

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Year Ended
May 31, 2016



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NORTH AURORA, ILLINOIS
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NORTH AURORA, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT



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Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Messenger Public Library
North Aurora, Illinois

We have audited the accompanying financial statements of the governmental activities and each major fund of the Messenger Public Library, North Aurora, Illinois (the Library), as of and for the year ended May 31, 2016 and the related notes to the financial statements which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Messenger Public Library, as of May 31, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 9, the Library adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and 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 the financial statements and required supplementary information. 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 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 the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The individual fund schedules and the supplemental section in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Library. 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The supplemental section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Sikich LLP

Naperville, Illinois
October 7, 2016

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

MESSENGER PUBLIC LIBRARY OF NORTH AURORA

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2016

As the management of the Messenger Public Library of North Aurora (Library), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended May 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have 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 the Library's financial activity (3) identify changes in the Library'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 fund issues or concerns.

USING THE FINANCIAL SECTION OF THIS ANNUAL REPORT

Government-Wide Financial Statement

The government-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 focus of the Statement of Net Position presents information on all the Library's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference 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 the Library is improving or deteriorating.

The Statement of Activities presents information showing how the Library's net position changed during the most recent fiscal year. All changes in 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 (see pages 4 - 5) describe functions of the Library that are principally supported by taxes and intergovernmental revenues (government activities). The governmental activities of the Library reflect the Library's basic services, including materials collections, reference and readers' services, programming, interlibrary loan and outreach services.

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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 the fund rather than the fund type. 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. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Library is categorized as a government fund.

Government 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 the fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains one fund. Information for this fund is presented in the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balance.

The Library adopts an annual budget for its government fund. A budgetary comparison statement has been provided elsewhere in this report to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 6 - 9 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 - 25 of this report.

Other Information

In addition to the basic financial statements and accompany notes, this report also presents certain required supplementary information concerning the Library's progress in funding its obligation to provide benefits to its employees. Required supplementary information can be found on pages 26 - 31 of this report.

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Financial Analysis of the Library as a Whole

In accordance with GASB Statement No. 34, a comparative analysis of government-wide information has been presented.

GOVERNMENT-WIDE STATEMENTS

Net Position

The following table reflects the condensed Statement of Net Position.

**Table 1
Statement of Net Position**

Governmental Activities	As of May 31, 2015	As of May 31, 2016
Current and Other Assets	\$ 3,885,358	\$ 3,994,751
Capital Assets	989,646	1,009,698
Deferred Outflows	-	145,782
Total Assets and Deferred Outflows	\$ 4,875,004	\$ 5,150,231
Long-Term Liabilities	\$ 45,536	\$ 511,401
Other Liabilities	27,170	50,766
Deferred Inflows	1,611,723	1,660,682
Total Liabilities and Deferred Inflows	\$ 1,684,429	\$ 2,222,849
Net Position		
Net Investment in Capital Assets	\$ 989,646	\$ 1,009,698
Restricted	62,930	63,018
Unrestricted	2,137,999	1,854,666
Total Net Position	\$ 3,190,575	\$ 2,927,382

The Library's net position decreased 8.25 % during FY2016 from \$ 3,190,575 to \$ 2,927,382. The primary cause of this decrease was the implementation of GASB Statement No. 68 which requires the reporting of the net pension liability in IMRF for the first time.

For more detailed information, see the Statement of Net Position on page 4.

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Activities

The following table summarizes the revenue and expenses of the Library's activities:

Table 2
Change in Net Position

Governmental Activities	As of May 31, 2015	As of May 31, 2016
Revenues		
<i>Program Revenues</i>		
Charges for Services	\$ 32,006	\$ 25,684
Operating Grants	20,950	12,919
Capital Grants	-	-
<i>General Revenues</i>		
Property Taxes	1,559,980	1,605,740
Replacement Taxes	14,114	12,619
Intergovernmental	-	-
Impact Fees	2,520	2,687
Investment Income	414	3,727
Reimbursements	-	407
Miscellaneous	2,653	1,501
Donations	3,402	1,471
Total Revenues	\$ 1,636,039	\$ 1,666,755
Expenses		
Culture and Recreation	\$ 1,507,486	\$ 1,617,949
Total Expenses	\$ 1,507,486	\$ 1,617,949
Change in Net Position	\$ 128,553	\$ 48,806
Total Net Position, Beginning of Year	3,062,022	3,190,575
Change in Accounting Principle	-	(311,999)
Total Net Position, Beginning of Year, Restated	3,062,022	2,878,576
Total Net Position, End of Year	\$ 3,190,575	\$ 2,927,382

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**2015-2016 FINANCIAL OVERVIEW
Messenger Public Library of North Aurora**

INCOME SOURCES

Local property taxes	97 %
Fines, Service Fees, Photocopies	1%
Grants & Gifts	1%
Miscellaneous	1%
Total Income	\$ 1,666,755

EXPENDITURES BY CATEGORY

Salaries and Benefits	55 %
Equipment/Automation	17 %
Materials, Electronic Resources	13 %
Administration*	15 %
Total Expenses	\$ 1,629,917

*Building insurance, audit, postage, professional fees, contractual services, printing, contingency, etc.

There are seven basic impacts on revenues and expenses as reflected below:

Normal Impacts

Revenues

Effect of Tax Cap. The Library's total tax extension increased 3.04% from \$1,611,723 (to \$1,660,682). In fiscal year 2015, the CPI used to calculate the limiting tax levy rate is 0.8%. The lowest CPI rate in five years. In 2014, the CPI was 1.5%.

For the 2015 levy year, Kane County extended a total tax rate of 0.3608.

Changing patterns in intergovernmental and grant revenue (both recurring and non-recurring) Certain recurring revenues (Illinois State Library Per Capita Grant, etc.) may experience significant changes periodically while non-recurring or one-time grants are less predictable and often distort their impact on year-to-year comparisons. The fiscal year 2016 per capita grant in the amount of \$12,919 was received in May 2016. The amount of the grant was \$8,031 less than the grant award amount received in fiscal year 2015 due to the State of Illinois budget issues.

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Market impacts on investment income. The Library's investment portfolio is managed using a similar average maturity to most other governments. Market conditions may cause investment income to fluctuate. Most funds are invested in the Illinois Funds, which offers a competitive return, liquidity and safety, requisites of the Library's investment policy. The Library Board enrolled in March 2016 in the Old Second Bank CDARS program due to the changes in account characterizations instituted by the Illinois State Treasurers office with US Bank Corporation. The Library could no longer make deposits into Illinois Funds Accounts. The primary purpose to invest in the CDARS program was to spread out the deposits to be protected under the minimum FDIC cap for deposits and to gain additional investment earnings via interest bearing certificate of deposit accounts. Investment income in FY 2016 totaled \$3,727 an increase of \$3,313 over FY 2015 (\$414). This amount was due to the deposits earning higher interest sitting in the Illinois Funds accounts after re-characterization and CD interest income with Old Second Bank.

Expenses

Introduction of new programs. Within functional expense categories, individual programs may be added or deleted in order to meet the changing needs of the Library.

Changes in authorized personnel. Changes in service demand may cause the Library Board to increase or decrease staffing levels. Personnel costs are the Library's most significant operating costs.

Salary increases. The Library Board approved a 3% across the board merit pay increase to all employee salaries. The Library Board following consultation with the Management Association approved a pay scale chart adjustment increase of 3.95% for each salary level as well in FY 2016 to keep the Library competitive with Libraries in Illinois of similar size and budget. Salary adjustments for longevity in a staff position at the five and ten year mark were also approved by the Library Board and implemented once again in fiscal year 2016.

Inflation. The inflation rate continues to be low. The inflation rate began June 1, 2015 at 0.2% and ended on May 31, 2016 with an inflation rate of 1.0 %.

Revenues

For the fiscal year ending May 31, 2016, revenues totaled \$1,666,755. Property taxes, the Library's largest single revenue source, amounted to \$1,605,740 or 96% of total revenue.

The 2016 assessed property valuation of the Village increased 6.8% to \$460,226,774 (from \$430,872,837).

Total income from all sources was \$1,666,755, an increase of 1.8 % from last year's \$1,636,039. Charges for services, which include impact fees, revenue fines, and photocopies, meeting room rental, non-residential cards and lost materials fees represented 1% of total income. Grants and gifts account for a very negligible amount of income (\$4,195).

The Library received miscellaneous monetary donations. Income is also generated through the annual and ongoing sale of used library materials and books donated by the general public.

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Expenses/Expenditures

The Library's expenditures were \$ 1,629,917 for 2016. The Library's expenses on an accrual basis were \$1,617,949. As required by GASB Statement No. 34, the expense total includes depreciation expense of \$65,304 for governmental activities.

Total expenditures were down 6.5% from 2015. Expenditures for salaries and benefits increased by 0.9%. Expenditures for materials (books, e-books, periodicals, dvds, audiobooks, and other online electronic resources increase by 1%.

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

As noted earlier, Messenger Public Library of North Aurora uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of May 31, 2016, the governmental fund (as represented on the balance sheet on page 5) had a fund balance of \$2,283,303. This represents an increase of 1.6% over the prior year as a result of revenues being greater than expenditures.

**Table 3
General Fund Budgetary Highlights
For the Fiscal Year Ended May 31, 2016**

	Final Budget	Actual
Revenues		
Taxes	\$ 1,611,722	\$ 1,618,359
Intergovernmental	20,950	13,326
Investment Income	-	3,727
Fines and Forfeits	15,000	10,548
Other	555,000	20,795
Total Revenues	\$ 2,202,672	\$ 1,666,755
Expenditures		
Library Materials	\$ 231,000	\$ 219,756
Equipment	767,500	281,981
Administration	270,172	229,822
Personnel	934,000	898,358
Total Expenditures	\$ 2,202,672	\$ 1,629,917
Change in Fund Balance	\$ -	\$ 36,838

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Capital Assets

The following schedule reflects the Library's capital asset balances as of May 31, 2016:

Table 4
Capital Assets
As of May 31, 2016

Governmental Activities	
Capital Assets Not Being Depreciated	
Land	\$ 600,000
Construction in process	85,356
Total Capital Assets Not Being Depreciated	<u>\$ 685,356</u>
Capital Assets Being Depreciated	
Building improvements	\$ 350,207
Furniture and Equipment	150,215
Total Capital Assets Being Depreciated	<u>\$ 500,422</u>
Less Accumulated Depreciation for	
Building improvements	\$ 91,840
Furniture and Equipment	84,240
Total Accumulated Depreciation	<u>\$ 176,080</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 324,342</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 1,009,698</u>

At year-end, the Library's investment in capital assets (net of accumulated depreciation) for its governmental-type activities was \$1,009,698. See Note 4 for further information regarding capital assets.

Facility Improvement Plan

The current library facility was opened to the public in February of 2003 over one decade ago. In the spring of 2013, the Library Board approved a Master Facility Plan developed by Kluber Architects and Engineers of Batavia, Illinois outlining recommendations for preventive maintenance and renovation projects. The Library Board continued to implement several of the recommendations in fiscal year 2016. In January and February of 2016 the Library Board reviewed and then approved a contract with Kluber Architects and Engineers to proceed with project three of the 2013 Facility Plan -- the renovation of the west wing of the Library building. The project was slated to start in the summer of 2016 in FY 2017.

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Capital Improvements and Deferred Maintenance Plan Developed and Approved.

The Library Board in the winter and spring of 2015 worked with Kluber Architects and Engineers to develop a Master Deferred Maintenance Plan for the Library facility and property. The Plan was approved by the Library Board in May of 2015. It includes a ten year plan for improvements and upgrades to the Library facility and grounds. The estimated total cost of improvements is \$756,338 over the ten year period 2015 – 2025. In late spring/early summer of 2016 the Library Board approved a contract with Kluber Engineering Consultants for services to draw up specs and provide bidding oversight for the replacement of the library's boiler system. Olsson Roofing performed \$9,000 worth of work on a rubberized portion of the northeast section. A pump was replaced for the HVAC and Boiler System. The garbage container corral gates were replaced in November 2015. IWS Co. performed \$11,000 worth of exterior masonry and window sealant and rehauling preventive maintenance work. The sidewalk elevations were corrected to be brought up to code by A-1 Concrete Leveling Co. via concrete raising methods, slight shaving and repairs. Also, interior fire proofing and protection insulation and sealant in the Electrical Room of the Library were undertaken by IWS Co. to bring it up to current fire codes.

Technology Enhancements

The Library upgraded and installed five new self-checkout and materials loan period renewal units from Envisionware Co. in the fall of 2015. The units were installed to increase service efficiencies and privacy in material checkout for library patrons and to improve staffing efficiencies. Two new credit card self-swipe/chip units were added to improve patron account management and convenience. The facilities security camera server and software was upgraded by Mid Co. in November of 2015.

Employee Health Insurance Pool - Library Insurance Management and Risk Control Combination (LIMRICC) - Changes to Self-Insured Pool.

The full time Library employee's health insurance membership in LIMRICC was converted to a self-insured pool at the end of 2015 in time for the 2016 enrollment year. The change was due to changes in health care administration and pool administration plans nationwide due to the Affordable Care Act Programs offered by the federal and state governments. The Board made a major decision in the plan offering employees the PPO and HDPPPO/HSA plans and eliminated offering the HMO program for Library employees. The Library continues as it has historically to pay 100% of the premium for employee only insurance plans with the employee paying the difference in costs if family members are part of the plan.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general overview of the Library'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 Library Administrator, Messenger Public Library of North Aurora, 113 Oak Street, North Aurora, Illinois, 60542.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

STATEMENT OF NET POSITION

May 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 2,430,315
Property taxes receivable	1,544,759
Due from other governments	18,734
Inventory	943
Capital assets not being depreciated	685,356
Capital assets (net of accumulated depreciation)	<u>324,342</u>
Total assets	<u>5,004,449</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension items - IMRF	<u>145,782</u>
Total deferred outflows of resources	<u>145,782</u>
Total assets and deferred outflows of resources	<u>5,150,231</u>
LIABILITIES	
Accounts payable	20,547
Accrued payroll	30,219
Long-term liabilities	
Due within one year	33,775
Due in more than one year	<u>477,626</u>
Total liabilities	<u>562,167</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	<u>1,660,682</u>
Total deferred inflows of resources	<u>1,660,682</u>
Total liabilities and deferred inflows of resources	<u>2,222,849</u>
NET POSITION	
Net investment in capital assets	1,009,698
Restricted for	
Working cash	27,180
Maintenance	35,838
Unrestricted	<u>1,854,666</u>
TOTAL NET POSITION	<u><u>\$ 2,927,382</u></u>

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

STATEMENT OF ACTIVITIES

For the Year Ended May 31, 2016

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Change in Net Position
PRIMARY GOVERNMENT	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities
Governmental activities					
Culture and recreation	\$ 1,617,949	\$ 25,684	\$ 12,919	\$ -	\$ (1,579,346)
Total governmental activities	1,617,949	25,684	12,919	-	(1,579,346)
TOTAL PRIMARY GOVERNMENT	\$ 1,617,949	\$ 25,684	\$ 12,919	\$ -	(1,579,346)
		General revenues			
		Taxes			
		Property		1,605,740	
		Replacement		12,619	
		Impact fees		2,687	
		Investment income		3,727	
		Reimbursements		407	
		Miscellaneous		1,501	
		Donations		1,471	
		Total		1,628,152	
		CHANGE IN NET POSITION			48,806
		NET POSITION, JUNE 1			3,190,575
		Change in accounting principle			(311,999)
		NET POSITION, JUNE 1, (RESTATED)			2,878,576
		NET POSITION, MAY 31			\$ 2,927,382

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

BALANCE SHEET

GOVERNMENTAL FUNDS

May 31, 2016

	General
ASSETS	
Cash and investments	\$ 2,430,315
Property taxes receivable	1,544,759
Due from other governments	18,734
Inventory	943
	3,994,751
DEFERRED OUTFLOWS OF RESOURCES	
None	-
	-
Total deferred outflows of resources	
	-
Total assets and deferred outflows of resources	
	\$ 3,994,751
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 20,547
Accrued payroll	30,219
	50,766
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	1,660,682
	1,660,682
Total liabilities and deferred inflows of resources	
	1,711,448
FUND BALANCE	
Nonspendable	
Inventory	943
Restricted	
Working cash	27,180
Maintenance	35,838
Unrestricted	
Committed for special reserve	1,546,516
Unassigned	672,826
	2,283,303
Total fund balance	
	2,283,303
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
	\$ 3,994,751

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

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

May 31, 2016

FUND BALANCE OF GOVERNMENTAL FUNDS	\$ 2,283,303
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	1,009,698
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings, and contributions after the measurement date are recognized as deferred outflows and inflows of resources on the statement of net position	145,782
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Compensated absences payable	(33,775)
Net pension liability - IMRF	(459,093)
Other postemployment benefits	<u>(18,533)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,927,382</u></u>

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

GOVERNMENTAL FUNDS

For the Year Ended May 31, 2016

	<u>General</u>
REVENUES	
Taxes	\$ 1,618,359
Intergovernmental	13,326
Fines and forfeits	10,548
Investment income	3,727
Miscellaneous	<u>20,795</u>
Total revenues	<u>1,666,755</u>
EXPENDITURES	
Current	
Culture and recreation	<u>1,629,917</u>
Total expenditures	<u>1,629,917</u>
NET CHANGE IN FUND BALANCE	36,838
FUND BALANCE, JUNE 1	<u>2,246,465</u>
FUND BALANCE, MAY 31	<u><u>\$ 2,283,303</u></u>

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

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

For the Year Ended May 31, 2016

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$ 36,838
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	85,356
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	(65,304)
The change in deferred inflows and outflows of resources is reported only on the statement of activities	120,530
The change in compensated absences is shown as an expense on the statement of activities	(4,924)
The change in IMRF net pension liability is reported as an expense on the statement on activities	(121,842)
The change in other postemployment benefit payable is reported as an expense on the statement on activities	<u>(1,848)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 48,806</u></u>

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

May 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

The Library is governed by a seven member Library Board of Trustees that are separately elected. The Library Board of Trustees selects management staff and directs the affairs of the Library. As required by generally accepted accounting principles, 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.

b. Fund Accounting

The Library uses funds to report on its financial position and the changes in its financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into the following categories; governmental, proprietary and fiduciary. The Library reports only governmental funds.

Governmental funds are used to account for all or most of a Library's general activities, including the collection and disbursement of restricted, committed or assigned monies (special revenue funds), the funds restricted, committed or assigned for the acquisition or construction of general capital assets (capital projects funds) and the funds restricted, committed or assigned for the servicing of general long-term debt (debt service funds). The General Fund is used to account for all activities of the Library.

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, if any, has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, if any, which rely to a significant extent on fees and charges for support.

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 fund:

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

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. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports deferred, unavailable and unearned revenue on its financial statements. Deferred and unavailable 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, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Library has a legal claim to the resources, the deferred inflow for deferred or unavailable revenue or the liability for unearned revenue is removed from the financial statements and revenue is recognized.

e. Investments

Investments are stated at cost or amortized cost, which approximates fair value. The Library's investments include the Illinois Funds Investment Pool and money market mutual funds.

f. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

g. Prepaid Items/Expenses

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

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost in excess of \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Assets	Years
Building improvements	5-7
Furniture and equipment	5-10

i. Compensated Absences

In accordance with GASB Interpretation No. 6, *Accounting for Certain Liabilities*, only vested or accumulated vacation leave including related Social Security and Medicare that is committed to be liquidated at May 31, 2016, is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation of governmental activities at the government-wide level is recorded as an expense and liability as the benefits accrue to employees. Sick leave does not vest upon termination or retirement and, therefore, no liability has been recorded.

j. 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 legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. Committed fund balance is

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Fund Balance/Net Position (Continued)

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 resolutions and ordinances approved by the Board of Trustees. Assigned fund balance represent amounts constrained by the Library's intent to use them for a specific purpose. The Director has the authority to assign fund balance in the Library fund balance policy. Any residual fund balance in the General Fund is reported as unassigned.

The Library's flow of funds assumptions prescribe 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.

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.

k. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net 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.

l. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS

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

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the state to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Funds' share price, the price at which the investment could be sold.

It is the policy of the Library to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Library and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety of principal, liquidity, yield and maintaining the public trust.

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Library's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the Library's investment policy requires that deposits with financial institutions in excess of FDIC be collateralized with collateral held by an independent third party in the name of the Library.

b. Investments

In accordance with its investment policy, the Library limits its exposure to interest rate risk by diversifying its investment portfolio to the best of its ability based on the nature of the funds invested and the cash flow needs of those funds. A variety of financial instruments and maturities, properly balanced, will help to ensure liquidity and reduce risk or interest rate volatility and loss of principal. Diversifying investments and maturities will avoid incurring unreasonable risks in the investment portfolio regarding specific security types, issuers or individual financial institutions. The Library's investment policy does not specifically limit the maximum maturity length of investments.

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

b. 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 obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly guaranteed by the United States Government. However, the Library's investment policy does not specifically limit the Library to these types of investments. Illinois Fund is rated AAA.

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. To limit its exposure, the Library's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Library's agent separate from where the investment was purchased.

Concentration of credit risk is the risk that the Library has a lack of diversification resulting in concentrated risk based on one type of investment. The Library's investment policy requires diversification but does not contain specific diversification targets or limits.

3. RECEIVABLES - TAXES

Property taxes for 2015 attach as an enforceable lien on January 1, 2015, on property values assessed as of the same date. Taxes are levied by December 31 of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about May 1, 2016, and are payable in two installments, on or about June 1, 2016 and September 1, 2016. The County collects such taxes and remits them periodically.

The 2015 levy was adopted in December 2015 and is recorded as a receivable at May 31, 2015 and offset by unavailable/deferred revenue since it is not due before the end of the Library's fiscal year and is intended to finance the subsequent fiscal year.

The 2016 tax levy, which attached as an enforceable lien on property as of January 1, 2016, has not been recorded as a receivable as of May 31, 2016, as the tax has not yet been levied by the Library and will not be levied until December 2016 and, therefore, the levy is not measurable at May 31, 2016.

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2016 was as follows:

	Balances June 1	Increases	Decreases	Balances May 31
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 600,000	\$ -	\$ -	\$ 600,000
Construction in process	-	85,356	-	85,356
Total capital assets not being depreciated	600,000	85,356	-	685,356
Capital assets being depreciated				
Building improvements	350,207	-	-	350,207
Furniture and equipment	150,215	-	-	150,215
Total capital assets being depreciated	500,422	-	-	500,422
Less accumulated depreciation for				
Building improvements	49,839	42,001	-	91,840
Furniture and equipment	60,937	23,303	-	84,240
Total accumulated depreciation	110,776	65,304	-	176,080
Total capital assets being depreciated, net	389,646	(65,304)	-	324,342
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET				
	\$ 989,646	\$ 20,052	\$ -	\$ 1,009,698

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENTAL ACTIVITIES	
Culture and recreation	<u>\$ 65,304</u>

A library building was constructed during the year ended May 31, 2004. The library building and the related bonds payable are reported on the Village of North Aurora's (the Village) financial statements, as the debt is in the name of the Village.

5. CHANGES IN LONG-TERM LIABILITIES

Issue	Balances June 1	Increases	Decreases	Balances May 31	Current Portion
Accrued compensated absences payable	\$ 28,851	\$ 33,775	\$ 28,851	\$ 33,775	\$ 33,775
Net pension liability - IMRF	337,251	121,842	-	459,093	-
Net OPEB obligation	16,685	1,848	-	18,533	-
TOTAL	\$ 382,787	\$ 157,465	\$ 28,851	\$ 511,401	\$ 33,775

6. RISK MANAGEMENT

The Library has purchased insurance from private insurance companies. Risks covered included general liability, workers' compensation, medical and other. A deductible per occurrence is paid by the Library with general aggregate liability coverage of \$2,000,000. Premiums have been displayed as expenditures in the appropriate funds. Settlements have not exceeded coverage for the last three fiscal years.

The Library provides health, dental, vision and life insurance. The Library participated in the Village's employee benefit coverage through the Village's third party indemnity policy through the end of December 2014. The Library's expense for the coverage equaled the amount paid to the Village for coverage. In January 2015, the Library changed to participate in the Library Insurance Management and Risk Control Combination's (LIMRiCC) Purchase of Health Insurance Program (PHIP). LIMRiCC and PHIP provide conventional insurance coverage and/or self-insurance for claims against or by its participants. LIMRiCC is a public entity risk pool with the transfer of risk. The Library is responsible for premium payments and the pool is responsible for administering the program. If funds are insufficient in the judgment of the pool, the pool may assess the members' additional equal payments. The Library's policy is to record any related expenditures in the year in which they are notified of any additional assessments. The Library is not aware of any additional assessments owed as of May 31, 2016. The Library's total expense for coverage was \$67,021 in the fiscal year ended May 31, 2016.

7. DEFINED BENEFIT PENSION PLAN

The employees of the Library are covered by the Village's defined benefit pension plan.

Illinois Municipal Retirement Fund

The Library, under the sponsorship of the Village, contributes to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Library's participation in IMRF through the Village results in the Library participating in a cost-sharing multiple-employer plan. All disclosures for an agent plan can be found in the Village's comprehensive annual financial report.

Plan Administration

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

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Plan Administration (Continued)

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.

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 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 Library are required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the years ended December 31, 2015 and 2016 was 11.1% and 12.3%, respectively, of covered payroll. For the year ended April 30, 2016, salaries totaling \$545,366 were paid that required employer contributions of \$65,449, which was equal to the Library's actual contributions.

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Net Pension Liability

At May 31, 2016, the Library reported a liability of \$459,093 for its proportionate share of the 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 actual contributions to the plan for the year ended May 31, 2016 relative to the contributions of the Village, actuarially determined. At May 31, 2016, the Library's proportion was 23.40%.

Actuarial Assumptions

The Library's 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 performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.75%
Salary increases	3.75% to 14.50%
Interest rate	7.50%
Cost of living adjustments	3.00%
Asset valuation method	Market value

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

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.48%. 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 IMRF's 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 of 7.50% was blended with the index rate of 3.57% for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a single discount rate of 7.48% used to determine the total pension liability.

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

For the year ended May 31, 2016, the Library recognized pension expense of \$66,758. At May 31, 2016, 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
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 17,617	\$ -
Changes in assumption	-	-
Library contributions subsequent to the measurement date	30,164	-
Net difference between projected and actual earnings on pension plan investments	98,001	-
Changes in proportion	-	-
	<u> </u>	<u> </u>
TOTAL	<u>\$ 145,782</u>	<u>\$ -</u>

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
(Continued)

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

Year Ending April 30,	
2017	\$ 59,795
2018	29,631
2019	29,631
2020	26,725
2021	-
Thereafter	-
TOTAL	\$ 145,782

Discount Rate Sensitivity

The following is a sensitivity analysis of the Library's proportionate share of the net pension liability to changes in the discount rate. The table below presents the proportionate share of the net pension liability of the Library calculated using the discount rate of 7.48% as well as what the Library's proportionate share of the net pension liability 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 proportionate share of the net pension liability	\$ 794,391	\$ 459,093	\$ 186,367

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

8. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, the Library provides postemployment health care benefits (OPEB) for 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, except for the implicit subsidy which is governed by the State Legislature and Illinois Compiled Statutes (ILCS). The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. 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 continued health insurance coverage at the active employer rate to all eligible employees in accordance with ILCS, which creates an implicit subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under the Library's retirement plan. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree is no longer eligible to participate in the plan, but can purchase a Medicare supplement plan from the Library's insurance provider.

c. Membership

At May 31, 2014, (most recent information available) membership consisted of:

Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to benefits but not yet receiving them	-
Active vested plan members	-
Active nonvested plan members	<u>10</u>
TOTAL	<u><u>10</u></u>
Participating employers	<u><u>1</u></u>

d. Funding Policy

The Library is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the last three years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 3,621	\$ -	0.00%	\$ 14,849
2015	1,836	-	0.00%	16,685
2016	1,848	-	0.00%	18,533

The net OPEB obligation as of May 31, 2016, was calculated as follows:

Annual required contribution	\$ 1,737
Interest on net OPEB obligation	667
Adjustment to annual required contribution	<u>(556)</u>
Annual OPEB cost	1,848
Contributions made	<u>-</u>
Increase in net OPEB obligation	1,848
Net OPEB obligation, beginning of year	<u>16,685</u>
NET OPEB OBLIGATION, END OF YEAR	<u><u>\$ 18,533</u></u>

Funded Status and Funding Progress. The funded status of the plan as of May 31, 2014 (most recent information available) based on the most recent information was as follows:

Actuarial accrued liability (AAL)	\$ 5,537
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	5,537
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 465,156
UAAL as a percentage of covered payroll	1.19%

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

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

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

In the May 31, 2014 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a discount rate of 5% and an initial healthcare cost trend rate of 8% with an ultimate healthcare inflation rate of 6%. Both rates include a 3% inflation assumption. The actuarial value of assets was not determined as the Library has not advanced funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at May 31, 2014 was 30 years.

9. CHANGE IN ACCOUNTING PRINCIPLE

With the implementation of GASB Statement Nos. 68 and No. 71, the Library is required to retroactively record the net pension liability for IMRF and a deferred outflow for employer contributions made after the measurement date of the total pension liability. These changes in accounting principle resulted in an increase (decrease) to net position of governmental activities of \$(337,251) and \$25,252, respectively, as of June 1, 2015. The total decrease is therefore \$(311,999) as of June 1, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

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

For the Year Ended May 31, 2016

	Original and Final Budget	Actual
REVENUES		
Taxes	\$ 1,611,722	\$ 1,618,359
Intergovernmental	20,950	13,326
Fines and forfeits	15,000	10,548
Investment income	-	3,727
Miscellaneous	555,000	20,795
	<u>2,202,672</u>	<u>1,666,755</u>
Total revenues	<u>2,202,672</u>	<u>1,666,755</u>
EXPENDITURES		
Culture and recreation		
Library materials	231,000	219,756
Equipment	767,500	281,981
Administration	270,172	229,822
Personnel	934,000	898,358
	<u>2,202,672</u>	<u>1,629,917</u>
Total expenditures	<u>2,202,672</u>	<u>1,629,917</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>36,838</u>
FUND BALANCE, JUNE 1		<u>2,246,465</u>
FUND BALANCE, MAY 31		<u>\$ 2,283,303</u>

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

May 31, 2016

BUDGETS

The budget is prepared by fund, 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 governing body for review. The governing body holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget.

The budget may be amended only by the governing body. The budget was not amended in the current fiscal year.

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year end.

Expenditures may not legally exceed budgeted appropriations at the fund level.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

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

May 31, 2016

	<u>2016</u>
Contractually determined contribution	\$ 65,449
Contributions in relation to the contractually determined contribution	<u>65,449</u>
CONTRIBUTION EXCESS (Deficiency)	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 545,366
Contributions as a percentage of covered-employee payroll	12.00%

The information presented was determined as part of the actuarial valuations as of December 31, 2015. Additional information as of the latest actuarial valuation is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the remaining amortization period was 28 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return of 7.5% annually, projected salary increases assumption of 4.4% to 16.0% compounded annually, and postretirement benefit increases of 3.0% compounded annually.

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

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

May 31, 2016

	<u>2016*</u>
Employer's proportion of the net pension liability	23.40%
Employer's proportionate share of the net pension liability	\$ 459,093
Employer's covered-employee payroll	545,366
Employer's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	84.18%
Plan fiduciary net position as a percentage of the total pension liability	79.45%

*IMRF measurement date is December 31, 2015; therefore, the information above is presented for the calendar year ended December 31, 2015.

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN

May 31, 2016

Actuarial Valuation Date May 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2011	\$ -	\$ 11,074	0.00%	\$ 11,074	\$ 368,300	3.01%
2012	N/A	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A	N/A
2014	-	5,537	0.00%	5,537	372,224	1.49%
2015	N/A	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A	N/A

N/A - No valuation performed in this year.

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

May 31, 2016

Fiscal Year May 31	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2011	\$ -	\$ 1,304	0.00%
2012	-	3,546	0.00%
2013	-	3,546	0.00%
2014	-	3,546	0.00%
2015	-	1,737	0.00%
2016	-	1,737	0.00%

(See independent auditor's report.)

INDIVIDUAL FUND SCHEDULES

GENERAL FUND

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended May 31, 2016

	Original and Final Budget	Actual
TAXES		
Property taxes - current	\$ 1,611,722	\$ 1,605,740
Personal property replacement taxes	-	12,619
Total taxes	<u>1,611,722</u>	<u>1,618,359</u>
INTERGOVERNMENTAL		
Per capita grant	20,950	12,919
Reimbursements	-	407
Total intergovernmental	<u>20,950</u>	<u>13,326</u>
FINES AND FORFEITS		
Fines	<u>15,000</u>	<u>10,548</u>
Total fines and forfeits	<u>15,000</u>	<u>10,548</u>
INVESTMENT INCOME	<u>-</u>	<u>3,727</u>
MISCELLANEOUS		
Copier, fax and computer rental	5,000	8,143
Book sales	-	3,990
Nonresident fees	-	165
Gifts and donations	50,000	4,195
Impact fees	-	2,687
Special reserve	500,000	-
Miscellaneous	-	1,615
Total miscellaneous	<u>555,000</u>	<u>20,795</u>
TOTAL REVENUES	<u><u>\$ 2,202,672</u></u>	<u><u>\$ 1,666,755</u></u>

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended May 31, 2016

	Original and Final Budget	Actual
CULTURE AND RECREATION		
Library materials		
Books	\$ 161,000	\$ 152,264
Periodicals	15,000	14,478
Audiovisual	55,000	53,014
Total library materials	<u>231,000</u>	<u>219,756</u>
Equipment		
Furniture and fixtures	15,000	10,353
Library supplies and postage	29,500	27,396
Janitorial supplies	3,000	2,586
Automation	170,000	126,470
Building project	550,000	115,176
Total equipment	<u>767,500</u>	<u>281,981</u>
Administration		
Maintenance	110,000	97,586
Utilities	14,000	9,258
Telephone	26,000	13,789
Insurance	20,000	16,765
Staff development	20,000	11,805
Professional fees	49,000	43,356
Programming	16,000	20,151
Miscellaneous	15,172	17,112
Total administration	<u>270,172</u>	<u>229,822</u>
Personnel		
Salaries	720,000	713,157
Benefits	96,000	67,021
IMRF	63,000	65,457
FICA	55,000	52,723
Total personnel	<u>934,000</u>	<u>898,358</u>
TOTAL EXPENDITURES	<u><u>\$ 2,202,672</u></u>	<u><u>\$ 1,629,917</u></u>

(See independent auditor's report.)

SUPPLEMENTAL SECTION

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

PROPERTY TAX ASSESSED VALUATIONS, RATES, EXTENSIONS AND COLLECTIONS

Last Ten Levy Years

Tax Levy Year	2015		2014		2013		2012		2011	
ASSESSED VALUATION	\$	460,226,774	\$	430,872,837	\$	426,862,294	\$	462,072,213	\$	496,294,706
	Rate*	Amount								
TAX EXTENSIONS										
Corporate	0.3409	\$ 1,569,079	0.3543	\$ 1,526,604	0.3477	\$ 1,484,217	0.3113	\$ 1,438,537	0.2804	\$ 1,391,357
Building maintenance	0.0199	91,603	0.0198	85,119	0.0188	80,447	0.0183	84,776	0.0165	81,993
TOTAL TAX EXTENSIONS	0.3608	\$ 1,660,682	0.3741	\$ 1,611,723	0.3665	\$ 1,564,664	0.3296	\$ 1,523,313	0.2969	\$ 1,473,350
TOTAL TAX COLLECTIONS		<u>\$ 115,923</u>		<u>\$ 1,605,740</u>		<u>\$ 1,559,980</u>		<u>\$ 1,518,802</u>		<u>\$ 1,468,376</u>
PERCENT COLLECTED		<u>6.98%</u>		<u>99.63%</u>		<u>99.70%</u>		<u>99.70%</u>		<u>99.66%</u>
Tax Levy Year	2010		2009		2008		2007		2006	
ASSESSED VALUATION	\$	542,815,814	\$	574,582,884	\$	569,761,326	\$	534,669,242	\$	463,876,756
	Rate*	Amount								
TAX EXTENSIONS										
Corporate	0.2482	\$ 1,347,470	0.2260	\$ 1,298,793	0.2249	\$ 1,281,159	0.2237	\$ 1,195,884	0.2333	\$ 1,082,067
Building maintenance	0.0181	97,940	0.0167	95,892	0.0171	97,663	0.0170	91,225	0.0178	82,542
TOTAL TAX EXTENSIONS	0.2663	\$ 1,445,410	0.2427	\$ 1,394,685	0.2420	\$ 1,378,822	0.2407	\$ 1,287,109	0.2511	\$ 1,164,609
TOTAL TAX COLLECTIONS		<u>\$ 1,441,357</u>		<u>\$ 1,392,367</u>		<u>\$ 1,376,008</u>		<u>\$ 1,281,295</u>		<u>\$ 1,158,124</u>
PERCENT COLLECTED		<u>99.72%</u>		<u>99.83%</u>		<u>99.80%</u>		<u>99.55%</u>		<u>99.44%</u>

* Property tax rates are per \$100 of assessed valuation.

(See independent auditor's report.)