

**WESTCHESTER PUBLIC LIBRARY  
WESTCHESTER, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

For the Year Ended  
April 30, 2016



**WESTCHESTER PUBLIC LIBRARY**  
**WESTCHESTER, ILLINOIS**  
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**INDEPENDENT AUDITOR'S REPORT**



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Certified Public Accountants & Advisors  
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## **INDEPENDENT AUDITOR'S REPORT**

Members of the Public Library Board  
Westchester Public Library  
Westchester, Illinois

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 basic 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 Westchester Public Library, Westchester, Illinois, as of April 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

The Library adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, a change in accounting principle, which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses; modified certain disclosures in the notes to financial statements and required supplementary information as discussed in Note 9 to the basic financial statements. Our opinion is not modified with respect to this matter.

## **Other Matters**

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

## *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to 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 as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was 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.

*Sikich LLP*

Naperville, Illinois  
February 10, 2017

**GENERAL PURPOSE EXTERNAL  
FINANCIAL STATEMENTS**

**WESTCHESTER PUBLIC LIBRARY  
WESTCHESTER, ILLINOIS**

STATEMENT OF NET POSITION

April 30, 2016

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**ASSETS**

Cash	\$ 934,025
Investments	1,077,142
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)	
Property Taxes	596,676
Intergovernmental	83,092
Capital Assets	
Nondepreciable	48,000
Depreciable, Net of Accumulated Depreciation	<u>1,148,437</u>
Total Assets	3,887,372

**DEFERRED OUTFLOWS OF RESOURCES**

Pension Related Amounts	<u>178,622</u>
Total Assets and Deferred Outflows of Resources	<u>4,065,994</u>

**LIABILITIES**

Accounts Payable	52,309
Accrued Payroll	8,108
Noncurrent Liabilities	
Due Within One Year	52,762
Due in More than One Year	<u>344,706</u>
Total Liabilities	<u>457,885</u>

**DEFERRED INFLOWS OF RESOURCES**

Pension Related Amounts	13,992
Unavailable Revenue - Property Taxes	<u>596,676</u>
Total Deferred Inflows of Resources	<u>610,668</u>

Total Liabilities and Deferred Inflows of Resources	<u>1,068,553</u>
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**NET POSITION**

Net Investment in Capital Assets	1,196,437
Restricted for Specific Purposes	6,569
Unrestricted	<u>1,794,435</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,997,441</u></u>

See accompanying notes to financial statements.



**WESTCHESTER PUBLIC LIBRARY  
WESTCHESTER, ILLINOIS**

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2016

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Change in Net Position	
PRIMARY GOVERNMENT	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Culture and Recreation	\$ 1,270,567	\$ 18,354	\$ 135,294	\$ -	\$ (1,116,919)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	\$ 1,270,567	\$ 18,354	\$ 135,294	\$ -	(1,116,919)
		General Revenues			
		Taxes			
		Property and Replacement		1,222,457	
		Investment Income		27,502	
		Miscellaneous		2,464	
		Total		1,252,423	
		CHANGE IN NET POSITION		135,504	
		NET POSITION, MAY 1		3,064,056	
		Change in Accounting Principles		(202,119)	
		NET POSITION, MAY 1, RESTATED		2,861,937	
		<b>NET POSITION, APRIL 30</b>		<b>\$ 2,997,441</b>	

See accompanying notes to financial statements.

**WESTCHESTER PUBLIC LIBRARY  
WESTCHESTER, ILLINOIS**

**BALANCE SHEET**

April 30, 2016

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	<b>General Fund</b>
<b>ASSETS</b>	
Cash	\$ 934,025
Investments	1,077,142
Receivables	
Property Taxes	596,676
Intergovernmental	83,092
<b>TOTAL ASSETS</b>	<b>\$ 2,690,935</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 52,309
Accrued Payroll	8,108
Total Liabilities	60,417
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue - Property Taxes	596,676
Total Deferred Inflows of Resources	596,676
<b>FUND BALANCES</b>	
Restricted for Specific Purpose	
Social Security	6,569
Unrestricted	
Assigned for Capital Purposes	26,128
Unassigned	2,001,145
Total Fund Balances	2,033,842
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,690,935</b>

See accompanying notes to financial statements.

**WESTCHESTER PUBLIC LIBRARY  
WESTCHESTER, ILLINOIS**

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

April 30, 2016

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<b>FUND BALANCES OF GOVERNMENTAL FUNDS</b>	\$ 2,033,842
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	1,196,437
Deferred outflows of resources related to pensions are not a current financial resource and, therefore, are not reported in the governmental funds Illinois Municipal Retirement Fund	178,622
Deferred inflows of resources related to pensions are not a current financial resource, and, therefore, are not reported in the governmental funds	(13,992)
Long-term liabilities are not due and payable in current current period and, therefore, are not reported in the governmental funds Compensated absences payable Net pension liability	(52,762) <u>(344,706)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 2,997,441</u></u>

See accompanying notes to financial statements.

**WESTCHESTER PUBLIC LIBRARY  
WESTCHESTER, ILLINOIS**

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

For the Year Ended April 30, 2016

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	<b>General Fund</b>
<b>REVENUES</b>	
Property Taxes	\$ 1,222,457
Intergovernmental	135,294
Charges for Services	7,855
Fines and Forfeits	10,499
Investment Income	27,502
Miscellaneous	2,464
	<hr/>
Total Revenues	1,406,071
	<hr/>
<b>EXPENDITURES</b>	
Current	
Library	1,123,988
Capital Outlay	340,002
	<hr/>
Total Expenditures	1,463,990
	<hr/>
NET CHANGE IN FUND BALANCE	(57,919)
FUND BALANCE, MAY 1	2,091,761
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<b>FUND BALANCE, APRIL 30</b>	<b>\$ 2,033,842</b>
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See accompanying notes to financial statements.

**WESTCHESTER PUBLIC LIBRARY  
VILLAGE OF WESTCHESTER, ILLINOIS**

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

For the Year Ended April 30, 2016

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<b>NET CHANGE IN FUND BALANCES -</b>	
<b>TOTAL GOVERNMENTAL FUNDS</b>	\$ (57,919)
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	179,522
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Depreciation	(40,255)
Change in compensated absences	(3,050)
Change in net pension liability	57,206
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 135,504</u></u>

See accompanying notes to financial statements.

**WESTCHESTER PUBLIC LIBRARY  
WESTCHESTER, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

April 30, 2016

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Westchester Public Library, Westchester, 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 financial reporting principles. The more significant of the Library's accounting policies are described below.

a. Reporting Entity

The Library is a library corporation governed by a seven-member Board of Trustees. As required by GAAP, these financial statements present the Library and any existing component units. Currently, the Library does not have any component units and based on criteria of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, the Library has been determined not to be a component unit of the Village of Westchester, Illinois (the Village).

b. Fund Accounting

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

The financial position and changes in financial position of the Library's funds are reported in the basic financial statements of the Village as a discretely presented component unit.

Funds are classified as governmental funds.

The General Fund, a governmental fund, is used to account for all of the Library's general activities.

**WESTCHESTER PUBLIC LIBRARY**  
**WESTCHESTER, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of activities and the statement of net position) report information on all of the nonfiduciary activities of the Library. Governmental activities normally are supported by taxes and intergovernmental revenues.

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 and (2) grants and shared revenues that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds.

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.

d. Basis of Accounting

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 a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The Library recognizes property taxes when they become both measurable and available in the year intended to finance. A 120 day availability period is used for revenue recognition for the Library's per capita grant and a one-month availability period is used for other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

**WESTCHESTER PUBLIC LIBRARY**  
**WESTCHESTER, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

d. Basis of Accounting (Continued)

Those revenues susceptible to accrual are property taxes and investment income. Fine revenue is not susceptible to accrual because generally it is not measurable until received in cash.

The Library reports unearned/unavailable revenue on its financial statements. Unearned/unavailable revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned/unavailable revenues also 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 liability for unearned/unavailable revenue is removed and revenue is recognized.

e. Investments

Investments with a maturity of one year or less when purchased and non-negotiable certificates of deposit are stated at amortized cost. Investments with a maturity greater than one year when purchased are reported at fair value.

f. Capital Assets

Capital assets, which include land, land improvements, buildings and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Assets	Years
Land Improvements	20
Buildings	80
Machinery and Equipment	5-20



**WESTCHESTER PUBLIC LIBRARY**  
**WESTCHESTER, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

g. Compensated Absences

Vested or accumulated vacation and sick leave, including related social security and medicare, that is owed to retirees or terminated employees is reported as an expenditure and a fund liability of the governmental fund that will pay it in the fund financial statements. Vested or accumulated vacation and sick leave of governmental activities at the government-wide level is recorded as an expense and liability as the benefits accrue to active employees.

h. Fund Balance/Net Position

Governmental funds equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance is reported 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 Board, which is considered the Library's highest level of decision making authority. Formal actions include ordinances approved by the Library Board. Assigned fund balance represents amounts constrained by the Library's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Library Director through the approved fund balance policy of the Library. Any residual fund balance of the General Fund and any deficits in other funds, if any, is reported as unassigned.

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

In the government-wide and proprietary fund financial statements, restricted net position is legally restricted by outside parties for a specific purpose. Net investment in capital assets, represents the Library's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset. Unrestricted net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

**WESTCHESTER PUBLIC LIBRARY**  
**WESTCHESTER, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

i. Deferred Outflows/Inflows of Resources

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

j. 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 amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the dated 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**

a. Deposits with Financial Institutions

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

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

**WESTCHESTER PUBLIC LIBRARY**  
**WESTCHESTER, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

a. Deposits with Financial Institutions (Continued)

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 objectives of the policy are legality, safety (preservation of capital and protection of investment principal), liquidity and yield.

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank’s failure, the Library’s deposits may not be returned to it. The Library’s investment policy requires pledging of collateral held by the Library’s agent with a fair value of 100% of all bank balances in excess of federal depository insurance. At April 30, 2016, all of the Library’s bank balances were insured or collateralized.

b. Investments

In accordance with the Library’s investment policy, the Library limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields. The investment policy limits the maximum maturity length of investments to one year from date of purchase, unless matched to a specific cash flow. Reserve funds may be invested in securities exceeding one year if the maturity of such funds are made to coincide as nearly as practicable with the expected use of the funds.

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 deposit accounts fully insured by FDIC or by obtaining appropriate collateralization.

The following table presents the debt investments of the Library as of April 30, 2016 by type of investment:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
Debt Mutual Funds	\$ 1,051,015	\$ -	\$ 306,969	\$ 236,099	\$ 507,947
<b>TOTAL</b>	<b>\$ 1,051,015</b>	<b>\$ -</b>	<b>\$ 306,969</b>	<b>\$ 236,099</b>	<b>\$ 507,947</b>

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 possession of an outside party. Illinois Funds is not subject to custodial credit risk.

**WESTCHESTER PUBLIC LIBRARY**  
**WESTCHESTER, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

b. Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Library limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market value.

**3. RECEIVABLES - TAXES**

Property taxes for 2015 attach as an enforceable lien on January 1, 2015, on property values assessed as of the same date. Taxes are levied by December 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, 2015, and are payable in two installments, on or about June 1, 2016 and September 1, 2016. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 1% of the tax levy, to reflect actual collection experience.

The 2016 tax levy, which attached as an enforceable lien on property as of January 1, 2016, has not been recorded as a receivable as of April 30, 2016 as the tax has not yet been levied by the Library and will not be levied until December 2016 and, therefore, the levy is not measurable at April 30, 2016.

**4. CAPITAL ASSETS**

The following is a summary of changes in capital assets during the fiscal year:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated				
Land	\$ 48,000	\$ -	\$ -	\$ 48,000
Construction in Progress	81,314	-	81,314	-
Total Capital Assets Not Being Depreciated	<u>129,314</u>	<u>-</u>	<u>81,314</u>	<u>48,000</u>
Capital Assets Being Depreciated				
Land Improvements	42,923	252,338	42,923	252,338
Buildings	1,483,446	-	-	1,483,446
Machinery and Equipment	41,995	8,498	-	50,493
Total Capital Assets Being Depreciated	<u>1,568,364</u>	<u>260,836</u>	<u>42,923</u>	<u>1,786,277</u>

**WESTCHESTER PUBLIC LIBRARY**  
**WESTCHESTER, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**4. CAPITAL ASSETS (Continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES (Continued)				
Less Accumulated Depreciation For				
Land Improvements	\$ 42,923	\$ 6,308	\$ 42,923	\$ 6,308
Buildings	555,668	31,898	-	587,566
Machinery and Equipment	41,917	2,049	-	43,966
Total Accumulated Depreciation	640,508	40,255	42,923	637,840
Total Capital Assets Being Depreciated, Net	927,856	220,581	-	1,148,437
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET				
	\$ 1,057,170	\$ 220,581	\$ 81,314	\$ 1,196,437

Depreciation expense was charged to functions/programs of the governmental activities as follows:

GOVERNMENTAL ACTIVITIES	
Culture and Recreation	\$ 40,255

**5. LONG-TERM DEBT**

a. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended April 30, 2016:

	Balances, May 1, Restated	Additions	Retirements	Balances, April 30	Current Portion
Compensated Absences	\$ 49,712	\$ 52,762	\$ 49,712	\$ 52,762	\$ 52,762
Net Pension Liability	287,500	57,206	-	344,706	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$ 337,212</b>	<b>\$ 109,968</b>	<b>\$ 49,712</b>	<b>\$ 397,468</b>	<b>\$ 52,762</b>

Compensated absences and net pension obligation are typically retired by the Library's General Fund.

**6. RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; illnesses of employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past four fiscal years.

**WESTCHESTER PUBLIC LIBRARY**  
**WESTCHESTER, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**7. DEFINED BENEFIT PENSION PLAN**

Illinois Municipal Retirement Fund

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

*Plan Administration*

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

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

*Benefits Provided*

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

*Contributions*

Participating members are required to contribute 4.5% 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 calendar year ended 2015 was 9.57% of covered payroll. For the year ended April 30, 2016, salaries totaling \$627,239 were paid that required employer contributions of \$60,013 which was equal to the Library's actual contributions.

**WESTCHESTER PUBLIC LIBRARY**  
**WESTCHESTER, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Illinois Municipal Retirement Fund (Continued)

*Net Pension Liability*

At April 30, 2016, the Library reported a liability of \$344,705 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on the Library's contributions under the plan for the year ended April 30, 2016 relative to the covered payroll of the Village, actuarially determined. At April 30, 2016, the Library's proportion was 15.96% of the total contribution.

*Actuarial Assumptions*

The Library's net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial Valuation Date	December 31, 2015
Actuarial Cost Method	Entry-Age Normal
Assumptions	
Inflation	2.75%
Salary Increases	3.75% to 14.50%
Interest Rate	7.50%
Cost of Living Adjustments	3.00%
Asset Valuation Method	Market Value

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

**WESTCHESTER PUBLIC LIBRARY**  
**WESTCHESTER, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Illinois Municipal Retirement Fund (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.48%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was projected to not be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was blended with the AA rated GO Bond index at December 31, 2015 of 3.57% to arrive at the 7.48% discount rates used to determine the total pension liability.

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

For the year ended April 30, 2016, the Library recognized pension expense of \$76,256. At April 30, 2016, the Library reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 13,992
Changes in Assumption	2,442	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	157,130	-
Contributions Subsequent to Measurement Date	19,050	-
<b>TOTAL</b>	<u>\$ 178,622</u>	<u>\$ 13,992</u>

The deferred outflows of resources presented in the table above include amounts for both the Village and the Library. The Village's collective share of the deferred outflows of resources at December 31, 2015, was \$866,887. The Library's collective share of the deferred outflows of resources at December 31, 2015 was \$164,629.



**WESTCHESTER PUBLIC LIBRARY**  
**WESTCHESTER, 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:

<u>Year Ending April 30,</u>	
2017	\$ 53,618
2018	34,568
2019	37,161
2020	<u>39,283</u>
TOTAL	<u>164,630</u>

*Discount Rate Sensitivity*

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the Library calculated using the discount rate of 7.48% as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.48%) or 1 percentage point higher (8.48%) than the current rate:

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Net Pension Liability	\$ 717,918	\$ 344,705	\$ 38,018

**8. OTHER POSTEMPLOYMENT BENEFITS**

The Library is subject to no statutory requirements to provide health insurance to its retirees. Therefore, there is no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additionally, the Library has no former employees or agreements with current employees for which the Library was providing an explicit subsidy as of April 30, 2016. For the year ended April 30, 2016, the Library had no retirees purchasing health insurance through the Library.

**WESTCHESTER PUBLIC LIBRARY**  
**WESTCHESTER, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**9. CHANGE IN ACCOUNTING PRINCIPLES**

In 2016, the Library adopted Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68.

The new standards require the Library to recognize a liability in its government-wide financial statements for the net pension liability associated with IMRF.

The governmental fund financial statements are not affected by the new standards. Pension expenditures in the governmental funds continue to be recognized equal to the total of a) amounts paid by the Library to the pension plans and b) the change between the beginning and ending balances of amounts of contributions currently payable to the pensions.

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

	<u>Governmental Activities</u>
BEGINNING NET POSITION, AS PREVIOUSLY REPORTED	\$ 3,064,056
Net pension obligation	35,163
Net pension liability	(255,821)
Deferred outflow of resources	<u>18,539</u>
 BEGINNING NET POSITION, AS RESTATED	 <u>\$ 2,861,937</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**WESTCHESTER PUBLIC LIBRARY  
WESTCHESTER, ILLINOIS**

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

For the Year Ended April 30, 2016

	<u>Appropriations</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Budget Variance Over (Under)</u>
<b>REVENUES</b>				
Property Taxes		\$ 1,201,889	\$ 1,222,457	\$ 20,568
Intergovernmental		-	135,294	135,294
Charges for Services		10,032	7,855	(2,177)
Fines and Forfeits		10,200	10,499	299
Investment Income		-	27,502	27,502
Miscellaneous		49	2,464	2,415
		<u>1,222,170</u>	<u>1,406,071</u>	<u>183,901</u>
Total Revenues				
<b>EXPENDITURES</b>				
Current				
Library		1,186,353	1,123,988	(62,365)
Capital Outlay		-	340,002	340,002
		<u>1,186,353</u>	<u>1,463,990</u>	<u>277,637</u>
Total Expenditures	\$ 1,245,677			
<b>NET CHANGE IN FUND BALANCE</b>		<u>\$ 35,817</u>	(57,919)	<u>\$ (93,736)</u>
<b>FUND BALANCE, MAY 1</b>			<u>2,091,761</u>	
<b>FUND BALANCE, APRIL 30</b>			<u>\$ 2,033,842</u>	

(See independent auditor's report.)

**WESTCHESTER PUBLIC LIBRARY  
WESTCHESTER, ILLINOIS**

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

April 30, 2016

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	<u>2016</u>
Actuarially Determined Contribution	\$ 59,500
Contributions in Relation to the Actuarially Determined Contribution	<u>60,013</u>
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<u><u>\$ (513)</u></u>
Covered-Employee Payroll	\$ 627,239
Contributions as a Percentage of Covered-Employee Payroll	9.57%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 28 years; the asset valuation method was five-year smoothed market and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 5.00% compounded annually and postretirement benefit increases of 3.00% compounded annually.

(See independent auditor's report.)

**WESTCHESTER PUBLIC LIBRARY  
WESTCHESTER, ILLINOIS**

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

April 30, 2016

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	<u>2016*</u>
Employer's Proportion of Net Pension Liability	15.96%
Employer's Proportionate Share of Net Pension Liability	\$ 344,705
Employer's Covered-Employee Payroll	627,239
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	54.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.23%

\*The information presented was determined as of IMRF's valuation date of December 31, 2015

(See independent auditor's report.)

**WESTCHESTER PUBLIC LIBRARY  
WESTCHESTER, ILLINOIS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2016

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**BUDGETS**

The Library Board of Trustees has the authority to approve the budget for the General Fund; the Village Board passes the tax levy for the General Fund.

Budgets are adopted on a basis consistent with GAAP. The budget is prepared for the General Fund by function, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. The proposed budget is presented to the Library Board of Trustees for review. This governing body holds public meetings and may add to, subtract from, or change appropriations. The budget may be amended by the governing body. State statutes and local ordinances require that the budget be approved before the beginning of the fiscal year.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, no supplementary appropriations were necessary. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund presents the management budget of the Library. Total expenditures of \$1,463,990 exceeded total appropriations of \$1,245,677.

**SUPPLEMENTARY INFORMATION**



**WESTCHESTER PUBLIC LIBRARY  
WESTCHESTER, ILLINOIS**

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

For the Year Ended April 30, 2016

	<b>Original and</b>		<b>Budget</b>
	<b>Appropriations</b>	<b>Final Budget</b>	<b>Variance</b>
		<b>Actual</b>	<b>Over</b>
			<b>(Under)</b>
Salaries and Wages	\$ 904,386	\$ 823,472	\$ (80,914)
Services and Contracts	56,795	42,103	(14,692)
Maintenance and Utilities	69,172	79,467	10,295
Supplies, Postage and Printing	12,400	15,701	3,301
Copy Machine Maintenance	900	807	(93)
SWAN Computer Maintenance	25,000	22,622	(2,378)
Library and Office Equipment	-	5,207	5,207
Computer Equipment	-	6,850	6,850
Buildings and Grounds Improvements	-	340,002	340,002
Other Capital Equipment	-	1,299	1,299
Miscellaneous Expense	2,900	21,720	18,820
Video/DVD - Adult	4,000	3,554	(446)
Video/DVD - Juvenile	1,000	912	(88)
Software	3,400	1,556	(1,844)
Video Games	2,500	1,157	(1,343)
CD and Audio Books - Adult	4,100	3,908	(192)
CD and Audio Books - Juvenile	1,500	1,179	(321)
Periodicals	2,600	1,617	(983)
Online Databases	46,700	47,304	604
E-Books	1,200	985	(215)
Magazines	7,000	6,738	(262)
Books - Adult Spanish	10,250	10,474	224
Books - Adult Nonfiction	4,500	5,961	1,461
Books - Juvenile Spanish	1,000	473	(527)
Books - Juvenile Nonfiction	1,000	1,313	313
Books - Adult Reference	3,700	3,818	118
Books - Juvenile Reference	3,500	2,896	(604)
Books - Pre Kindergarten	11,000	5,711	(5,289)
Books - Juvenile Fiction	1,500	1,088	(412)
Books - Adult Fiction	2,750	2,270	(480)
Books - Teen Nonfiction	500	462	(38)
Books - Teen Fiction	500	766	266
Books - Paperback	600	598	(2)
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,245,677</b>	<b>\$ 1,186,353</b>	<b>\$ 1,463,990</b>
			<b>\$ 277,637</b>

(See independent auditor's report.)