or from external sources, such as the State of Illinois; they reduce the net cost of each function to be financed from the Library's general revenues. For identifying the function to which a program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is the function to which the revenues are restricted.

Eliminations have been made in the statement of net position to remove the "grossing up" effect on assets and liabilities within the governmental activities column for amounts reported in the individual funds as interfund receivables and payables and advances. Similarly, operating transfers between funds have been eliminated in the statement of activities.

Fund Financial Statements – 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. For this purpose the Library considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the library. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Unearned revenue is reported on the governmental fund balance sheet. Unearned revenues arise when potential revenue does not meet both the measurable and available criteria. Unearned revenues also arise when resources are received prior to the Library having a legal claim to them. In a subsequent period, when both recognition criteria are met or when the Library has a legal claim to the resources, the liability is removed, and the revenue recognized.

Differences occur from the manner in which the governmental activities and the Library-wide financial statements are prepared because of the inclusion of capital asset and long-term debt activity. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the Library-wide statements and the statements for governmental funds.

The Library reports the following major governmental funds:

General Fund – The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund – Building Funds are used to account for financial resources to be used for the acquisition of building equipment or maintenance of the building.

Capital Assets: Capital assets, which include property, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental activities columns in the Library-wide financial statements. Capital assets are defined by the Library as assets with a useful life of more than one year and a historical cost of \$5,000 or more. All books and library materials are capitalized.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market 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 assets lives are not capitalized. Property and equipment that are not above the \$5,000 capitalization threshold are expensed in the year they are purchased.

(Continued)

ELMWOOD PARK PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets except land, land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Books and library materials are depreciated using a composite depreciation rate of 4%. Depreciation on all remaining assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Land improvements	20 years
Furniture and equipment	5-10 years

Investments: Investments are stated at fair value in accordance with GASB Statement No. 31. Fair values for the Illinois Treasurer's Investment Pool are the same as the value of the pool shares. State statute requires these funds to comply with the Illinois Public Funds Investment Act.

Property Tax Revenues Recognition: Property taxes attach as an enforceable lien on January 1. They are levied in September (by passage of a Tax Levy Ordinance). Tax Bills are prepared by the County and issued on or about February 1, and are payable in two installments on or about March 1 and on or about October 1 the following year. The County collects such taxes and remits them periodically. Property tax revenues are recognized when they become both measurable and available, in accordance with National Council on Governmental Accounting (NCGA) Interpretation No. 3. Property taxes receivable is recorded net of an allowance and the unearned portion of the receivable is shown as a deferred inflow on the fund statements.

Accumulated Unpaid Vacation and Other Employee Benefit Amounts: The Library inventories its employee benefits at year end based on both a legal commitment and internal policy. Based on a review it applies the accrual basis of accounting to determine its liability. The Library had \$37,880 in accumulated unpaid vacation and other employee benefits at year end recorded in the library-wide financial statements. None of this amount was determined to be funded out of current resources and the entire amount will be labeled as long term.

Claims and Judgments: Liabilities resulting from claims and judgments, if any, have been reflected in the financial statements in accordance with GASB Statement No. 62. As of April 30, 2016, management is not aware of any existing, threatened, or potential law suits, and accordingly there is no provision for loss recorded on the books.

Estimates: Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Fund Balance/Net Position:

Government-wide Statements – Net position represent the difference between the total of assets and deferred outflows of resources and the total of liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

(Continued)

ELMWOOD PARK PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Funds Statements – The components of the fund balance include the following line items:

- a) Nonspendable fund balance is inherently nonspendable, such as portions of net resources that cannot be spent because of their form and portions of net resources that cannot be spent because they must be maintained intact.
- b) Restricted fund balance is externally enforceable limitations on use, such as limitations imposed by creditors, grantors, contributors, or laws and regulations of other government as well as limitations imposed by law through constitutional provision or enabling legislation.
- c) Committed fund balance has self-imposed limitations set in place prior to the end of the period. The limitations are imposed at the highest level of decision making that requires formal action at the same level to remove. For the Library, the Library's Board of Trustees is the highest level of decision making. As of April 30, 2016, the Library does not have any commitments of fund balance.
- d) Assigned fund balance has limitations resulting from intended use consisting of amounts where the intended use is established by the Board of Trustees designated for that purpose. The intended use is established by an official designated for that purpose. When it is appropriate for fund balance to be assigned in any fund, the Library delegates such authority to the Library Director.
- e) Unassigned fund balance is the total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance. In addition, if there is a deficit balance in another governmental fund, it will be reported as a negative amount in that fund's unassigned classification.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Interfund Receivables/Payables and Transfers: During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due To/From Other Funds" on the governmental balance sheet.

Risk Management: The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Health insurance coverage is provided by the Village of Elmwood Park. The amount of coverage has neither decreased nor have the amount of settlements exceeded coverage in at least the past three fiscal years.

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 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 reports change in pension assumptions, loss on pension investments, and change in proportionate share of the net pension liability. Changes in pension plan assumptions are deferred and amortized over the average of the expected remaining service lives of employees that are provided with benefits through the pension plan. Loss on pension investments are deferred and amortized over five years. The change in proportionate share is deferred and recognized as a reduction of net pension liability in the subsequent year.

(Continued)

ELMWOOD PARK PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Certain amounts related to pensions must be deferred. Differences between expected and actual experience are deferred and amortized over the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Plan (IMRF) and additions to/deductions from IMRF's net pension liability have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

New Accounting Pronouncements:

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements and provide guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for the Library's fiscal year ended April 30, 2017. Management has determined this will not have a significant impact on its financial statements.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for those pensions and pension plans that are not administered through a trust not covered by Statements 67 and 68. This Statement is effective for the Library's fiscal year ended April 30, 2017. This statement will have no effect on the Library.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This Statement is effective for the Library's fiscal year ended April 30, 2018. This statement will have no effect on the Library.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for the Library's fiscal year ended April 30, 2019. This statement will have no effect on the Library.

(Continued)

ELMWOOD PARK PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement is effective for the Library's fiscal year ended April 30, 2017. Management has not determined what impact, if any, this statement will have on its financial statements.

In December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employees through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pension through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement is effective for the Library's fiscal year ended April 30, 2017. Management has not determined what impact, if any, this statement will have on its financial statements.

In December 2015, the GASB issued Statement 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. This Statement is effective for the Library's fiscal year ended April 30, 2017. Management has not determined what impact, if any, this statement will have on its financial statements.

In December 2015, the GASB issued Statement 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This Statement is effective for the Library's fiscal year ended April 30, 2018. Management has not determined what impact, if any, this statement will have on its financial statements.

ELMWOOD PARK PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2016, the GASB issued Statement 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement is effective for the Library's fiscal year ended April 30, 2018. This statement will have no effect on the Library.

In March 2016, the GASB issued Statement 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for the Library's fiscal year ended April 30, 2018. Management has not determined what impact, if any, this statement will have on its financial statements.

ELMWOOD PARK PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 2 - CAPITAL ASSETS

A summary of changes in the Library's capital assets for the period from May 1, 2015 through April 30, 2016 follows:

	<u>Balance at May 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at April 30, 2016</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 45,685	\$ -	\$ -	\$ 45,685
Subtotal	<u>45,685</u>	<u>-</u>	<u>-</u>	<u>45,685</u>
Capital assets being depreciated:				
Land improvements	265,116	-	-	265,116
Building	5,433,321	19,500	35,000	5,417,821
Furniture and equipment	841,871	62,579	59,324	845,126
Books	1,666,245	133,000	118,759	1,680,486
Subtotal	<u>8,206,553</u>	<u>215,079</u>	<u>213,083</u>	<u>8,208,549</u>
Accumulated depreciation:				
Land improvements	(178,956)	(13,256)	-	(192,212)
Buildings	(1,794,584)	(135,446)	(1,750)	(1,928,280)
Furniture and equipment	(746,601)	(23,527)	(59,324)	(710,804)
Books	(225,494)	(67,219)	(118,759)	(173,954)
Accumulated depreciation	<u>(2,945,635)</u>	<u>(239,448)</u>	<u>(179,833)</u>	<u>(3,005,250)</u>
Total capital assets being depreciated, net	<u>5,260,918</u>	<u>(24,369)</u>	<u>33,250</u>	<u>5,203,299</u>
Governmental activities capital assets, net	<u>\$ 5,306,603</u>	<u>\$ (24,369)</u>	<u>\$ 33,250</u>	<u>\$ 5,248,984</u>

Depreciation expense for the Library was charged to the governmental function Library and Program Services in the amount of \$239,448.

NOTE 3 – CASH AND INVESTMENTS

The Library maintains a cash and investment pool that is available for use by both funds. Each fund's portion of this pool is displayed on the balance sheet as "cash and investments." The Library is authorized by state statute and their own local ordinances to invest in the following:

- Certificates of deposit
- Savings accounts
- Money markets
- Illinois Treasurer's Investment Pool (Illinois Funds)

The carrying value of the Library's deposits as of April 30, 2016 was \$1,032,895. The bank balances were \$1,044,929. All account balances at banks were insured by the Federal Deposit Insurance Corporation (FDIC).

(Continued)

ELMWOOD PARK PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Library adheres to the Village's investment policy that limits investment maturities to two years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Library adheres to the Village's investment policy that requires all fixed income investments to be of investment grade quality or higher at purchase.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the investor will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library adheres to the Village's investment policy that requires that all amounts in excess of any insurance limits be collateralized by securities eligible for Village investment or any other high-quality, interest-bearing security rated at least AAA/Aaa by one or more standard rating service to include Standard & Poor's, Moody's, or Fitch. The market value of the pledged securities shall equal or exceed the portion of the deposit requiring collateralization.

Concentration of Credit Risk: The Library adheres to the Village's investment policy that places no limit on the amount it may invest in any one issuer.

NOTE 4 – LONG TERM OBLIGATIONS

A summary of changes in the Library's long-term debt is as follows:

	Balance at May 1, 2015	Issued	Retired	Balance at April 30, 2016	Due within One Year
Compensated absences	\$ 43,180	\$ 52,257	\$ 57,557	\$ 37,880	\$ -
IMRF net pension liability	701,202	211,898	-	913,100	-
Capital lease obligation	17,962	-	3,233	14,729	3,625
Total	<u>\$ 762,344</u>	<u>\$ 264,155</u>	<u>\$ 60,790</u>	<u>\$ 965,709</u>	<u>\$ 3,625</u>

Beginning balances of IMRF net pension obligation and IMRF net pension liability were restated due to a change in accounting principle. See Note 7.

Compensated absences will be paid as they come due. It is considered a long term liability with no current portion. The absences represent amounts owed to employees for earned but unused vacation pay, which will be paid from the General Fund.

On November 13, 2014, the Library entered into a capital lease for two copier printers with an imputed interest rate of 11.51% to be paid monthly on the 15th with final payment due on October 15, 2019. The assets under the capital lease in the amount of \$19,445 were capitalized at the inception of the lease. As of April 30, 2016, the accumulated depreciation balance relating to this asset is \$5,834.

ELMWOOD PARK PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 4 – LONG TERM OBLIGATIONS (Continued)

A summary of annual principal and interest requirements to maturity:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 3,625	\$ 1,509
2018	4,064	1,069
2019	4,558	575
2020	<u>2,482</u>	<u>84</u>
Total	<u>\$ 14,729</u>	<u>\$ 3,237</u>

Interest in the amount of \$1,901 was paid on the lease in fiscal year 2016.

NOTE 5 - OPERATING LEASES

The Library has two operating leases with the Village of Elmwood Park (the Village). First, the land on which the Library was built is owned by the Village and leased to the Library for a 50-year period, whereas the Library makes payments to the Village of one dollar per year. At the end of the lease term, the rights to the land revert back to the Village. Secondly, land owned by the Library was leased to the Village for the purposes of constructing a recreational facility. The lease term is 99 years, whereas the Village pays the Library the sum of one dollar annually. At the conclusion of the 99-year period, rights to the land revert back to the Library.

NOTE 6 – PENSION AND RETIREMENT PLAN

Plan Description:

Eligible employees of the Elmwood Park Public Library are enrolled in the Illinois Municipal Retirement Fund (IMRF) through the Village of Elmwood Park. The Village acts as a single-employer cost sharing defined benefit pension plan to the Library. Therefore, all required disclosures are presented in the Village of Elmwood Park's annual financial statements. The Village includes Library employees in its reports to IMRF. The Library issues its checks in payment of the employees' and the Library's share monthly.

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

Benefits Provided:

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

(Continued)

ELMWOOD PARK PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 6 – PENSION AND RETIREMENT PLAN (Continued)

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

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

- 3% of the original pension amount, or
- ½ of the increase in the Consumer Price Index of the original pension amount.

Contributions:

As set by statute, the Library's Regular Plan Members are required to contribute 4.50% of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Library's annual required contribution rate for calendar year 2015 was 17.56%. For the fiscal year ended April 30, 2016, the Library contributed \$141,099 to the plan. The Library also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

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

At April 30, 2016, the Library reported a liability of \$913,100 for its proportionate share of the Village's net pension liability. The net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on the Library's share of contributions to the pension plan relative to all contributions. At December 31, 2015, the Library's proportion was 17.92%, which was a decrease of 0.12% from its proportion measured as of December 31, 2014.

For the year ended April 30, 2016, the Library recognized pension expense of \$151,955. At April 30, 2016, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ELMWOOD PARK PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 Year Ended April 30, 2016

NOTE 6 – PENSION AND RETIREMENT PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 23,849
Change in employer proportionate share	4,400	-
Changes of assumptions	4,491	-
Net difference between projected and actual earnings on pension plan investments	261,182	-
Library contributions subsequent to the measurement date	49,253	-
	\$ 319,326	\$ 23,849

At April 30, 2016, there was \$49,253 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended April 30, 2017. Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense in future periods as follows:

Year Ended December 31:	
2016	\$ 58,384
2017	58,384
2018	63,697
2019	65,759
Total	\$ 246,224

Actuarial Assumptions:

The Village's net pension liability for IMRF was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.75%
Salary Increases	3.75% to 14.50%, including inflation
Investment Rate of Return	7.48%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

ELMWOOD PARK PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 Year Ended April 30, 2016

NOTE 6 – PENSION AND RETIREMENT PLAN (Continued)

Mortality

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

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2015 Illinois Municipal Retirement Fund annual actuarial valuation. There were no benefit changes during the year.

Expected Return on Pension Plan Investments:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38.00%	7.39%
International Equity	17.00%	7.59%
Fixed Income	27.00%	3.00%
Real Estate	8.00%	6.00%
Alternative Investments	9.00%	2.75%-8.15%
Cash Equivalents	1.00%	2.25%
	<u>100.00%</u>	

ELMWOOD PARK PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 Year Ended April 30, 2016

NOTE 6 – PENSION AND RETIREMENT PLAN (Continued)

Discount Rate:

A single discount rate of 7.48% was used to measure the total pension liability. The projection of cash flow used to determine this single discount rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The single discount rates reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits and (2) the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). Based on those assumptions, the fiduciary net position was projected to not be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was blended with the AA rated general obligation bond index at December 31, 2015 to arrive at the discount rates used to determine the total pension liability. For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.56%, and the resulting single discount rate is 7.48%.

Sensitivity of the Library's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the Library's proportionate share of the net pension liability, calculated using the discount rate of 7.48%, as well as what the Library's proportionate share of the net pension liability for the IMRF plan would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48%) or 1-percentage-point higher (8.48%) than the current rate:

	1% Decrease 6.48%	Current Discount Rate 7.48%	1% Increase 8.48%
Library's portion of the net pension liability	\$ 1,605,720	\$ 913,100	\$ 341,243

Summary of the Library's Pension Plan Information:

Net pension liability	\$ 913,100
Deferred outflows of resources	319,326
Deferred inflows of resources	23,849
Pension expense	151,955

NOTE 7 – RESTATEMENT OF BEGINNING NET POSITION

During the year ended April 30, 2016, the Library adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 requires governments providing defined benefit pension to recognize their long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits. In accordance with GASB 68, the Library now reports a net pension liability on its financial statements, as well as deferred outflows of resources and deferred inflows of resources. In addition, the impact of implementing this statement resulted in a restatement of beginning net position to adjust for the pension benefit liability that would have been reported in previous years. The prior period adjustment includes deferred outflows of contributions made subsequent to the measurement date.

ELMWOOD PARK PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended April 30, 2016

NOTE 7 – RESTATEMENT OF BEGINNING NET POSITION (Continued)

The Library's net position at May 1, 2015 has been restated as follows:

Net position, May 1, 2015, as previously reported	\$ 7,041,208
Change in accounting principle, GASB Statement No. 68	<u>(656,020)</u>
Net position, May 1, 2015, as restated	<u>\$ 6,385,188</u>

The Library's net pension obligation at May 1, 2015 has been restated as follows:

Net pension obligation, May 1, 2015, as previously reported	\$ 31,140
Change in accounting principle, GASB Statement No. 68	<u>(31,140)</u>
Net pension obligation, May 1, 2015, as restated	<u>\$ -</u>

The Library's net pension liability at May 1, 2015 has been restated as follows:

Net pension liability, May 1, 2015, as previously reported	\$ -
Change in accounting principle, GASB Statement No. 68	<u>701,202</u>
Net pension liability, May 1, 2015, as restated	<u>\$ 701,202</u>

The Library's deferred pension outflows at May 1, 2015 has been restated as follows:

Deferred pension outflows, May 1, 2015, as previously reported	\$ -
Change in accounting principle, GASB Statement No. 68	<u>45,182</u>
Deferred pension outflows, May 1, 2015, as restated	<u>\$ 45,182</u>

ELMWOOD PARK PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
Year Ended April 30, 2016

	Original and <u>Final Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
Revenues			
Property taxes	\$ 1,474,384	\$ 1,483,322	\$ 8,938
Charges for services	31,500	29,911	(1,589)
Grants	94,103	34,071	(60,032)
Other taxes	9,500	9,500	-
Other revenue	16,500	65,777	49,277
Interest income	<u>1,000</u>	<u>783</u>	<u>(217)</u>
Total Revenue	<u>1,626,987</u>	<u>1,623,364</u>	<u>(3,623)</u>
Expenditures			
Current			
Wages	865,000	863,934	1,066
Health insurance	96,500	99,410	(2,910)
Payroll taxes	219,000	207,073	11,927
Professional fees	26,600	32,885	(6,285)
General Insurance	15,000	15,094	(94)
Utilities	12,000	5,303	6,697
Telephone	11,250	11,034	216
Software	37,625	33,536	4,089
Building improvements and repairs	25,574	33,406	(7,832)
Supplies	12,050	10,814	1,236
Books	86,900	76,826	10,074
Periodicals	13,000	13,534	(534)
Grant expenditures	93,600	51,937	41,663
AV materials	44,600	42,640	1,960
Contingencies	300	55	245
Office and computer equipment	14,588	11,570	3,018
Capital lease	3,500	-	3,500
Postage	1,500	1,487	13
Marketing and advertising	8,000	9,021	(1,021)
Conferences and training	10,500	10,755	(255)
Fees	6,500	15,815	(9,315)
Programs	23,100	24,165	(1,065)
Miscellaneous	300	358	(58)
Debt service			
Principal	-	1,077	(1,077)
Interest	-	634	(634)
Total expenditures	<u>1,626,987</u>	<u>1,572,363</u>	<u>54,624</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>51,001</u>	<u>51,001</u>
Other financing sources (uses)			
Transfers out	<u>-</u>	<u>(46,360)</u>	<u>(46,360)</u>
Total other financing sources (uses)	<u>-</u>	<u>(46,360)</u>	<u>(46,360)</u>
Net change in fund balance	<u>\$ -</u>	<u>4,641</u>	<u>\$ 4,641</u>
Fund balance at beginning of year		<u>876,423</u>	
Fund balance at end of year		<u>\$ 881,064</u>	

ELMWOOD PARK PUBLIC LIBRARY
NOTE TO BUDGETARY COMPARISON SCHEDULE
Year Ended April 30, 2016

NOTE 1 - BUDGET AND BUDGETARY ACCOUNTING

The Library follows these procedures in establishing budgetary data reflected in the financial statements:

- A. The Library Board of Trustees approves a levy and appropriations ordinance for inclusion in the annual levy and appropriations ordinance of the Village of Elmwood Park (Village). The operating budget includes proposed expenditures and the means of financing them. The Village has the ability under their home rule powers to increase or decrease the amount of the levy.
- B. Budget hearings are conducted.
- C. The budget is legally enacted through passage of an ordinance by the Village's Board of Trustees after approval through a motion.
- D. The budget may be amended by the Library Board of Trustees with the approval of the Village Board. There were no amendments during the year.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The level of control (level at which expenditures may not exceed budget/appropriations) is the fund. Budget/appropriations lapse at year end.

The General Fund and Building Fund have legally adopted budgets.

ELMWOOD PARK PUBLIC LIBRARY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE LIBRARY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 April 30, 2016

	2016
Library's proportion of the net pension liability	17.92%
Library's proportionate share of the net pension liability	\$ 913,100
Library's covered-employee payroll	794,556
Library's proportionate share of the net pension liability as a percentage of its covered-employee payroll	114.92%
Plan fiduciary net position as a percentage of the total pension liability	83.59%

Notes to Schedule

This is a ten year schedule. However, the information displayed in this schedule is not required to be presented retroactively. Years will be added in future periods until ten years of information is available.

Methods and assumptions used to determine total pension liability:

Actuarial cost method	Entry age normal
Asset valuation method	Market value of assets
Price inflation	2.75%
Salary increases	3.75% to 14.50%
Investment rate of return	7.48%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality table with adjustments to match current IMRF experience.
Other information	There were no benefit changes during the year.