



**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Year Ended May 31, 2019

SIKICH.COM

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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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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, 2019 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, 2019, 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

The Library adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses and modified certain disclosures in the notes to financial statements and the required supplementary information as discussed in Note 9 to the basic financial statements. 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 28, 2019

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

MESSENGER PUBLIC LIBRARY OF NORTH AURORA

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2019

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, 2019. 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.

**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 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 - 26 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 27 - 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, 2018	As of May 31, 2019
Current and Other Assets	\$ 3,474,485	\$ 3,401,477
Capital Assets	1,924,612	1,944,801
Deferred Outflows	185,482	407,334
Total Assets and Deferred Outflows	<u>\$ 5,584,579</u>	<u>\$ 5,753,612</u>
Long-Term Liabilities	\$ 361,600	\$ 803,507
Other Liabilities	205,858	50,456
Deferred Inflows	1,975,082	1,863,793
Total Liabilities and Deferred Inflows	<u>\$ 2,542,540</u>	<u>\$ 2,717,756</u>
Net Position		
Net Investment in Capital Assets	\$ 1,924,612	\$ 1,944,801
Restricted	78,775	76,311
Unrestricted	1,038,652	1,014,744
Total Net Position	<u>\$ 3,042,039</u>	<u>\$ 3,035,856</u>

The Library's net position decreased during FY2019 from \$3,042,039 to \$3,035,856.

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

**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, 2018	As of May 31, 2019
Revenues		
<i><u>Program Revenues</u></i>		
Charges for Services	\$ 25,237	\$ 23,359
Operating Grants	21,801	21,801
Capital Grants	5,056	-
<i><u>General Revenues</u></i>		
Property Taxes	1,662,533	1,729,425
Replacement Taxes	12,856	13,096
Impact Fees	4,993	3,240
Investment Income	25,324	47,177
Miscellaneous	138,663	102,216
Donations	1,084	2,750
Total Revenues	\$ 1,897,547	\$ 1,943,064
Expenses		
Culture and Recreation	\$ 1,874,664	\$ 1,931,002
Total Expenses	\$ 1,874,664	\$ 1,931,002
Change in Net Position	\$ 22,883	\$ 12,062
Net Position, Beginning of Year, Restated	3,019,156	3,023,794
Total Net Position, End of Year	\$ 3,042,039	\$ 3,035,856

(See independent auditor's report.)

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

**2017-2018 FINANCIAL OVERVIEW
Messenger Public Library of North Aurora**

INCOME SOURCES

Local property taxes	91%
Miscellaneous	5%
Investment Income	2%
Grants and Gifts	1%
Fines, Service Fees, Photocopies	1%
Total Income	\$ 1,897,904

EXPENDITURES BY CATEGORY

Salaries and Benefits	52%
Equipment/Automation	22%
Materials, Electronic Resources	13%
Administration*	13%
Total Expenditure	\$ 1,917,847

**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 1.03% from \$1,731,073 (to \$1,788,249). In fiscal year 2018, the CPI used to calculate the limiting tax levy rate is 1.9%. In 2018, the CPI was reduced to 1.9% from 2.1% in 2017.

For the 2018 levy year, Kane County extended a total tax rate of 0.3339. This is lower than the 2017 levy year tax rate of 0.3433.

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. For illustrative purposes, the FY 2019 grant award letter was received on March 18, 2019 and the award amount of \$21,801 was received within FY 2020 on September 23, 2019. The Library has until June 20, 2020 to expend this grant amount within fiscal year 2020.

(See independent auditor's report.)

**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. Funds are invested in the Illinois Funds, which offers a competitive return, liquidity and safety, requisites of the Library's investment policy. Investment income in FY 2019 totaled \$47,177, an increase of \$21,853 over FY 2018 (\$25,324). This is an 86.3% increase from year to year. This amount was due to the deposits earning higher interest rates invested in the Illinois Funds accounts.

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% based upon an employee's evaluation score. The Library Board as a matter of policy does not award across-the-board or cost of living increases. Salary adjustments for longevity for staff at the five and ten-year marks in their salary schedule positions (*not on the anniversary of the years working for the library*) continued to be implemented and approved by the Library Board in FY 2019. The Library Board in FY 2019 paid out over \$5,000 in bonuses to employees in appreciation for the work they have been providing to the community.

Inflation. The inflation rate is low and remained at the same rate at the end of the fiscal year as it was at the beginning of the fiscal year. The inflation rate began June 1, 2018 at 1.9% and ended at 1.75% in 2019.

Revenues

For the fiscal year ending May 31, 2019, revenues totaled \$1,943,064. Property taxes, the Library's largest single revenue source, amounted to \$1,742,521 or 91% of total revenue.

The 2018 assessed property valuation of the Village increased 6.2% to \$535,501,856 (from \$504,256,743).

Total income from all sources was \$1,943,064, an increase of 2.4% from last year's \$1,897,547. 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 (\$21,801). Included in the total amount of miscellaneous income was \$102,216.

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.

(See independent auditor's report.)

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

Expenses/Expenditures

The Library's expenditures were \$1,917,847 for FY 2019. The Library's expenses on an accrual basis were \$1,931,002. As required by GASB Statement No. 34, the expense total includes depreciation expense of \$145,795 for governmental activities.

Total expenditures increased 1.06% from 2018. Expenditures for salaries and benefits increased by 5.13%. Expenditures for materials (books, e-books, periodicals, DVDs, audiobooks, and other online electronic resources) decreased by 2.5%.

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, 2019, the governmental fund (as represented on the balance sheet on page 5) had a fund balance of \$1,562,771. This represents an increase over the prior year (\$1,537,554) of \$25,217. This increase is due to the Library receiving increase interest revenue from its investment accounts from Illinois Funds via the Illinois Department of the Treasurer.

**Table 3
General Fund Budgetary Highlights
For the Fiscal Year Ended May 31, 2019**

	<u>Final Budget</u>	<u>Actual</u>
Revenues		
Taxes	\$ 1,731,072	\$ 1,742,521
Intergovernmental	-	21,801
Fines and Forfeits	7,000	7,303
Investment Income		47,177
Miscellaneous	306,000	124,262
Total Revenues	\$ 2,044,072	\$ 1,943,064
Expenditures		
Library Materials	\$ 264,000	\$ 240,318
Equipment	484,710	385,438
Administration	264,362	268,013
Personnel	1,031,000	1,024,078
Total Expenditures	\$ 2,044,072	\$ 1,917,847
Change in Fund Balance	\$ -	\$ 25,217

(See independent auditor's report.)

**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, 2019:

**Table 4
Capital Assets
As of May 31, 2019**

Governmental Activities

Capital Assets Not Being Depreciated

Land	\$ 600,000
Total Capital Assets Not Being Depreciated	<u>\$ 600,000</u>

Capital Assets Being Depreciated

Building improvements	\$ 1,291,360
Furniture and Equipment	<u>563,711</u>

Total Capital Assets Being Depreciated	<u>\$ 1,855,071</u>
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Less Accumulated Depreciation for

Building improvements	\$ 324,169
Furniture and Equipment	<u>186,101</u>

Total Accumulated Depreciation	<u>\$ 510,270</u>
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Total Capital Assets Being Depreciated, Net	<u>\$ 1,344,801</u>
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**GOVERNMENTAL ACTIVITIES CAPITAL
ASSETS, NET**

<u>\$ 1,944,801</u>

At year-end, the Library's investment in capital assets (net of accumulated depreciation) for its governmental-type activities was \$1,944,801. See Note 4 for further information regarding capital assets.

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

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

The Library Board approved a contract with Kluber Architects and Engineers of Batavia Illinois in the late summer of 2017 to update and revise the FOMP they had originally developed and the Board approved in September 2015. The Board at their October 2017 Board Meeting approved a revised FOMP Plan. The plan at the end of fiscal year 2019 listed under \$500,000 worth of facility and property improvements and preventive deferred maintenance projects still needing attending between October 2017 and October 2027. Among the projects pursued by the Library Board or completed or initiated within FY 2019 included projects listed in the FOMP Plan:

- *HVAC Roof Top Unit (RTU) Replacements*

The Library Board in early 2018 contracted with Kluber Architects and Engineers to develop engineering drawings, design specifications, plans and to assist with the public bidding for replacement of the four (RTUs). The four units were fifteen years old. The contract was awarded to Mechanical Concepts of Illinois Inc. for \$191,000 and the bid amount included a contingency allowance of \$10,000. The Board approved this project in early 2018 and the units were installed prior to the Memorial Day weekend in May 2018. The project was completed in September within FY 2019.

- *Parking Lot and Driveway Resurfacing*

In March 2019 the Library Board approved a contract with Kluber Architects and Engineers to develop engineering drawings, design specifications, and plans to assist with the public bidding for the resurfacing of the library entrance driveway, the patron and staff parking lots, and the restoration and regrading and of the north emergency egress driveway to Illinois Route 31. A competitive bid was approved by the Board in July 2019 for the work to take place in FY 2020. Substantial completion of this project would be by October 8, 2019. The total bid was for \$148,133 with a \$20,000 contingency budget. The bid also included a \$15,133 contingency project for the north emergency egress driveway.

Personnel Wage and Benefit Cost Increase Concerns Fiscal Years 2020 to 2025

The Library Board of Trustee's primary budgetary concern and focus within FY 2020 and beyond will be the downward pressure on the Library's overall budget due to increasing personnel wage and benefit costs. The two primary factors driving the cost increase include: the number of employees currently enrolled in the IMRF municipal employee pension program and the \$15 minimum hourly wage rate requirements that need to be in place prior to January 1, 2025 due to the Illinois State Legislature's new Minimum Wage Law passed early 2019.

The Board of Trustees of the Library will need to work on a master financial plan for fiscal years 2020 to 2025. The Board will need to look at balancing the increasing costs of maintaining an aging public facility (twenty two years old in 2025), keeping up with increasing patron demands for services, programs and materials, increased maintenance and technology costs and providing competitive market wages and benefits to improve staff retention and longevity rates without increasing property tax rates for the Village of North Aurora in an increasing anti-property tax rate increase environment.

(See independent auditor's report.)

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

Library Fire Suppression Pipe Leak and Insurance Coverage Winter 2019

In the middle of January 2019 in the aftermath of a polar vortex the Library facility sustained over \$80,000 worth of damage. The damage was contained primarily to the facility’s west side and affected the Library Administrator’s and Administrative Assistance’s offices and work areas. Liberty Mutual Insurance Co. the Library’s insurance policy, covered 100% of the clean-up, restoration and mitigation and the reconstruction work minus a \$1,000 deductible. The contractor was Restoration Techs of North Aurora. The primary cause was a malfunctioning and poorly designed and installed roof intake pipe for the facilities boiler heating system and historic extreme temperatures and wind chills.

Trustee Election 2019

Two new Trustees were sworn in following the April 2019 Illinois Consolidated Municipal Elections: Mark Saperston and Adrien Aaron. Saperston was appointed by the Board as the new Vice President. The former Vice President Dr. Mary Beth Hutches decided not to seek another term on the Board. Trustee Dominick Leo stepped down and also did not seek another term of office on the Board.

Long Range Plan Approved 2019

In January 2019 the Library Board approved a new three year strategic long range plan for the library. The Board hired library consultant Sarah Keister of Keister and Associates. Keister and her firm facilitated the planning process and advised the Board and Administrative Management Team on goal setting and drafting the planning document. Keister in the summer and fall of 2018 conducted an extensive community analysis, facilitated focus groups with Trustees, North Aurora Village residents and library staff, and conducted a community wide needs survey and assessment of the library program and services.

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, 2019

	Governmental Activities
<hr/>	
ASSETS	
Cash and investments	\$ 1,604,825
Property taxes receivable	1,768,379
Due from other governments	28,109
Inventory	164
Capital assets not being depreciated	600,000
Capital assets (net of accumulated depreciation)	<u>1,344,801</u>
Total assets	<u>5,346,278</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension items - IMRF	406,362
OPEB items	<u>972</u>
Total deferred outflows of resources	<u>407,334</u>
Total assets and deferred outflows of resources	<u>5,753,612</u>
LIABILITIES	
Accounts payable	16,863
Accrued payroll	33,593
Long-term liabilities	
Due within one year	34,901
Due in more than one year	<u>768,606</u>
Total liabilities	<u>853,963</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	1,788,250
Pension items - IMRF	<u>75,543</u>
Total deferred inflows of resources	<u>1,863,793</u>
Total liabilities and deferred inflows of resources	<u>2,717,756</u>
NET POSITION	
Net investment in capital assets	1,944,801
Restricted for	
Working cash	28,284
Maintenance	48,027
Unrestricted	<u>1,014,744</u>
TOTAL NET POSITION	<u><u>\$ 3,035,856</u></u>

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

STATEMENT OF ACTIVITIES

For the Year Ended May 31, 2019

	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT					
Governmental activities					
Culture and recreation	\$ 1,931,002	\$ 23,359	\$ 21,801	\$ -	\$ (1,885,842)
Total governmental activities	1,931,002	23,359	21,801	-	(1,885,842)
TOTAL PRIMARY GOVERNMENT	\$ 1,931,002	\$ 23,359	\$ 21,801	\$ -	(1,885,842)
		General revenues			
		Taxes			
		Property			1,729,425
		Replacement			13,096
		Impact fees			3,240
		Investment income			47,177
		Miscellaneous			102,216
		Donations			2,750
		Total			1,897,904
		CHANGE IN NET POSITION			12,062
		NET POSITION, JUNE 1			3,042,039
		Change in accounting principle			(18,245)
		NET POSITION, JUNE 1 (RESTATED)			3,023,794
		NET POSITION, MAY 31			\$ 3,035,856

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

BALANCE SHEET

GOVERNMENTAL FUNDS

May 31, 2019

	<u>General</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Cash and investments	\$ 1,604,825
Property taxes receivable	1,768,379
Due from other governments	28,109
Inventory	<u>164</u>
Total assets	<u>3,401,477</u>
DEFERRED OUTFLOWS OF RESOURCES	
None	<u>-</u>
Total deferred outflows of resources	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 3,401,477</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 16,863
Accrued payroll	<u>33,593</u>
Total liabilities	<u>50,456</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>1,788,250</u>
Total deferred inflows of resources	<u>1,788,250</u>
Total liabilities and deferred inflows of resources	<u>1,838,706</u>
FUND BALANCE	
Nonspendable	
Inventory	164
Restricted	
Working cash	28,284
Maintenance	48,027
Unrestricted	
Committed for special reserve	1,143,519
Unassigned	<u>342,777</u>
Total fund balance	<u>1,562,771</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 3,401,477</u></u>

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, 2019

FUND BALANCE OF GOVERNMENTAL FUNDS	\$ 1,562,771
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	1,944,801
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	330,819
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings are recognized as deferred outflows and inflows of resources on the statement of net position	972
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Compensated absences payable	(32,488)
Net pension liability - IMRF	(727,681)
Total OPEB liability	<u>(43,338)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,035,856</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, 2019

	<u>General</u>
REVENUES	
Taxes	\$ 1,742,521
Intergovernmental	21,801
Fines and forfeits	7,303
Investment income	47,177
Miscellaneous	<u>124,262</u>
Total revenues	<u>1,943,064</u>
EXPENDITURES	
Current	
Culture and recreation	<u>1,917,847</u>
Total expenditures	<u>1,917,847</u>
NET CHANGE IN FUND BALANCE	25,217
FUND BALANCE, JUNE 1	<u>1,537,554</u>
FUND BALANCE, MAY 31	<u><u>\$ 1,562,771</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, 2019

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$ 25,217
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	165,984
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	(145,795)
The change in deferred inflows and outflows of resources is reported only on the statement of activities	
IMRF	389,346
OPEB	972
The change in compensated absences is shown as an expense on the statement of activities	4,654
The change in IMRF net pension liability is reported as an expense on the statement on activities	(427,090)
The change in total other postemployment benefits payable is reported as an expense on the statement on activities	<u>(1,226)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 12,062</u></u>

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

May 31, 2019

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Library. The effect of material interfund activity, 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 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, 2019.

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)

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, 2019, 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)

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)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Use of Estimates

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

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 The Illinois Funds.

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

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.

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

2. DEPOSITS AND INVESTMENTS (Continued)

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.

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. The 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.

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

3. RECEIVABLES - TAXES

Property taxes for 2019 attach as an enforceable lien on January 1, 2019, 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, 2019, and are payable in two installments, on or about June 1, 2019 and September 1, 2019. The County collects such taxes and remits them periodically.

The 2018 levy was adopted in December 2018 and is recorded as a receivable at May 31, 2019 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 2019 tax levy, which attached as an enforceable lien on property as of January 1, 2019, has not been recorded as a receivable as of May 31, 2019, as the tax has not yet been levied by the Library and will not be levied until December 2019 and, therefore, the levy is not measurable at May 31, 2019.

4. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2019 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	173,345	15,341	188,686	-
Total capital assets not being depreciated	773,345	15,341	188,686	600,000
Capital assets being depreciated				
Building improvements	1,010,374	280,986	-	1,291,360
Furniture and equipment	513,368	58,343	8,000	563,711
Total capital assets being depreciated	1,523,742	339,329	8,000	1,855,071
Less accumulated depreciation for				
Building improvements	226,000	98,169	-	324,169
Furniture and equipment	146,475	47,626	8,000	186,101
Total accumulated depreciation	372,475	145,795	8,000	510,270
Total capital assets being depreciated, net	1,151,267	193,534	-	1,344,801
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 1,924,612	\$ 208,875	\$ 188,686	\$ 1,944,801

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

4. CAPITAL ASSETS (Continued)

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

GOVERNMENTAL ACTIVITIES

Culture and recreation \$ 145,795

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, Restated	Increases	Decreases	Balances May 31	Current Portion
Accrued compensated absences payable	\$ 37,142	\$ 32,488	\$ 37,142	\$ 32,488	\$ 32,488
Net pension liability - IMRF	300,591	427,090	-	727,681	-
Net OPEB obligation	42,112	1,226	-	43,338	2,413
TOTAL	\$ 379,845	\$ 460,804	\$ 37,142	\$ 803,507	\$ 34,901

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, 2019. The Library's total expense for coverage was \$74,486 in the fiscal year ended May 31, 2019.

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)

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 the 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, 2018 and 2019 was 11.01% and 10.64%, respectively, of covered payroll. For the year ended May 31, 2018, salaries totaling \$770,147 were paid that required employer contributions of \$83,607, which was equal to the Library's actual contributions.

Net Pension Liability

At May 31, 2019, the Library reported a liability of \$727,681 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, 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, 2019 relative to the contributions of the Village, actuarially determined. At May 31, 2019, the Library's proportion was 26.02%.

Actuarial Assumptions

The Library's net pension liability was measured as of December 31, 2018, 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, 2018
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	3.39% to 14.25%
Interest rate	7.25%
Cost of living adjustments	3.00%
Asset valuation method	Market value

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

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-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (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-2017 (base year 2014). 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 at December 31, 2018 was 7.25%. The discount rate used to measure the total pension liability at December 31, 2017 was 7.50%. 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's 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, 2019, the Library recognized pension expense of \$121,352. At May 31, 2019, 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	\$ 123,917	\$ 21,469
Changes in assumption	78,923	54,074
Net difference between projected and actual earnings on pension plan investments	168,117	-
Library contributions subsequent to the measurement date	35,405	-
TOTAL	\$ 406,362	\$ 75,543

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:

Fiscal Year Ending April 30,	
2020	\$ 84,788
2021	63,410
2022	65,614
2023	81,602
2024	-
Thereafter	-
	<hr/>
TOTAL	\$ 295,414
	<hr/>

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 7.25% 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 (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Library's proportionate share of the net pension liability	\$ 1,188,352	\$ 727,681	\$ 350,143

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. The retiree pays a blended premium which creates an implicit subsidy.

c. Membership

At May 31, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to benefits but not yet receiving them	-
Active plan members	<u>11</u>
TOTAL	<u><u>11</u></u>
 Participating employers	 <u><u>1</u></u>

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

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

d. Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation performed as of June 1, 2018, using the following actuarial methods and assumptions.

Actuarial valuation date	June 1, 2018
Measurement date	May 31, 2019
Actuarial cost method	Entry-Age Normal
Inflation	3.00%
Discount rate	3.51%
Healthcare cost trend rates	Ranging from 7.10% to 7.20% in Fiscal 2019, depending on Plan, to an Ultimate Trend Rate of 5.00%
Asset valuation method	N/A
Mortality rates	RP-2014 with Blue Collar Adjustment improved generationally using MP-2016 Improvement Rates

e. Discount Rate

The discount rate was based on the S&P Municipal Bond 20-year high-grade rate index rate for tax exempt general obligation municipal bonds rated AA or better at May 31, 2019.

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

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

f. Changes in the Total OPEB Liability

	Total OPEB Liability
BALANCES AT JUNE 1, 2018	\$ 42,112
Changes for the period	
Service cost	1,053
Interest	1,546
Changes in assumptions	1,040
Implicit benefit payments	(2,413)
Other changes	-
Net changes	1,226
BALANCES AT MAY 31, 2019	\$ 43,338

g. Rate Sensitivity

The following is a sensitive analysis of total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability of the Library calculated using the discount rate of 3.51% as well as what the Library's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current rate:

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ 47,738	\$ 43,338	\$ 39,728

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

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

g. Rate Sensitivity (Continued)

The table below presents the total OPEB liability of the Library calculated using the healthcare rate of 7.10% to 5.00% as well as what the Library's total OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower (6.10% to 4.00%) or 1 percentage point higher (8.10% to 6.00%) than the current rate:

	1% Decrease (6.10% to 4.00%)	Current Healthcare Rate (7.10% to 5.00%)	1% Increase (8.10% to 6.00%)
Total OPEB liability	\$ 38,944	\$ 43,338	\$ 48,620

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

For the year ended May 31, 2019, the Library recognized OPEB expense of \$254. At May 31, 2019, the Library reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows
Changes in assumption	\$ 972
TOTAL	\$ 972

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

Fiscal Year Ending May 31,	
2020	\$ 68
2021	68
2022	68
2023	68
2024	68
Thereafter	632
TOTAL	\$ 972

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

9. CHANGE IN ACCOUNTING PRINCIPLE

The Library recorded the following change in accounting principle during the year ended May 31, 2019:

	<u>Increase (Decrease)</u>
CHANGE IN ACCOUNTING PRINCIPLE - GOVERNMENTAL ACTIVITIES	
To write-off the OPEB obligation	\$ 23,867
To record the total OPEB liability	<u>(42,112)</u>
TOTAL CHANGE IN ACCOUNTING PRINCIPLE - GOVERNMENTAL ACTIVITIES	<u>\$ (18,245)</u>

For the fiscal year ended May 31, 2019, the Library implemented GASB Statement No. 75. With the implementation, the Library is required to retroactively record the total OPEB liability and write-off the net OPEB obligation.

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, 2019

	Original and Final Budget	Actual
REVENUES		
Taxes	\$ 1,731,072	\$ 1,742,521
Intergovernmental	-	21,801
Fines and forfeits	7,000	7,303
Investment income	-	47,177
Miscellaneous	306,000	124,262
		<hr/>
Total revenues	2,044,072	1,943,064
		<hr/>
EXPENDITURES		
Culture and recreation		
Library materials	264,000	240,318
Equipment	484,710	385,438
Administration	264,362	268,013
Personnel	1,031,000	1,024,078
		<hr/>
Total expenditures	2,044,072	1,917,847
		<hr/>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	25,217
FUND BALANCE, JUNE 1		<hr/> 1,537,554
FUND BALANCE, MAY 31		<hr/> <u>\$ 1,562,771</u>

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

May 31, 2019

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 Four Fiscal Years

FISCAL YEAR ENDED MAY 31,	2016	2017	2018	2019
Contractually determined contribution	\$ 65,449	\$ 75,112	\$ 81,852	\$ 83,607
Contributions in relation to the contractually determined contribution	65,449	75,112	81,852	83,607
CONTRIBUTION DEFICIENCY (Excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 545,366	\$ 590,258	\$ 714,574	\$ 770,147
Contributions as a percentage of covered payroll	12.00%	12.73%	11.45%	10.86%

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 26 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return of 7.50% annually, projected salary increases assumption of 3.75% to 14.50% compounded annually and postretirement benefit increases of 3.00% compounded annually.

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 Four Calendar Years

MEASUREMENT DATE DECEMBER 31,	2015	2016	2017	2018
Employer's proportion of the net pension liability	23.40%	24.05%	24.05%	26.02%
Employer's proportionate share of the net pension liability \$	459,093	\$ 433,226	\$ 300,591	\$ 727,681
Employer's covered payroll	545,366	590,258	737,041	748,637
Employer's proportionate share of the net pension liability as a percentage of it's covered payroll	84.18%	73.40%	40.78%	97.20%
Plan fiduciary net position as a percentage of the total pension liability	79.45%	81.91%	88.34%	76.68%

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.)

**LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS**

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

May 31, 2019

MEASUREMENT DATE MAY 31,	2019
<hr/>	
TOTAL OPEB LIABILITY	
Service cost	\$ 1,053
Interest	1,546
Difference between expected and actual experience	-
Changes in assumptions	1,040
Benefit payments	(2,413)
Other changes	-
	<hr/>
Net change in total OPEB liability	1,226
Total OPEB liability - beginning	<hr/> 42,112
TOTAL OPEB LIABILITY - ENDING	<hr/> \$ 43,338 <hr/>
Covered payroll	\$ 544,346
Employer's total OPEB liability as a percentage of covered payroll	7.96%

In 2019, there was a change in assumptions related to the discount rate.

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

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.

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, 2019

	Original and Final Budget	Actual
TAXES		
Property taxes - current	\$ 1,731,072	\$ 1,729,425
Personal property replacement taxes	-	13,096
Total taxes	1,731,072	1,742,521
INTERGOVERNMENTAL		
Per capita grant	-	21,801
Total intergovernmental	-	21,801
FINES AND FORFEITS		
Fines	7,000	7,303
Total fines and forfeits	7,000	7,303
INVESTMENT INCOME	-	47,177
MISCELLANEOUS		
Copier, fax and computer rental	6,000	7,701
Book sales	-	4,220
Nonresident fees	-	176
Gifts and donations	-	6,619
Impact fees	-	3,240
Special reserve	300,000	-
Insurance proceeds	-	95,568
Miscellaneous	-	6,738
Total miscellaneous	306,000	124,262
TOTAL REVENUES	\$ 2,044,072	\$ 1,943,064

(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, 2019

	Original and Final Budget	Actual
CULTURE AND RECREATION		
Library materials		
Books	\$ 194,000	\$ 178,417
Periodicals	12,000	7,255
Audiovisual	58,000	54,646
Total library materials	264,000	240,318
Equipment		
Furniture and fixtures	6,000	7,214
Library supplies and postage	34,710	31,010
Janitorial supplies	4,000	4,044
Automation	140,000	140,729
Building project	300,000	202,441
Total equipment	484,710	385,438
Administration		
Maintenance	110,851	111,186
Utilities	13,000	13,505
Telephone	13,000	13,974
Insurance	22,000	19,371
Staff development	20,000	16,807
Professional fees	50,500	58,079
Programming	18,000	19,316
Miscellaneous	17,011	15,775
Total administration	264,362	268,013
Personnel		
Salaries	795,000	805,468
Benefits	78,000	74,486
IMRF	78,000	83,607
FICA	80,000	60,517
Total personnel	1,031,000	1,024,078
TOTAL EXPENDITURES	\$ 2,044,072	\$ 1,917,847

(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	2018		2017		2016		2015		2014	
ASSESSED VALUATION	\$	535,501,856	\$	504,256,743	\$	486,775,760	\$	460,226,774	\$	430,872,837
	Rate*	Amount	Rate*	Amount	Rate*	Amount	Rate*	Amount	Rate*	Amount
TAX EXTENSIONS										
Corporate	0.3139	\$ 1,681,149	0.3233	\$ 1,630,222	0.3275	\$ 1,594,332	0.3409	\$ 1,569,079	0.3543	\$ 1,526,604
Building maintenance	0.0200	107,100	0.0200	100,851	0.0195	94,877	0.0199	91,603	0.0198	85,119
TOTAL TAX EXTENSIONS	0.3339	\$ 1,788,249	0.3433	\$ 1,731,073	0.3470	\$ 1,689,209	0.3608	\$ 1,660,682	0.3741	\$ 1,611,723
TOTAL TAX COLLECTIONS		<u>\$ 19,871</u>		<u>\$ 1,729,425</u>		<u>\$ 1,662,533</u>		<u>\$ 1,637,598</u>		<u>\$ 1,605,740</u>
PERCENT COLLECTED		<u>1.11%</u>		<u>99.90%</u>		<u>98.42%</u>		<u>98.61%</u>		<u>99.63%</u>
Tax Levy Year	2013		2012		2011		2010		2009	
ASSESSED VALUATION	\$	426,862,294	\$	462,072,213	\$	496,294,706	\$	542,815,814	\$	574,582,884
	Rate*	Amount	Rate*	Amount	Rate*	Amount	Rate*	Amount	Rate*	Amount
TAX EXTENSIONS										
Corporate	0.3477	\$ 1,484,217	0.3113	\$ 1,438,537	0.2804	\$ 1,391,357	0.2482	\$ 1,347,470	0.2260	\$ 1,298,793
Building maintenance	0.0188	80,447	0.0183	84,776	0.0165	81,993	0.0181	97,940	0.0167	95,892
TOTAL TAX EXTENSIONS	0.3665	\$ 1,564,664	0.3296	\$ 1,523,313	0.2969	\$ 1,473,350	0.2663	\$ 1,445,410	0.2427	\$ 1,394,685
TOTAL TAX COLLECTIONS		<u>\$ 1,559,980</u>		<u>\$ 1,518,802</u>		<u>\$ 1,468,376</u>		<u>\$ 1,441,357</u>		<u>\$ 1,392,367</u>
PERCENT COLLECTED		<u>99.70%</u>		<u>99.70%</u>		<u>99.66%</u>		<u>99.72%</u>		<u>99.83%</u>

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

(See independent auditor's report.)