

**MESSENGER PUBLIC LIBRARY  
NORTH AURORA, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

For the Year Ended  
May 31, 2017



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

## **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, 2017 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, 2017, 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.

## **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 20, 2017

**GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS**

# **MESSENGER PUBLIC LIBRARY OF NORTH AURORA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

May 31, 2017

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, 2017. 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 3 - 4) 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.

(See independent auditor's report.)

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

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**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 5 - 8 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 9 - 24 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 25 - 30 of this report.

(See independent auditor's report.)

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

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**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**

<b>Governmental Activities</b>	<b>As of May 31, 2016</b>	<b>As of May 31, 2017</b>
Current and Other Assets	\$ 3,994,751	\$ 3,294,697
Capital Assets	1,009,698	1,890,682
Deferred Outflows	145,782	126,180
Total Assets and Deferred Outflows	\$ 5,150,231	\$ 5,311,559
Long-Term Liabilities	\$ 511,401	\$ 483,723
Other Liabilities	50,766	67,715
Deferred Inflows	1,660,682	1,740,965
Total Liabilities and Deferred Inflows	\$ 2,222,849	\$ 2,292,403
Net Position		
Net Investment in Capital Assets	\$ 1,009,698	\$ 1,890,682
Restricted	63,018	63,351
Unrestricted	1,854,666	1,065,123
Total Net Position	\$ 2,927,382	\$ 3,019,156

The Library's net position increased 3% during FY2017 from \$ 2,927,382 to \$ 3,019,156. The primary increase was due to increased interest income.

For more detailed information, see the Statement of Net Position on page 3.

(See independent auditor's report.)

**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

<b>Governmental Activities</b>	<b>As of May 31, 2016</b>	<b>As of May 31, 2017</b>
<b>Revenues</b>		
<i>Program Revenues</i>		
Charges for Services	\$ 25,684	\$ 23,147
Operating Grants	12,919	13,013
Capital Grants	-	469
<i>General Revenues</i>		
Property Taxes	1,605,740	1,637,598
Replacement Taxes	12,619	14,424
Impact Fees	2,687	38,520
Investment Income	3,727	11,911
Reimbursements	407	-
Miscellaneous	1,501	10,298
Donations	1,471	3,932
<b>Total Revenues</b>	<b>\$ 1,666,755</b>	<b>\$ 1,753,312</b>
<b>Expenses</b>		
Culture and Recreation	\$ 1,617,949	\$ 1,661,538
<b>Total Expenses</b>	<b>\$ 1,617,949</b>	<b>\$ 1,661,538</b>
<b>Change in Net Position</b>	<b>\$ 48,806</b>	<b>\$ 91,774</b>
<b>Total Net Position, Beginning of Year</b>	<b>2,878,576</b>	<b>2,927,382</b>
<b>Change in Accounting Principle</b>	<b>(311,999)</b>	<b>-</b>
<b>Total Net Position, Beginning of Year, Restated</b>	<b>2,878,576</b>	<b>2,927,382</b>
<b>Total Net Position, End of Year</b>	<b>\$ 2,927,382</b>	<b>\$ 3,019,156</b>

(See independent auditor's report.)

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

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**2016-20176 FINANCIAL OVERVIEW  
Messenger Public Library of North Aurora**

**INCOME SOURCES**

Local property taxes	94.2%
Fines, Service Fees, Photocopies	0.5%
Grants & Gifts	1.0%
Investment Income	0.6%
Miscellaneous	3.0%
Total Income	\$ 1,753,312

**EXPENDITURES BY CATEGORY**

Salaries and Benefits	37.0%
Equipment/Automation	44.0%
Materials, Electronic Resources	9.5%
Administration*	9.5%
Total Expenses	\$ 2,498,842

\*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 1.7% from \$1,660,682 (to \$1,689,209). In fiscal year 2015, the CPI used to calculate the limiting tax levy rate is 0.7%. The lowest CPI rate in five years. In 2014, the CPI was 0.8%.

For the 2016 levy year, Kane County extended a total tax rate of 0.3470. This is lower than 2015 levy year 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. A fiscal year 2017 per capita grant was received in the amount of \$ 13,013.

(See independent auditor's report.)

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

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**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 2017 totaled \$ 11,911, an increase of \$ 8,184 over FY 2016 (\$3,727). 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 merit pay increase range of 1% to 3% s for employees based upon their evaluation scores. The Library Board as a matter of policy does not award across- the-board cost of living increases. Salary adjustments for longevity for staff at the five and ten year marks in their salary schedule position were also approved by the Library Board and implemented once again in fiscal year 2017.

**Inflation.** The inflation rate continues to be low. It increased slightly toward the end of the fiscal year. The inflation rate began June 1, 2016 at 1.0% and ended on May 31, 2017 with an inflation rate of 1.9 %.

**Revenues**

For the fiscal year ending May 31, 2017, revenues totaled \$1,753,312. Property taxes, the Library's largest single revenue source, amounted to \$ 1,652,022 or 94.2% of total revenue.

The 2017 assessed property valuation of the Village increased 5.7% to \$ 486,775,760 (from \$ 460,226,774).

Total income from all sources was \$1,753,312, an increase of 5.19% from last year's \$ 1,666,755. Charges for services, which include impact fees, revenue fines, and photocopies, meeting room rental, non-residential cards and lost materials fees represented .5% of total income. Grants and gifts account for a very negligible amount of income (\$13,482).

(See independent auditor's report.)

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.

**Expenses/Expenditures**

The Library’s expenditures were \$ 2,498,842 for 2017. The Library’s expenses on an accrual basis were \$ 1,661,538. As required by GASB Statement No. 34, the expense total includes depreciation expense of \$ 51,180 for governmental activities.

Total expenditures increased 53.31% from 2016. Expenditures for salaries and benefits increased by 1.7%. Expenditures for materials (books, e-books, periodicals, DVDs, audiobooks, and other online electronic resources) increased by 6.6%. The primary increase in expenditures is due to the expenditure of capital reserve funds for the west wing renovation project.

**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, 2017, the governmental fund (as represented on the balance sheet on page 5) had a fund balance of \$ 1,537,773. This represents a decrease of 33% over the prior year as a result of expenditures being greater than revenues. The decrease of funds is due to the west wing renovation project and the expenditure of funds from the reserve fund for capital improvements.

**Table 3  
General Fund Budgetary Highlights  
For the Fiscal Year Ended May 31, 2017**

	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
Taxes	\$ 1,660,981	\$ 1,652,022
Intergovernmental	-	13,482
Fines and Forfeits	10,000	7,863
Investment Income	-	11,911
Miscellaneous	1,355,000	68,034
<b>Total Revenues</b>	<u>\$ 3,025,981</u>	<u>\$ 1,753,312</u>
<b>Expenditures</b>		
Library Materials	\$ 235,500	\$ 234,235
Equipment	1,526,100	1,112,342
Administration	247,381	238,24
Personnel	1,017,000	914,016
<b>Total Expenditures</b>	<u>\$ 3,025,981</u>	<u>\$ 2,498,842</u>
<b>Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (745,530)</u>

(See independent auditor’s report.)

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

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**Capital Assets**

The following schedule reflects the Library's capital asset balances as of May 31, 2017:

Table 4  
Capital Assets  
As of May 31, 2017

<b>Governmental Activities</b>	
Capital Assets Not Being Depreciated	
Land	\$ 600,000
Construction in process	-
Total Capital Assets Not Being Depreciated	<u>\$ 600,000</u>
Capital Assets Being Depreciated	
Building improvements	\$ 1,004,574
Furniture and Equipment	<u>513,368</u>
Total Capital Assets Being Depreciated	<u>\$ 1,517,942</u>
Less Accumulated Depreciation for	
Building improvements	\$ 128,411
Furniture and Equipment	<u>98,849</u>
Total Accumulated Depreciation	<u>\$ 227,260</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 1,290,682</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<u><u>\$ 1,890,682</u></u>

At year-end, the Library's investment in capital assets (net of accumulated depreciation) for its governmental-type activities was \$ 1,890,682. See Note 4 for further information regarding capital assets.

**West Wing Renovation Project**

The current library facility was opened to the public in February of 2003 fourteen years 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 substantially completed all of the recommendations and project phases with slight modifications in fiscal year 2017. The year 2017 was also the eightieth anniversary year of the founding of the Library (May 1937).

(See independent auditor's report.)

In January and February of 2016 (fiscal year 2016) the Library Board reviewed and then approved a contract with Kluber Architects and Engineers to proceed with project three of the 2013 Master Facility Plan -- the renovation of the west wing of the Library building.

The project began in the fall of 2016 and was substantially completed in March of 2017 during FY 2017 L.J. Morse Construction Co. of Aurora Illinois was awarded the winning bid contract Interiors for Business of Batavia Illinois were the furniture subcontractors for the project. The final payment voucher for the project was anticipated in early FY 2018 pending completion of a few minor punch list items needing completion..

### **Capital Improvements and Master Facilities Operations Maintenance Plan (FOMP)**

The Library Board in the winter and spring of 2015 (FY 2015) worked with Kluber Architects and Engineers to develop an FOMP to address several deferred and preventive maintenance projects for the Library facility and property. The FOMP was approved by the Library Board in May of 2015. The plan included a ten- year outline of projects to maintain and improve the Library facility and grounds. The estimated total cost of improvements in 2015 was \$756,338 over the ten year period 2015 – 2025. At the end of FY 2017 over 1/3 of the projects had been completed. Many of the projects were combined and added as part of the west wing renovation project.

In the late spring and 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 decade old boiler system. The boiler replacement project went out to bid in 2016. The boiler was replaced and the project was completed in the spring of 2017.

### **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.

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY  
NORTH AURORA, ILLINOIS**

STATEMENT OF NET POSITION

May 31, 2017

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 1,614,090
Property taxes receivable	1,653,166
Due from other governments	20,956
Prepaid items	5,000
Inventory	1,485
Capital assets not being depreciated	600,000
Capital assets (net of accumulated depreciation)	<u>1,290,682</u>
Total assets	<u>5,185,379</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension items - IMRF	<u>126,180</u>
Total deferred outflows of resources	<u>126,180</u>
Total assets and deferred outflows of resources	<u>5,311,559</u>
<b>LIABILITIES</b>	
Accounts payable	35,759
Accrued payroll	31,956
Long-term liabilities	
Due within one year	29,319
Due in more than one year	<u>454,404</u>
Total liabilities	<u>551,438</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue	1,689,209
Pension items - IMRF	<u>51,756</u>
Total deferred inflows of resources	<u>1,740,965</u>
Total liabilities and deferred inflows of resources	<u>2,292,403</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,890,682
Restricted for	
Working cash	27,324
Maintenance	36,027
Unrestricted	<u>1,065,123</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 3,019,156</u></u>

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY  
NORTH AURORA, ILLINOIS**

STATEMENT OF ACTIVITIES

For the Year Ended May 31, 2017

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Change in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating</u>	<u>Capital</u>	
			<u>Grants and Contributions</u>	<u>Grants and Contributions</u>	
				<u>Governmental Activities</u>	
<b>FUNCTIONS/PROGRAMS</b>					
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
Culture and recreation	\$ 1,661,538	\$ 23,147	\$ 13,013	\$ 469	\$ (1,624,909)
Total governmental activities	<u>1,661,538</u>	<u>23,147</u>	<u>13,013</u>	<u>469</u>	<u>(1,624,909)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 1,661,538</u>	<u>\$ 23,147</u>	<u>\$ 13,013</u>	<u>\$ 469</u>	<u>(1,624,909)</u>
			General revenues		
			Taxes		
			Property		1,637,598
			Replacement		14,424
			Impact fees		38,520
			Investment income		11,911
			Miscellaneous		10,298
			Donations		<u>3,932</u>
			Total		<u>1,716,683</u>
			CHANGE IN NET POSITION		91,774
			NET POSITION, JUNE 1		<u>2,927,382</u>
			NET POSITION, MAY 31		<u>\$ 3,019,156</u>

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY  
NORTH AURORA, ILLINOIS**

BALANCE SHEET

GOVERNMENTAL FUNDS

May 31, 2017

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	<b>General</b>
<b>ASSETS</b>	
Cash and investments	\$ 1,614,090
Property taxes receivable	1,653,166
Due from other governments	20,956
Prepaid items	5,000
Inventory	1,485
Total assets	3,294,697
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
None	-
Total deferred outflows of resources	-
Total assets and deferred outflows of resources	\$ 3,294,697
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 35,759
Accrued payroll	31,956
Total liabilities	67,715
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	1,689,209
Total deferred inflows of resources	1,689,209
Total liabilities and deferred inflows of resources	1,756,924
<b>FUND BALANCE</b>	
Nonspendable	
Inventory	1,485
Prepaid items	5,000
Restricted	
Working cash	27,324
Maintenance	36,027
Unrestricted	
Committed for special reserve	721,428
Unassigned	746,509
Total fund balance	1,537,773
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 3,294,697</b>

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, 2017

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<b>FUND BALANCE OF GOVERNMENTAL FUNDS</b>	\$ 1,537,773
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	1,890,682
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	74,424
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Compensated absences payable	(29,319)
Net pension liability - IMRF	(433,226)
Other postemployment benefits	<u>(21,178)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 3,019,156</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, 2017

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	<u>General</u>
<b>REVENUES</b>	
Taxes	\$ 1,652,022
Intergovernmental	13,482
Fines and forfeits	7,863
Investment income	11,911
Miscellaneous	<u>68,034</u>
Total revenues	<u>1,753,312</u>
<b>EXPENDITURES</b>	
Current	
Culture and recreation	<u>2,498,842</u>
Total expenditures	<u>2,498,842</u>
NET CHANGE IN FUND BALANCE	(745,530)
FUND BALANCE, JUNE 1	<u>2,283,303</u>
<b>FUND BALANCE, MAY 31</b>	<u><u>\$ 1,537,773</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, 2017

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<b>NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND</b>	\$ (745,530)
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	932,164
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	(51,180)
The change in deferred inflows and outflows of resources is reported only on the statement of activities	(71,358)
The change in compensated absences is shown as an expense on the statement of activities	4,456
The change in IMRF net pension liability is reported as an expense on the statement on activities	25,867
The change in other postemployment benefit payable is reported as an expense on the statement on activities	<u>(2,645)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 91,774</u></u>

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY  
NORTH AURORA, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

May 31, 2017

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**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 GAAP, these financial statements include all funds of the Library. Management has also considered all potential component units. Criteria for including a component unit in the Library's reporting entity principally consist of the potential component unit's financial interdependency and accountability to the Library. Based upon those criteria, there are no potential component units to be included in the reporting entity.

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)

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**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 with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchase, if any, are stated at fair value. The Library's investments include the Illinois Funds Investment Pool and money market mutual funds. The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Library held no investments to measure at fair value at May 31, 2017.

f. Inventories

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

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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 acquisition 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, 2017, 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.

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 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.

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

1. 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.

**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. 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.

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

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**2. DEPOSITS AND INVESTMENTS (Continued)**

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.

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 2016 attach as an enforceable lien on January 1, 2016, 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, 2017, and are payable in two installments, on or about June 1, 2017 and September 1, 2017. The County collects such taxes and remits them periodically.

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

**3. RECEIVABLES - TAXES (Continued)**

The 2016 levy was adopted in December 2016 and is recorded as a receivable at May 31, 2017 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 2017 tax levy, which attached as an enforceable lien on property as of January 1, 2017, has not been recorded as a receivable as of May 31, 2017, as the tax has not yet been levied by the Library and will not be levied until December 2017 and, therefore, the levy is not measurable at May 31, 2017.

**4. CAPITAL ASSETS**

Capital asset activity for the year ended May 31, 2017 was as follows:

	Balances June 1	Increases	Decreases	Balances May 31
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 600,000	\$ -	\$ -	\$ 600,000
Construction in process	85,356	-	85,356	-
Total capital assets not being depreciated	<u>685,356</u>	<u>-</u>	<u>85,356</u>	<u>600,000</u>
Capital assets being depreciated				
Building improvements	350,207	654,367	-	1,004,574
Furniture and equipment	150,215	363,153	-	513,368
Total capital assets being depreciated	<u>500,422</u>	<u>1,017,520</u>	<u>-</u>	<u>1,517,942</u>
Less accumulated depreciation for				
Building improvements	91,840	36,571	-	128,411
Furniture and equipment	84,240	14,609	-	98,849
Total accumulated depreciation	<u>176,080</u>	<u>51,180</u>	<u>-</u>	<u>227,260</u>
Total capital assets being depreciated, net	<u>324,342</u>	<u>966,340</u>	<u>-</u>	<u>1,290,682</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<u>\$ 1,009,698</u>	<u>\$ 966,340</u>	<u>\$ 85,356</u>	<u>\$ 1,890,682</u>

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

**GOVERNMENTAL ACTIVITIES**

Culture and recreation \$ 51,180

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.

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

**5. CHANGES IN LONG-TERM LIABILITIES**

Issue	Balances June 1	Increases	Decreases	Balances May 31	Current Portion
Accrued compensated absences payable	\$ 33,775	\$ 29,319	\$ 33,775	\$ 29,319	\$ 29,319
Net pension liability - IMRF	459,093	-	25,867	433,226	-
Net OPEB obligation	18,533	2,645	-	21,178	-
<b>TOTAL</b>	<b>\$ 511,401</b>	<b>\$ 31,964</b>	<b>\$ 59,642</b>	<b>\$ 483,723</b>	<b>\$ 29,319</b>

**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, 2017. The Library's total expense for coverage was \$65,747 in the fiscal year ended May 31, 2017.

**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.

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.

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

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**7. DEFINED BENEFIT PENSION PLAN (Continued)**

Illinois Municipal Retirement Fund (Continued)

*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, 2016 and 2017 was 12.30% and 11.73%, respectively, of covered payroll. For the year ended May 31, 2017, salaries totaling \$621,953 were paid that required employer contributions of \$75,112, which was equal to the Library's actual contributions.

*Net Pension Liability*

At May 31, 2017, the Library reported a liability of \$433,226 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, 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, 2017 relative to the contributions of the Village, actuarially determined. At May 31, 2017, the Library's proportion was 24.05%.

*Actuarial Assumptions*

The Library's net pension liability was measured as of December 31, 2016, 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, 2016
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

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

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**7. DEFINED BENEFIT PENSION PLAN (Continued)**

Illinois Municipal Retirement Fund (Continued)

*Actuarial Assumptions (Continued)*

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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 2012). 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 2012). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5%. 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 be available to make all projected future benefit payments of current plan members.

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

For the year ended May 31, 2017, the Library recognized pension expense of \$120,603. At May 31, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 12,833	\$ 46,630
Changes in assumption	-	5,126
Net difference between projected and actual earnings on pension plan investments	82,890	-
Library contributions subsequent to the measurement date	30,457	-
<b>TOTAL</b>	<b>\$ 126,180</b>	<b>\$ 51,756</b>

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

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**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:

Fiscal Year Ending April 30,	
2018	\$ 17,425
2019	17,425
2020	14,431
2021	(5,314)
2022	-
Thereafter	-
<b>TOTAL</b>	<b>\$ 43,967</b>

*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 7.5% 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 (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Library's proportionate share of the net pension liability	\$ 790,402	\$ 433,226	\$ 142,854

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

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**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, 2017, 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	10
	<hr/>
TOTAL	10
	<hr/>
Participating employers	1
	<hr/> <hr/>

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
2015	\$ 1,836	\$ -	0.00%	\$ 16,685
2016	1,848	-	0.00%	18,533
2017	4,890	2,245	45.90%	21,178

The net OPEB obligation as of May 31, 2017, was calculated as follows:

Annual required contribution	\$ 4,767
Interest on net OPEB obligation	741
Adjustment to annual required contribution	<u>(618)</u>
Annual OPEB cost	4,890
Contributions made	<u>2,245</u>
Increase in net OPEB obligation	2,645
Net OPEB obligation, beginning of year	<u>18,533</u>
<b>NET OPEB OBLIGATION, END OF YEAR</b>	<u><u>\$ 21,178</u></u>

Funded Status and Funding Progress. The funded status of the plan as of May 31, 2017 based on the most recent information was as follows:

Actuarial accrued liability (AAL)	\$ 24,537
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	24,537
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 534,454
UAAL as a percentage of covered payroll	4.59%

**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, 2017 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a discount rate of 4% and an initial healthcare cost trend rate of 7.70% for the H.S.A. Plan and 7.60% for the PPA Plan, with an ultimate healthcare inflation rate of 5.00% for both plans. Both rates include a 2.50% inflation assumption. The actuarial value of assets was not determined as the Library has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at May 31, 2017 was 30 years.

**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, 2017

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>		
Taxes	\$ 1,660,981	\$ 1,652,022
Intergovernmental	-	13,482
Fines and forfeits	10,000	7,863
Investment income	-	11,911
Miscellaneous	1,355,000	68,034
	3,025,981	1,753,312
<b>EXPENDITURES</b>		
Culture and recreation		
Library materials	235,500	234,235
Equipment	1,526,100	1,112,342
Administration	247,381	238,249
Personnel	1,017,000	914,016
	3,025,981	2,498,842
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>(745,530)</b>
<b>FUND BALANCE, JUNE 1</b>		<b>2,283,303</b>
<b>FUND BALANCE, MAY 31</b>		<b>\$ 1,537,773</b>

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY  
NORTH AURORA, ILLINOIS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

May 31, 2017

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**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**

Last Two Fiscal Years

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<b>FISCAL YEAR ENDED MAY 31,</b>	<b>2016</b>	<b>2017</b>
Contractually determined contribution	\$ 65,449	\$ 75,112
Contributions in relation to the contractually determined contribution	<u>65,449</u>	<u>75,112</u>
<b>CONTRIBUTION EXCESS (Deficiency)</b>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 545,366	\$ 590,258
Contributions as a percentage of covered-employee payroll	12.00%	12.73%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of December 31 of the prior year. 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

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

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY  
NORTH AURORA, ILLINOIS**

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

Last Two Calendar Years

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<b>MEASUREMENT DATE DECEMBER 31,</b>	<b>2016</b>	<b>2017</b>
Employer's proportion of the net pension liability	23.40%	24.05%
Employer's proportionate share of the net pension liability	\$ 459,093	\$ 433,226
Employer's covered-employee payroll	545,366	590,258
Employer's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	84.18%	73.40%
Plan fiduciary net position as a percentage of the total pension liability	79.45%	81.91%

Notes to Required Supplementary Information

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

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY  
NORTH AURORA, ILLINOIS**

**SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

May 31, 2017

<b>Actuarial Valuation Date May 31,</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL) Entry-Age</b>	<b>(3) Funded Ratio (1) / (2)</b>	<b>(4) Unfunded AAL (UAAL) (2) - (1)</b>	<b>(5) Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll (4) / (5)</b>
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
2017	-	24,537	0.00%	24,537	534,454	4.59%

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, 2017

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<b>Fiscal Year May 31</b>	<b>Employer Contributions</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage Contributed</b>
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%
2017	2,245	4,767	47.09%

(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, 2017

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	<b>Original and Final Budget</b>	<b>Actual</b>
<b>TAXES</b>		
Property taxes - current	\$ 1,660,981	\$ 1,637,598
Personal property replacement taxes	-	14,424
	<hr/>	
Total taxes	1,660,981	1,652,022
<b>INTERGOVERNMENTAL</b>		
Per capita grant	-	13,013
Reimbursements	-	469
	<hr/>	
Total intergovernmental	-	13,482
<b>FINES AND FORFEITS</b>		
Fines	10,000	7,863
	<hr/>	
Total fines and forfeits	10,000	7,863
<b>INVESTMENT INCOME</b>		
	-	11,911
<b>MISCELLANEOUS</b>		
Copier, fax and computer rental	5,000	7,806
Book sales	-	4,104
Nonresident fees	-	163
Gifts and donations	50,000	7,044
Impact fees	-	38,520
Special reserve	1,300,000	-
Miscellaneous	-	10,397
	<hr/>	
Total miscellaneous	1,355,000	68,034
<b>TOTAL REVENUES</b>	<b>\$ 3,025,981</b>	<b>\$ 1,753,312</b>

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(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, 2017

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>CULTURE AND RECREATION</b>		
Library materials		
Books	\$ 165,500	\$ 172,667
Periodicals	15,000	15,041
Audiovisual	55,000	46,527
	235,500	234,235
Equipment		
Furniture and fixtures	15,000	9,900
Library supplies and postage	32,100	27,719
Janitorial supplies	4,000	2,849
Automation	125,000	129,984
Building project	1,350,000	941,890
	1,526,100	1,112,342
Administration		
Maintenance	110,000	95,430
Utilities	10,000	8,554
Telephone	15,000	11,999
Insurance	19,875	18,371
Staff development	18,000	19,480
Professional fees	43,500	47,737
Programming	15,000	20,642
Miscellaneous	16,006	16,036
	247,381	238,249
Personnel		
Salaries	776,000	719,833
Benefits	112,000	65,747
IMRF	70,000	75,112
FICA	59,000	53,324
	1,017,000	914,016
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,025,981</b>	<b>\$ 2,498,842</b>

(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

<b>Tax Levy Year</b>	<b>2016</b>		<b>2015</b>		<b>2014</b>		<b>2013</b>		<b>2012</b>	
<b>ASSESSED VALUATION</b>	\$	486,775,760	\$	460,226,774	\$	430,872,837	\$	426,862,294	\$	462,072,213
	<b>Rate*</b>	<b>Amount</b>								
<b>TAX EXTENSIONS</b>										
Corporate	0.3275	\$ 1,594,332	0.3409	\$ 1,569,079	0.3543	\$ 1,526,604	0.3477	\$ 1,484,217	0.3113	\$ 1,438,537
Building maintenance	0.0195	94,877	0.0199	91,603	0.0198	85,119	0.0188	80,447	0.0183	84,776
<b>TOTAL TAX EXTENSIONS</b>	0.3470	\$ 1,689,209	0.3608	\$ 1,660,682	0.3741	\$ 1,611,723	0.3665	\$ 1,564,664	0.3296	\$ 1,523,313
<b>TOTAL TAX COLLECTIONS</b>		<u>\$ 36,043</u>		<u>\$ 1,637,598</u>		<u>\$ 1,605,740</u>		<u>\$ 1,559,980</u>		<u>\$ 1,518,802</u>
<b>PERCENT COLLECTED</b>		<u>2.13%</u>		<u>98.61%</u>		<u>99.63%</u>		<u>99.70%</u>		<u>99.70%</u>
<b>Tax Levy Year</b>	<b>2011</b>		<b>2010</b>		<b>2009</b>		<b>2008</b>		<b>2007</b>	
<b>ASSESSED VALUATION</b>	\$	496,294,706	\$	542,815,814	\$	574,582,884	\$	569,761,326	\$	534,669,242
	<b>Rate*</b>	<b>Amount</b>								
<b>TAX EXTENSIONS</b>										
Corporate	0.2804	\$ 1,391,357	0.2482	\$ 1,347,470	0.2260	\$ 1,298,793	0.2249	\$ 1,281,159	0.2237	\$ 1,195,884
Building maintenance	0.0165	81,993	0.0181	97,940	0.0167	95,892	0.0171	97,663	0.0170	91,225
<b>TOTAL TAX EXTENSIONS</b>	0.2969	\$ 1,473,350	0.2663	\$ 1,445,410	0.2427	\$ 1,394,685	0.2420	\$ 1,378,822	0.2407	\$ 1,287,109
<b>TOTAL TAX COLLECTIONS</b>		<u>\$ 1,468,376</u>		<u>\$ 1,441,357</u>		<u>\$ 1,392,367</u>		<u>\$ 1,376,008</u>		<u>\$ 1,281,295</u>
<b>PERCENT COLLECTED</b>		<u>99.66%</u>		<u>99.72%</u>		<u>99.83%</u>		<u>99.80%</u>		<u>99.55%</u>

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

(See independent auditor's report.)