

**MIDLOTHIAN PUBLIC LIBRARY**

**ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended  
April 30, 2015

Prepared By:

**Hearne & Associates, P.C.**  
Certified Public Accountants &  
Business Consultants

## Midlothian Public Library

### Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-7
<b>Basic Financial Statements</b>	
Government -wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet – Governmental Fund	10
Reconciliation of the Governmental Fund	
Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures and Change in	
Fund Balance – Governmental Fund	12
Reconciliation of the Governmental Fund Statement of Revenues,	
Expenditures and Change in Fund Balance to the	
Statement of Activities	13
Notes to the Basic Financial Statements	14-24
<b>Required Supplementary Information</b>	
Schedule of Funding Progress – Illinois Municipal Retirement Fund	25
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual – General Fund	26
Notes to the Required Supplementary Information	27
<b>Other Supplementary Information</b>	
Schedule of Expenditures – Budget and Actual – General Fund	28
Property Tax Assessed Valuations, Rates, Extensions and Collections –	
Last Five Levy Years	29



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**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Midlothian Public Library  
Midlothian, IL

We have audited the accompanying financial statements of the governmental activities and the major fund of the Midlothian Public Library ("the Library"), a component unit of the Village of Midlothian, Illinois, as of and for the year ended April 30, 2015, 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.

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinion s**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Midlothian Public Library as of April 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary comparison information on pages 3-7 and 25-27 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 other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information 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.

October 5, 2015  
Mokena, IL



Hearne & Associates, P.C.  
Certified Public Accountants

Midlothian Public Library  
Management Discussion and Analysis  
April 30, 2015

The management's discussion and analysis of Midlothian Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended April 30, 2015. The management of the Library encourages readers to consider the information presented herein in conjunction with the financial statements to enhance their understanding of the Library's financial performance.

**Financial Highlights**

- The assets of the Library exceeded its liabilities at the close of the fiscal year by \$2,138,286. Of this amount, \$865,150 may be used to meet the Library's ongoing obligations to citizens and creditors.
- In total, net position decreased by \$19,626. This represents a 1% decrease from 2014. This increase is primarily a result of the Library spending more in general and in legal fees.
- General revenues were \$1,080,525 or 96% of all revenues. Program specific revenues, in the form of charges for services, grants, and contributions were \$47,737 or 4% of total revenues of \$1,128,262.

**Overview of the Financial Statements**

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

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

**Government-Wide Financial Statements**

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

The statement of activities presents information showing how the Library's net position changed during the fiscal year being reported. All changes in net position are reported when assets are earned and liabilities are incurred.

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

Midlothian Public Library  
Management Discussion and Analysis  
April 30, 2015

**Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library's fund is considered a governmental fund. The Library maintains no proprietary funds or fiduciary 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 on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Library'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 fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and change in fund balances of the General Fund.

The Library adopts an annual budget for the fund listed above. A budgetary comparison statement has been provided as supplementary information for the General Fund.

**Notes to the Financial Statements**

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

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Library's progress in funding its obligation to provide pension benefits to its employees.

**Government -Wide Financial Analysis**

**Net Position.** The Library's net position decreased by 1% compared to the prior year. At year-end, total net position was \$2,138,286. (See Table 1).

Midlothian Public Library  
Management Discussion and Analysis  
April 30, 2015

**Table 1: Condensed Statement of Net Position**

	2015	2014
Current and Other Assets	\$ 2,030,246	\$ 1,992,137
Capital Assets	1,273,136	1,369,863
Total Assets	3,303,382	3,362,000
 Liabilities	 54,297	 93,288
 Deferred Inflows of Resources	 1,110,799	 1,110,800
 Net Position:		
Net Investment in Capital Assets	1,273,136	1,369,863
Restricted	34,659	44,510
Unrestricted	830,491	743,539
Total Net Position	\$ 2,138,286	\$ 2,157,912

The increase in current assets is due to increased cash balances as there were fewer capital projects in the current year.

The decrease in liabilities is due to the payment of an outstanding payable from the prior year for equipment.

**Table 2: Changes in Net Position**

	2015	2014
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$ 29,213	\$ 32,014
Grants and Contributions	18,524	18,524
General Revenues:		
Taxes	1,077,058	1,072,239
Other	3,467	10,335
Total Revenues	1,128,262	1,133,112

Midlothian Public Library  
Management Discussion and Analysis  
April 30, 2015

**Table 2: Changes in Net Position (continued)**

	2015	2014
<b>Expenses:</b>		
General Library	1,147,888	1,110,805
<b>Change in Net Position</b>	(19,626)	22,307
Beginning	2,157,912	2,135,605
Ending	\$ 2,138,286	\$ 2,157,912

The Library's total revenues were \$1,128,262. Taxes were 95.46% of the total or \$ 1,077,058. The Library did not receive replacement taxes in the current year.

State aid brought in an additional \$18,524 of the total revenues, which is the same as the prior year.

The remaining \$32,680 came from fees charged for services and miscellaneous sources. This is a decrease of \$9,669 from the prior year.

The total cost of all programs and services was \$1,147,888. The Library's expenses are predominantly related to providing library services to the residents of the Village of Midlothian (salary and benefit, administration, building maintenance and materials purchase costs, etc.). Increases can be attributed to equipment purchases and depreciation expense.

**Financial Analysis of the Library's Funds**

As the Library completed the year, its governmental fund reported a fund balance of \$890,934. Revenues for the Library's governmental fund were \$1,128,262 while total expenditures were \$1,048,181.

The General Fund experienced a current year operating surplus of \$80,081. This surplus resulted in a year-end fund balance of \$890,934. Factors that attributed to an increase in the current year surplus of \$80,081 compared to the prior year surplus of \$68,611 are:

- Expenditures decreased by \$16,321 over the prior year. Decreases were primarily due to fewer capital assets being added in the current year.
- Revenues decreased by \$4,853 from the prior year. The majority of the decrease can be attributed to less property tax revenue. In addition, there were no insurance refunds in the current fiscal year.

Midlothian Public Library  
Management Discussion and Analysis  
April 30, 2015

**General Fund Budgetary Highlights**

While the Library’s budget for the General Fund anticipated revenues would be \$110,150 less than expenditures, the actual result for the year was an \$80,081 surplus. Although the Library anticipated that property tax revenues would be \$34,742 more than what was actually recognized, the general library and capital outlay expenses came in lower than expected causing total expenditures to fall below budget by \$232,869.

**Capital Assets**

By the end of fiscal year 2015, the Library had invested \$ 2.8 million (before accumulated depreciation of \$1.5 million) in a broad range of capital assets including buildings, machinery and equipment (computer, audio-visual, and furniture) and land. (See Table 3) (More detailed information about capital assets can be found in Note 4 to the financial statements.)

Depreciation expense for the year was \$98,161; additions to equipment amounted to \$1,434.

**Table 3: Capital Assets (Net of Depreciation)**

	<u>2015</u>	<u>2014</u>
Land	\$ 126,124	\$ 126,124
Buildings	1,004,168	1,066,273
Machinery and Equipment	<u>142,844</u>	<u>177,466</u>
 TOTAL	 <u>\$ 1,273,136</u>	 <u>\$ 1,369,863</u>

**Factors Bearing on the Library’s Future**

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

- The Library’s ability to generate tax receipts is directly linked to the value of the property within the Village of Midlothian. Any adverse effect on property values will limit the ability of the Library to increase revenue.

**Requests for Information**

This financial report is designed to provide the Library’s citizens, taxpayers, and creditors with a general overview of the Library’s finances and to demonstrate the Library’s accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Midlothian Public Library, 14701 South Kenton Avenue, Midlothian, IL 60445.

## **BASIC FINANCIAL STATEMENTS**

Midlothian Public Library  
Statement of Net Position  
April 30, 2015

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,452,999
Property Taxes Receivable	577,247
Capital Assets not being Depreciated	126,124
Capital Assets being Depreciated, net	<u>1,147,012</u>
Total Assets	<u>3,303,382</u>
 <b>Liabilities, Deferred Inflows of Resources and Net Position</b>	
Liabilities	
Accounts Payable	12,616
Accrued Payroll	15,897
Long-term Obligations, due within one year:	
Compensated Absences	17,964
Long-term obligations, due in more than one year:	
Net Pension Obligation	<u>7,820</u>
Total Liabilities	<u>54,297</u>
 Deferred Inflows of Resources	
Unearned Revenue	<u>1,110,799</u>
 Net Position	
Net Investment in Capital Assets	1,273,136
Restricted for:	
Audit	4,155
Employee Benefits	26,796
Workers' Compensation	3,708
Unrestricted	<u>830,491</u>
Total Net Position	<u>\$ 2,138,286</u>

See Notes to the Basic Financial Statements



Midlothian Public Library  
Balance Sheet  
Governmental Fund  
April 30, 2015

	General Fund
<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,452,999
Property Taxes Receivable	577,247
Total Assets	\$ 2,030,246
 <b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>	
Liabilities	
Accounts Payable	\$ 12,616
Accrued Payroll	15,897
Total Liabilities	28,513
 Deferred Inflows of Resources	
Property Tax Revenue	1,110,799
 Fund Balance	
Restricted for:	
Audit	4,155
Employee Benefits	26,796
Workers' Compensation	3,708
Unassigned	856,275
Total Fund Balance	890,934
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,030,246

See Notes to the Basic Financial Statements

Midlothian Public Library  
Reconciliation of the Governmental Fund  
Balance Sheet to the Statement of Net Position  
April 30, 2015

Total Fund Balance - Governmental Fund	\$	890,934
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.</p>		1,273,136
<p>Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in the governmental fund.</p> <p>These activities consist of:</p> <p style="padding-left: 20px;">Net Pension Obligation</p> <p style="padding-left: 20px;">Compensated Absences</p>		<p>(7,820)</p> <p>(17,964)</p> <hr style="width: 100%;"/>
Net Position of Governmental Activities.	\$	<u><u>2,138,286</u></u>

Midlothian Public Library  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
Year Ended April 30, 2015

	General Fund
<b>Revenues</b>	
Property Taxes	\$ 1,077,058
Intergovernmental	18,524
Fines and Forfeitures	11,107
Charges for Services	18,106
Gifts	2,017
Interest	253
Other	1,197
Total Revenues	1,128,262
 <b>Expenditures</b>	
Current:	
General Library	1,037,633
Capital Outlay	10,548
Total Expenditures	1,048,181
Net Change in Fund Balance	80,081
Fund Balance, Beginning of Year	810,853
Fund Balance, End of Year	\$ 890,934

See Notes to the Basic Financial Statements

Midlothian Public Library  
Reconciliation of the Governmental Fund Statement of Revenues,  
Expenditures, and Change in Fund Balance to the Statement of Activities  
Year Ended April 30, 2015

Net change in fund balance \$ 80,081

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures paid while governmental activities report depreciation expense to allocate those expenditures over the lives of the assets. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital Outlay	\$	1,434	
Depreciation Expense		<u>(98,161)</u>	(96,727)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

These activities consist of:

Change in Compensated Absences		<u>(2,980)</u>	
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Change in net position of governmental activities.	\$	<u><u>(19,626)</u></u>	
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Midlothian Public Library  
Notes to the Basic Financial Statements  
April 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Midlothian Public Library provides library services to the residents of the Village of Midlothian, Illinois. The Library is governed by a 7-member board, which is elected by the public. The Library is dependent on the Village's overall ability to levy taxes and to issue bonds and is, therefore, considered to be a component unit of the Village of Midlothian, Illinois.

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

***Financial Reporting Entity***

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's board, and either a) the ability to impose its will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
2. Fiscal dependency on the primary government.

Based on the above criteria, no component units have been included within the reporting entity.

***Government-Wide and Fund Financial Statements***

***Government-Wide Financial Statements:*** The government-wide statement of net position and statement of activities report the overall financial activity of the Library. The financial activities of the Library consist of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function (i.e., library services) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs (including fines and fees), and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

***Fund Financial Statements:*** Separate financial statements are provided for governmental funds, and if applicable, proprietary funds and fiduciary (agency) funds, even though the latter are excluded from the government-wide financial statements. The fund financial statements provide information about the Library's fund. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Midlothian Public Library  
Notes to the Basic Financial Statements  
April 30, 2015

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

The Library administers the following major governmental fund:

*General Fund*— This is the Library’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the Library and accounted for in the General Fund include general services.

***Measurement Focus and 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 at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Library gives (or receives) value without directly receiving (or giving) equal value in exchange, include various taxes, state-shared revenues and various state, federal and local grants. On an accrual basis, revenues from taxes are recognized when the Library has a legal claim to the resources. Grants, entitlements, state-shared revenues and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 90 days of the end of the current fiscal year (60 days for property taxes).

Significant revenue sources which are susceptible to accrual include property taxes, other taxes, grants, charges for services, and interest. All other revenue sources are considered to be measurable and available only when cash is received.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, compensated absences are recorded only when payment is due (upon employee retirement or termination). General capital asset acquisitions are reported as expenditures in governmental funds.

***Assets, Liabilities, and Net Position or Equity***

**Cash and Cash Equivalents**

For purposes of reporting cash flows, all highly liquid investments (including restricted amounts) with original maturities of three months or less when purchased are considered to be cash and cash equivalents.

**Investments**

Investments are carried at fair value based on quoted market price for same or similar investments.

Midlothian Public Library  
Notes to the Basic Financial Statements  
April 30, 2015

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

**Capital Assets**

Capital Assets, which include land, buildings and machinery and equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$1,000, and an estimated useful life of greater than one year. Additions or improvements that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Expenditures for asset acquisitions and improvements are stated as capital outlay expenditures in the governmental fund.

These assets have been valued at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at their estimated fair market value at the date of donation.

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

Depreciation of capital assets is recorded in the statement of activities with accumulated depreciation reflected in the statement of net position and is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Equipment	5-15 years

**Unearned/Deferred Revenue**

The Library defers revenue recognition in connection with resources that have been received, but not yet earned.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**Compensated Absences**

It is the Library's policy to permit employees to accumulate earned but unused vacation benefits. All vacation is accrued when earned in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds, or if they have matured, as a result of employee resignation or retirement the Library's General Fund will be used to liquidate this liability.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations, including compensated absences, are reported as liabilities in the statement of net position. Items such as premiums, discounts, bond issuance costs and gains or losses on bond sales are capitalized and amortized over the life of the related debt.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Midlothian Public Library  
Notes to the Basic Financial Statements  
April 30, 2015

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

**Net Position**

The statement of net position presents the Library's non-fiduciary assets and liabilities with the difference reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the criteria of the two preceding categories.

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

**Fund Balances**

The Library's fund balances are required to be reported using five separate classifications as listed below. The Library may not necessarily utilize each classification in a given fiscal year:

Nonspendable – includes amounts that cannot be spent because they are either a) not in spendable form; or b) legally or contractually required to be maintained intact.

Restricted – includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Library's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Library removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Library's highest level of decision-making authority rests with the Library's Board of Trustees. The Library passes formal resolutions to commit their fund balances. At April 30, 2015, the Library has not committed fund balances.

Midlothian Public Library  
Notes to the Basic Financial Statements  
April 30, 2015

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

Assigned – includes amounts that are constrained by the Library’s intent to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: a) the Library’s Board of Trustees itself; or b) a body or official to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes. The Library’s Board of Trustees has not authorized any other body or official to assign amounts for specific purpose within the General Fund. Within the other governmental fund types (special revenue, debt service, capital projects) resources are assigned in accordance with the established fund purpose and approved budget/appropriation. Residual fund balances in these fund types that are not restricted or committed are reported as assigned. Within these same funds, a residual deficit, if any, is reported as unassigned. At April 30, 2015, the Library has no assigned fund balances.

Unassigned – includes the residual fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the Library’s policy for the General Fund to consider restricted resources to have been spent first when an expenditure is incurred for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

For all other governmental funds, it is the Library’s policy to consider unrestricted resources (i.e., committed, assigned) to have been spent first, followed by restricted resources. At April 30, 2015, the Library has no fund balance restrictions.

**Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from these estimates.

**2. PROPERTY TAXES**

The Library annually establishes a legal right to revenue from property tax assessments upon enactment of a tax levy ordinance by the Village Board. Property taxes are recognized as a receivable at the time they are levied. Since the 2014 tax levy is intended to finance the expenditures for the year ending April 30, 2016, the entire 2014 tax levy has been reflected as deferred/unearned revenue as of April 30, 2015. The 2013 property tax levy, together with any prior levy year collections, has been recognized as revenue for the year ended April 30, 2015. A reduction for collection losses based on historical collection experience has been provided to reduce the taxes receivable to the estimated amounts to be collected.

Midlothian Public Library  
Notes to the Basic Financial Statements  
April 30, 2015

**2. PROPERTY TAXES (continued)**

The property tax calendar for the 2014 levy is as follows:

Levy Date	December 8, 2014
Lien Date	January 1, 2014
Tax Bills Mailed (at least 30 days prior to collection deadline)	
First Installation Date	March 1, 2015
Second Installment Date	September 1, 2015

Property taxes are billed and collected by the County Treasurer of Cook County, Illinois.

The Library's 2014 tax rates per \$100 of assessed valuation, together with the related maximum tax rates, where applicable, are as follows:

General (maximum tax rate .6000)	0.5726
Illinois Municipal; Retirement	0.0263
Social Security	0.0263
Auditing	0.0046
Liability Insurance	0.0036
Workers' Compensation	<u>0.0017</u>
	<u>0.6351</u>

**3. CASH AND INVESTMENTS**

**Deposits**

State statutes authorize the Library to make deposits in interest bearing depository accounts in federally insured and/or state chartered banks, savings and loan associations, and credit unions. As of April 30, 2015, the Library had deposits with federally insured financial institutions, excluding cash on hand of \$30 with book balances totaling \$133,699 and bank balances totaling \$165,336.

*Custodial Credit Risk – Deposits* – In the case of deposits, this is the risk that in the event of bank failure, the Library's deposits may not be returned to it. The Library does not have an investment policy for custodial credit risk for deposits.

**Investments**

As of April 30, 2015, the Library has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Illinois Funds	\$ 1,319,268

Midlothian Public Library  
Notes to the Basic Financial Statements  
April 30, 2015

**3. CASH AND INVESTMENTS (continued)**

The Illinois Funds Investment Pool is not registered with the SEC. The pool is sponsored by the Treasurer of the State of Illinois, in accordance with State law. The fair value of the position in the Pool is the same as the value of the Pool shares.

*Interest Rate Risk* – The Library’s investment policy does not limit the Library’s investment portfolio to specific maturities. None of the Library’s investments are subject to interest rate risk.

*Credit Risk* – State statutes allow the Library to invest in direct obligations of, or obligations guaranteed by, the United States Treasury or agencies of the United States, and short-term obligations of corporations organized in the United States with assets exceeding \$ 500,000,000. The Library is also authorized to invest in the Illinois Funds. Investments in Illinois Funds were rated AAAm by Standard and Poor’s. The Library’s investment policy does not address credit risk.

*Concentration of Credit Risk* – The Library’s investment policy does not restrict the amount of investments in any one issuer. All of the Library’s investments are in the Illinois Funds.

*Custodial Credit Risk – Investments* – For an investment, this is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Illinois Funds held by the Library are not subject to custodial credit risk. The Library’s investment policy does not address custodial credit risk for investments.

**4. CAPITAL ASSETS**

The following is a summary of changes in capital assets for governmental activities during the fiscal year.

	<u>Balance</u> <u>May 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>April 30, 2015</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 126,124	\$ -	\$ -	\$ 126,124
Capital Assets, being depreciated:				
Buildings	2,163,277	-	-	2,163,277
Machinery and Equipment	470,196	1,434	-	471,630
Total Capital Assets being depreciated	<u>2,633,473</u>	<u>1,434</u>	<u>-</u>	<u>2,634,907</u>

Midlothian Public Library  
Notes to the Basic Financial Statements  
April 30, 2015

**4. CAPITAL ASSETS (continued)**

	Balance May 1, 2014	Additions	Retirements	Balance April 30, 2015
Less accumulated depreciation for:				
Buildings	\$ (1,097,004)	\$ (62,105)	\$ -	\$ (1,159,109)
Machinery and Equipment	(292,730)	(36,056)	-	(328,786)
Total accumulated depreciation	<u>(1,389,734)</u>	<u>(98,161)</u>	<u>-</u>	<u>(1,487,895)</u>
Total Capital Assets being depreciated, net	<u>1,243,739</u>	<u>(96,727)</u>	<u>-</u>	<u>1,147,012</u>
Governmental Activities				
Capital Assets, net	<u>\$ 1,369,863</u>	<u>\$ (96,727)</u>	<u>\$ -</u>	<u>\$ 1,273,136</u>

The entire balance of depreciation expense was charged to general library.

**5. LONG-TERM DEBT**

The following is a summary of long-term obligation activity for the Library associated with governmental activities for the year ended April 30, 2015:

	Balance May 1, 2014	Additions	Reductions	Balance April 30, 2015	Due Within One Year
Net pension obligation	\$ 7,820	\$ -	\$ -	\$ 7,820	\$ -
Compensated absences	14,984	17,964	(14,984)	17,964	17,964
	<u>\$ 22,804</u>	<u>\$ 17,964</u>	<u>\$ (14,984)</u>	<u>\$ 25,784</u>	<u>\$ 17,964</u>

**6. DEFINED BENEFIT PENSION PLAN**

The Library participates in the Illinois Municipal Retirement Fund through the Village of Midlothian, Illinois. Accordingly, information that follows related to the Village, as a whole as separate information for the Library, is not available.

*Plan Description.* The Village and Library's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Village and Library plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

Information related to the employer's contributions and three-year trend information is on a fiscal year basis. The actuarial information and schedule of funding progress are on a calendar year basis as that is the year used by IMRF.

Midlothian Public Library  
Notes to the Basic Financial Statements  
April 30, 2015

**6. DEFINED BENEFIT PENSION PLAN (continued)**

*Funding Policy.* As set by statute, the Village and Library's regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rates for calendar years ended December 31, 2014 and 2013 used by the Village and Library were 11.90 percent and 11.90 percent, respectively, of annual covered payroll. The Village and Library also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

The required contributions for 2014 and 2013 were determined as part of the December 31, 2012 and 2011 actuarial valuations using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2012 and 2011, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10.0 percent per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3.0 percent annually.

The actuarial value of the Village and Library's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20 percent corridor between the actuarial and market value of assets. The Village and Library's regular plan's unfunded actuarial accrued liability at the December 31, 2012 and 2011 is being amortized as a level percentage of projected payroll on an open 30 year basis.

*Annual Pension Cost.* The following table shows the components of the Village and Library's annual pension costs for the fiscal year ended April 30, 2015, the amount actually contributed to the plan, and changes in the Village and Library's net pension obligation to the plan:

Annual required contribution	\$ 277,478
Interest on net pension obligation	3,882
Adjustment to annual requirement contribution	<u>(2,775)</u>
Annual pension cost	278,585
Contributions made	<u>277,478</u>
Increase in net pension obligation	1,107
Net pension obligation, beginning of year	<u>51,763</u>
Net pension obligation, end of year	<u><u>\$ 52,870</u></u>
Net pension obligation, Village	\$ 45,050
Net pension obligation, Library	<u>7,820</u>
Net pension obligation, end of year	<u><u>\$ 52,870</u></u>

Midlothian Public Library  
Notes to the Basic Financial Statements  
April 30, 2015

**6. DEFINED BENEFIT PENSION PLAN (continued)**

**Three-Year Trend Information for the Regular Plan**

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
4/30/2015	\$ 277,478	100%	\$ 52,870
4/30/2014	245,673	100%	51,763
4/30/2013	288,960	100%	50,679

*Funded Status and Funding Progress.* As of December 31, 2014, the most recent actuarial valuation date, the regular plan was 61.72 percent funded. The actuarial accrued liability for benefits was \$5,092,931 and the actuarial value of assets was \$3,143,456, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,949,475. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$1,771,039 and the ratio of the UAAL to the covered payroll was 110 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**7. RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction to assets; errors and omissions; injuries to employees, and natural disasters. The Library is a member of the Joint Self-Insurance Pool (Joint Insurance Pool) which is a public entity risk pool. Joint Insurance Pool was formed for the purpose of reducing losses of liability claims and to reduce the cost of insuring against claims for any public libraries and library systems in the State of Illinois whose applications have been accepted by the pool. The Library pays annual premiums to Joint Insurance Pool for a portion of its general liability coverage.

The Library assumes the first \$ 1,000 of each occurrence, and Joint Insurance Pool has a mix of self-insurance and commercial insurance at various amounts above that level. The Library does not exercise any control over the activities of the Joint Insurance Pool.

The Library, along with Joint Insurance Pool's other members, has a contractual obligation to fund any deficit of Joint Insurance Pool attributable to a membership year during which it was a member. Supplemental contributions may be required to fund these deficits. There have been no supplemental contributions in any of the last three fiscal years.

Participation in the Joint Insurance Pool is voluntary and is established by the execution of an intergovernmental agreement between the Library and the Joint Insurance Pool. It is the purpose of the members to contract with the Joint Insurance Pool and to assume joint liability under a self-insurance program as a member.

The Library carries various commercial insurance policies for its employee health and accident claims, worker's compensation, a portion of its general liability and its property coverages. Settled claims have not exceeded insurance coverage during any of the past three years.

Midlothian Public Library  
Notes to the Basic Financial Statements  
April 30, 2015

**7. RISK MANAGEMENT (continued)**

The Library has not had significant reductions in insurance coverage during the current year, nor did settlements exceed insurance coverage in any of the last three years.

**8. DEFERRED COMPENSATION PLAN**

The Library offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Library employees, permits them to defer a portion of their salary until future years. Such accruals accumulate on a tax-deferred basis until the employee withdraws the funds. There were no contributions made to the plan by the Library for the year ended April 30, 2015.

**REQUIRED SUPPLEMENTARY INFORMATION**

Midlothian Public Library  
Illinois Municipal Retirement Fund  
Schedule of Funding Progress  
April 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2014	\$ 3,143,456	\$ 5,092,931	\$ 1,949,475	61.72%	\$ 1,771,039	110.08%
12/31/2013	4,989,274	6,250,800	1,261,526	79.82%	2,161,588	58.36%
12/31/2012	5,116,508	6,571,704	1,455,196	77.86%	2,283,318	63.73%

The Library participates in the Village of Midlothian's Illinois Municipal Retirement Fund membership. The above data is Village information. The Library's portions are not individually determinable.

On a market value basis, the actuarial value of assets as of December 31, 2014 is \$4,144,031. On a market value basis the funded ratio would be 81.37 percent.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the Village of Midlothian. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100 percent funded.

Midlothian Public Library  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual - General Fund  
Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance
<b>Revenues</b>			
Property Taxes	\$ 1,111,800	\$ 1,077,058	\$ (34,742)
Replacement Taxes	3,300	-	(3,300)
Intergovernmental	15,200	18,524	3,324
Fines and Forfeitures	13,000	11,107	(1,893)
Charges for Services	20,700	18,106	(2,594)
Gifts	2,000	2,017	17
Interest	900	253	(647)
Other	4,000	1,197	(2,803)
Total Revenues	<u>1,170,900</u>	<u>1,128,262</u>	<u>(42,638)</u>
<b>Expenditures</b>			
Current:			
General Library	1,202,050	1,037,633	(164,417)
Capital Outlay	80,000	10,548	(69,452)
Total Expenditures	<u>1,282,050</u>	<u>1,048,181</u>	<u>(233,869)</u>
Net Change in Fund Balance	<u>\$ (111,150)</u>	80,081	<u>\$ 191,231</u>
Fund Balance, Beginning of Year		<u>776,194</u>	
Fund Balance, End of Year		<u>\$ 856,275</u>	

See Notes to the Required Supplementary Information

Midlothian Public Library  
Notes to the Required Supplemental Information  
April 30, 2015

**NOTE 1. BUDGETARY BASIS OF ACCOUNTING**

The General Fund budget is adopted on a basis consistent with generally accepted accounting principles.

**NOTE 2. BUDGETS AND BUDGETARY INFORMATION**

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

- a) The Board of Trustees develops a proposed operating budget for the fiscal year commencing the following July 1. The operating budget resolution includes proposed expenditures and the means of financing them.
- b) Public hearings are conducted by the Village of Midlothian, Illinois, to obtain taxpayer comments.
- c) Subsequently, the budget is legally enacted through passage of an ordinance.
- d) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- e) Budgets for the General Fund and Debt Service Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- f) Budgetary authority lapses at year-end.
- g) State law requires that “expenditures be made in conformity with appropriation/budget.” As under the Budget Act, transfers between line items and departments may be made by administrative action. Amounts to be transferred between funds would require Library Board approval. Legal budgetary control is maintained at fund level.
- h) Budgeted amounts are as originally adopted.

**OTHER SUPPLEMENTARY INFORMATION**

Midlothian Public Library  
Schedule of Expenditures - Budget and Actual - General Fund  
Year Ended April 30, 2015  
With Comparative Amounts for 2014

	2015		2014
	Original and Final Budget	Actual	Actual
<b>Expenditures:</b>			
General Library:			
Personnel:			
Staff Salaries	\$ 585,000	\$ 552,248	\$ 536,190
Janitorial/Cleaning Services	22,000	16,653	16,983
Total Personnel	<u>607,000</u>	<u>568,901</u>	<u>553,173</u>
Contractual Services:			
Copy Machine Maintenance and Supplies	32,000	14,148	13,869
Association Dues	3,000	3,096	2,381
Seminars and Workshops	7,000	1,619	3,090
Insurance Premiums	26,000	19,627	18,377
Health Insurance	75,000	61,975	67,346
Maintenance of Buildings and Grounds	40,000	17,951	22,749
Programming	10,400	10,660	9,252
Accounting Services	3,500	2,400	2,400
Professional Services	42,550	49,830	23,541
Auditing Fees	10,000	9,475	7,500
Illinois Municipal Retirement and Social Security Contributions	<u>100,000</u>	<u>86,292</u>	<u>85,912</u>
Total Contractual Services	<u>349,450</u>	<u>277,073</u>	<u>256,417</u>
Commodities:			
Library Materials	123,800	102,498	110,908
Internet/Computer Readable	30,000	30,917	29,777
Library and Office Supplies	20,000	12,784	17,194
Bank Service Charge	500	236	231
Postage	1,500	1,300	919
Janitorial Supplies	5,000	1,635	2,216
Computer Operations	40,000	29,925	26,947
Alarm System	1,000	882	348
Total Commodities	<u>221,800</u>	<u>180,177</u>	<u>188,540</u>
Other:			
Heat	15,000	8,418	8,775
Telephone	3,000	2,135	2,555
Travel/Auto Reimbursement	800	164	140
Board/Staff Development	<u>5,000</u>	<u>765</u>	<u>660</u>
Total Other	<u>23,800</u>	<u>11,482</u>	<u>12,130</u>
Total General Library	<u>1,202,050</u>	<u>1,037,633</u>	<u>1,010,260</u>
Capital Outlay	<u>80,000</u>	<u>10,548</u>	<u>54,241</u>
Total Expenditures	<u>\$ 1,282,050</u>	<u>\$ 1,048,181</u>	<u>\$ 1,064,501</u>

Mildothian Public Library  
Property Tax Assessed Valuations, Rates, Extensions and Collections  
Last Five Levy Years  
April 30, 2015

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assessed Valuations					
Cook County	<u>\$ 180,333,200</u>	<u>\$ 191,699,375</u>	<u>\$ 204,885,426</u>	<u>\$ 225,235,755</u>	<u>\$ 268,988,184</u>
Tax Rates (per \$100 of assessed valuation):					
General	0.5726	0.5376	0.5041	0.4584	0.3821
IMRF	0.0263	0.0247	0.0226	0.0412	0.0310
Social Security	0.0263	0.0247	0.0226	-	-
Auditing	0.0046	0.0049	0.0045	0.0041	0.0035
Liability Insurance	0.0036	0.0033	0.0030	0.0039	0.0023
Workmen's Compensation	<u>0.0017</u>	<u>0.0021</u>	<u>0.0020</u>	<u>0.0018</u>	<u>0.0015</u>
Total Tax Rates	<u>0.6351</u>	<u>0.5973</u>	<u>0.5588</u>	<u>0.5094</u>	<u>0.4204</u>
Tax Extensions:					
General	\$ 1,032,575	\$ 1,030,670	\$ 1,032,884	\$ 1,032,369	\$ 1,016,413
IMRF	47,380	47,380	46,350	92,700	82,400
Social Security	47,380	47,380	46,350	-	-
Auditing	8,240	9,373	9,270	9,270	9,270
Liability Insurance	6,489	6,232	6,180	8,755	6,180
Workmen's Compensation	<u>3,090</u>	<u>4,120</u>	<u>4,120</u>	<u>4,120</u>	<u>4,120</u>
Total Tax Extensions	<u>\$ 1,145,154</u>	<u>\$ 1,145,155</u>	<u>\$ 1,145,154</u>	<u>\$ 1,147,214</u>	<u>\$ 1,118,383</u>
Tax Collections	<u>\$ 533,552</u>	<u>\$ 1,064,862</u>	<u>\$ 1,077,193</u>	<u>\$ 1,124,032</u>	<u>\$ 1,084,289</u>
Percent Collected	<u>46.59%</u>	<u>92.99%</u>	<u>94.07%</u>	<u>97.98%</u>	<u>96.95%</u>