



**MORTON GROVE PUBLIC LIBRARY  
MORTON GROVE, ILLINOIS**

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ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2018



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**MORTON GROVE PUBLIC LIBRARY**  
**MORTON GROVE, ILLINOIS**  
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## **INDEPENDENT AUDITOR'S REPORT**

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable President  
Members of the Board of Trustees  
Morton Grove Public Library  
Morton Grove, Illinois

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Morton Grove Public Library, Morton Grove, Illinois (the Library) as of and for the year ended December 31, 2018 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Morton Grove Public Library, Morton Grove, Illinois as of December 31, 2018, 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.

## **Change in Accounting Principle**

The Library adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses; and modified certain disclosures in the notes to financial statements and the required supplementary information as discussed in Note 10 to the basic financial statements. Our opinion is not modified with respect to this matter.

## **Emphasis of Matter**

The Library has not presented a Management's Discussion and Analysis as required supplementary information 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that required supplementary information 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.

*Sikich LLP*

Naperville, Illinois  
April 19, 2019

**GENERAL PURPOSE EXTERNAL  
FINANCIAL STATEMENTS**

**MORTON GROVE PUBLIC LIBRARY  
MORTON GROVE, ILLINOIS**

STATEMENT OF NET POSITION

December 31, 2018

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,351,086
Property taxes receivable - net	3,406,072
Accounts receivable	25,018
Capital assets, not being depreciated	79,000
Capital assets, net of depreciation	2,772,622
Total assets	7,633,798
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension items - IMRF	188,293
Pension items - MERF	236,988
Total deferred outflows of resources	425,281
Total assets and deferred outflows of resources	\$ 8,059,079
<b>LIABILITIES</b>	
Accounts payable	\$ 24,115
Wages payable	39,571
Unearned revenue	6,817
Noncurrent liabilities	
Due within one year	11,367
Due in more than one year	2,934,770
Total liabilities	3,016,640
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension items - IMRF	183,199
Pension items - OPEB	7,347
Deferred property tax revenue	3,404,231
Total deferred inflows of resources	3,594,777
Total liabilities and deferred inflows of resources	6,611,417
<b>NET POSITION</b>	
Net investment in capital assets	2,851,622
Unrestricted (deficit)	(1,403,960)
<b>TOTAL NET POSITION</b>	\$ 1,447,662

See accompanying notes to financial statements.

**MORTON GROVE PUBLIC LIBRARY  
MORTON GROVE, ILLINOIS**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating	Capital	Revenue and
			Grants and Contributions	Grants and Contributions	Changes in Net Position
					Governmental Activities
Governmental Activities					
Culture and recreation	\$ 2,851,518	\$ 38,411	\$ 83,533	\$ -	\$ (2,729,574)
Interest	564	-	-	-	(564)
Total governmental activities	2,852,082	38,411	83,533	-	(2,730,138)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 2,852,082</b>	<b>\$ 38,411</b>	<b>\$ 83,533</b>	<b>\$ -</b>	<b>(2,730,138)</b>
			General revenues		
			Taxes		
			Property		3,338,273
			Replacement		25,018
			Investment income		19,177
			Miscellaneous		7,265
			Total		3,389,733
			CHANGE IN NET POSITION		659,595
			NET POSITION, JANUARY 1		902,033
			Change in accounting principle		(113,966)
			NET POSITION, JANUARY 1, RESTATED		788,067
			<b>NET POSITION, DECEMBER 31</b>		<b>\$ 1,447,662</b>

See accompanying notes to financial statements.



**MORTON GROVE PUBLIC LIBRARY  
MORTON GROVE, ILLINOIS**

BALANCE SHEET

December 31, 2018

	<b>General Fund</b>	<b>Special Reserve Fund (Nonmajor)</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,236,800	\$ 114,286	\$ 1,351,086
Receivables			
Property taxes receivable - net	3,406,072	-	3,406,072
Accounts	25,018	-	25,018
	<b>\$ 4,667,890</b>	<b>\$ 114,286</b>	<b>\$ 4,782,176</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 24,115	\$ -	\$ 24,115
Wages payable	39,571	-	39,571
Unearned revenue	6,817	-	6,817
	70,503	-	70,503
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	3,404,231	-	3,404,231
	3,404,231	-	3,404,231
Total liabilities and deferred inflows of resources	3,474,734	-	3,474,734
<b>FUND BALANCES</b>			
Unrestricted			
Committed			
Special reserve	-	114,286	114,286
Unassigned	1,193,156	-	1,193,156
	1,193,156	114,286	1,307,442
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,667,890</b>	<b>\$ 114,286</b>	<b>\$ 4,782,176</b>

See accompanying notes to financial statements.

**MORTON GROVE PUBLIC LIBRARY**  
**MORTON GROVE, ILLINOIS**

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

December 31, 2018

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<b>FUND BALANCES OF GOVERNMENTAL FUNDS</b>	\$ 1,307,442
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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	2,851,622
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Differences between expected and actual experiences, assumption changes, and net difference between projected and actual earnings for the Illinois Municipal Retirement Fund are recognized as deferred outflows and inflows of resources on the statement of net position	5,094
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Differences between expected and actual experiences, assumptions changes, and net difference between projected and actual earnings for the Municipal Employers' Retirement Plan are recognized as deferred outflows and inflows of resources on the statement of net position	236,988
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Differences between expected and actual experiences, assumption changes, and net difference between projected and actual earnings for the Other Postemployment Benefit (OPEB) Plan are recognized as deferred outflows and inflows of resources on the statement of net position	(7,347)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
OPEB Liability	(103,590)
Net pension liability - IMRF	(178,860)
Net pension liability - MERF	(2,650,641)
Compensated absences	<u>(13,046)</u>

<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 1,447,662</u></u>
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See accompanying notes to financial statements.

**MORTON GROVE PUBLIC LIBRARY  
MORTON GROVE, ILLINOIS**

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

For the Year Ended December 31, 2018

	<b>General Fund</b>	<b>Special Reserve Fund (Nonmajor)</b>	<b>Total</b>
<b>REVENUES</b>			
Property taxes	\$ 3,338,273	\$ -	\$ 3,338,273
Replacement taxes	25,018	-	25,018
Intergovernmental	83,533	-	83,533
Charges for services	20,208	-	20,208
Fines	18,203	-	18,203
Investment income	18,236	941	19,177
Miscellaneous	7,265	-	7,265
	<hr/>		
Total revenues	3,510,736	941	3,511,677
<b>EXPENDITURES</b>			
Current			
Culture and recreation	3,151,091	15	3,151,106
Debt service			
Principal	50,867	-	50,867
Interest	564	-	564
	<hr/>		
Total expenditures	3,202,522	15	3,202,537
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	308,214	926	309,140
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	38,676	38,676
Transfers (out)	(38,676)	-	(38,676)
	<hr/>		
Total other financing sources (uses)	(38,676)	38,676	-
<b>NET CHANGE IN FUND BALANCE</b>			
	269,538	39,602	309,140
<b>FUND BALANCE, JANUARY 1</b>			
	923,618	74,684	998,302
<hr/>			
<b>FUND BALANCE, DECEMBER 31</b>	<b>\$ 1,193,156</b>	<b>\$ 114,286</b>	<b>\$ 1,307,442</b>

See accompanying notes to financial statements.

**MORTON GROVE PUBLIC LIBRARY  
MORTON GROVE, ILLINOIS**

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

For the Year Ended December 31, 2018

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<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$ 309,140
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	20,733
Depreciation expense does not require the use of current financial statement resources and, therefore, is not reported as an expenditure in the governmental funds	(90,180)
Governmental funds do not report compensated absences; however, they are recognized as a change to expenses on the statement of activities	1,369
The repayment of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities	50,867
The change in the Other Postemployment Benefit liability and deferred inflows of resources is not a source or use of financial resources	3,029
The change in the Illinois Municipal Retirement Fund net pension liability and deferred outflows/inflows of resources is not a source or use of financial resources	26,177
The change in the Municipal Employers' Retirement Plan net pension liability and deferred outflows/inflows of resources is not a source or use of financial resources	<u>338,460</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 659,595</u></u>

See accompanying notes to financial statements.

**MORTON GROVE PUBLIC LIBRARY  
MORTON GROVE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Morton Grove Public Library, Morton Grove, 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 separately elected 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 to be fiscally independent and not to be a component unit of the Village of Morton Grove, 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.

Funds used by the Library are classified as governmental funds.

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

The Special Reserve Fund is used to account for capital improvements to the Library, purchase of equipment for the Library facilities and for repairs to the Library buildings and equipment.

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

c. Government-Wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Library. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Library has no business-type activities.

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. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Library reports the following major governmental fund:

The General Fund is the Library's primary operating fund. It accounts for all operating activities of the Library.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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. Expenditures are recorded when the related liability is incurred. Principal and interest on general long-term debt are recorded as expenditures become due.

The Library reports unearned/deferred revenue and unavailable revenue on its financial statements. Unavailable revenues arise when a potential revenue does not meet both the available criteria for recognition in the current period, under the modified accrual basis of accounting. Unearned/deferred revenue arises when a revenue is measurable but not earned under the accrual basis of accounting. Unearned/deferred revenues also arise when resources are received by the Library before it has a legal claim to them or prior to the provision of services, 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 and deferred inflows of resource for unearned/deferred and unavailable revenue are removed from the financial statements and revenue is recognized.

e. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

f. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental activities columns 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of the donation.

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

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

f. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	5-50
Machinery and equipment	5-20
Artwork	10

g. Compensated Absences

Vested or accumulated vacation of governmental activities at the government-wide level is recorded as an expense and liability as the benefits accrue to employees. Vested or accumulated vacation and compensatory leave 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. Unused sick leave benefits will not be paid to employees while they are employed or upon termination.

h. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds. Bonds payable, if any, are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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 expenditures.



**MORTON GROVE PUBLIC LIBRARY**  
**MORTON GROVE, 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. Fund Equity/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or are 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 or from enabling legislation adopted by the Library. Committed fund balance is constrained by formal actions of the Library's Board of Trustees, which is considered the Library's highest level of decision-making authority. Formal actions include resolutions approved by the Board of Trustees. 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 by the Fund Balance and Reserve Policy. Any residual fund balance in the General Fund and any deficit fund balance of any other governmental fund are reported as unassigned.

The Library has not adopted a flow of funds policy; therefore, in accordance with GASB Statement No. 54, the default flow of funds has been applied which 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 funds and then unassigned funds.

In the government-wide financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. None of the Library's restricted net position resulted from enabling legislation adopted by the Library. Net investment in capital assets is the book value of capital assets less any long-term debt outstanding that was issued to construct or acquire the capital assets.

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

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

k. Use of Estimates

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

**2. DEPOSITS AND INVESTMENTS**

The Library categorizes the fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Permitted Deposits and Investments - The Library's investment policy authorizes the Library to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, certificates of deposit, banker's acceptances, commercial paper rated in the highest tier by a nationally recognized rating agency, investment-grade obligations of state, provincial and local governments and public authorities, repurchase agreements whose underlying securities adhere to the above securities, certain money market mutual funds and local government investment pools (such as The Illinois Funds).

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

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

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

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

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Library's deposits may not be returned to it. The Library's investment policy requires pledging of collateral with a fair value of 110% of all bank balances in excess of federal depository insurance with the collateral held by a third party in the name of the District. As of December 31, 2018, all of the Library's deposits were insured, collateralized and unexposed to custodial credit risk.

b. Investments

Interest rate risk is the risk that change 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 so that securities mature concurrent with cash needs. The investment policy limits the maximum maturity length of investments to five years from date of purchase, unless specific authority is given to exceed.

Investments in reserve funds may be purchased with maturities to match future projects or liability requirements. In addition, the policy requires the Library to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

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 investing in The Illinois Funds or obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government. The Illinois Funds are rated AAA by Standard and Poor's.

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. To limit its exposure, the Library's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Library's agent separate from where the investment was purchased or by the trust department of the bank where purchased, in the Library's name. The Illinois Funds are not subject to custodial credit risk.

Concentration of credit risk of loss attributed to the magnitude of the Library's investment in a single issuer. The Library's investment policy does not address concentration of credit risk.

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

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

b. Investments (Continued)

The following table presents the investments and maturities of the Library's debt securities as of December 31, 2018:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
Negotiable certificates of deposit	\$ 200,378	\$ 100,193	\$ 100,185	\$ -	\$ -
<b>TOTAL</b>	<b>\$ 200,378</b>	<b>\$ 100,193</b>	<b>\$ 100,185</b>	<b>\$ -</b>	<b>\$ -</b>

The Library has the following recurring fair value measurements as of December 31, 2018: negotiable certificates of deposit of \$200,378 are significant other observable inputs and are part of a limited secondary market and are valued using quoted matrix pricing models (Level 2 inputs).

**3. PROPERTY TAXES**

Property taxes for 2018 attach as an enforceable lien on January 1, 2018, on property values assessed as of the same date. Taxes are levied by December of the same fiscal year (by passage of a tax levy ordinance). Taxes levied in one year become due and payable in two installments, on or about March 1 or June 1 and September 1 of the following year.

Property taxes collected which are used to finance the current year's operations are recognized as revenue. Property taxes collected which are used to finance the subsequent year's operations, and net taxes receivable are reported as a deferred inflow of resources.

Based upon collection histories, the Library has provided an allowance for uncollectible property taxes equivalent to 1% of the current year's levy. All uncollected taxes related to prior years' levies have been written off.

**4. CAPITAL ASSETS**

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

	Beginning Balances	Additions	Retirements	Ending Balances
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 79,000	\$ -	\$ -	\$ 79,000
Total capital assets not being depreciated	79,000	-	-	79,000

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

**4. CAPITAL ASSETS (Continued)**

	Beginning Balances	Additions	Retirements	Ending Balances
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets being depreciated				
Buildings and improvements	\$ 4,120,072	\$ 12,233	\$ -	\$ 4,132,305
Equipment and vehicles	164,470	8,500	-	172,970
Total capital assets being depreciated	<u>4,284,542</u>	<u>20,733</u>	<u>-</u>	<u>4,305,275</u>
Less accumulated depreciation for				
Buildings and improvements	1,382,276	80,245	-	1,462,521
Equipment and vehicles	60,197	9,935	-	70,132
Total accumulated depreciation	<u>1,442,473</u>	<u>90,180</u>	<u>-</u>	<u>1,532,653</u>
Total capital assets being depreciated, net	<u>2,842,069</u>	<u>(69,447)</u>	<u>-</u>	<u>2,772,622</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 2,921,069</u>	<u>\$ (69,447)</u>	<u>\$ -</u>	<u>\$ 2,851,622</u>

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

<b>GOVERNMENTAL ACTIVITIES</b>	
Culture and recreation	<u>\$ 90,180</u>

**5. LONG-TERM DEBT**

a. Changes in Long-Term Liabilities

During the year ended December 31, 2018, the following changes occurred in long-term liabilities reported in the governmental activities:

	Beginning Balances, Restated	Additions	Reductions	Ending Balances	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Compensated absences payable	\$ 14,415	\$ 73	\$ 1,442	\$ 13,046	\$ 1,305
Net pension liability - MERF	2,999,278	-	348,637	2,650,641	-
Net pension liability - IMRF	387,146	-	208,286	178,860	-
OPEB Liability	113,966	-	10,376	103,590	10,062
Loan payable	50,867	-	50,867	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 3,565,672</u>	<u>\$ 73</u>	<u>\$ 619,608</u>	<u>\$ 2,946,137</u>	<u>\$ 11,367</u>

**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 three fiscal years.

**7. EMPLOYEE RETIREMENT SYSTEMS**

The Library contributes to two defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employees retirement system and the Municipal Employees' Retirement Fund (MERF), an agent multiple-employer plan. 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. All disclosures for an agent multiple-employer plan can be found in the Village's comprehensive annual financial report. The Library also participates with the Village in the MERF plan. However, a separate valuation is prepared for the Library's participation in MERF.

a. Plan Descriptions

Illinois Municipal Retirement Fund

*Plan Administration*

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

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

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

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**7. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Benefits Provided (Continued)*

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

*Contributions*

Participating members are required to contribute 4.50% of their annual salary to IMRF. The Village and Library are required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the year ended December 31, 2018 was 9.16% of covered payroll. For the year ended December 31, 2017, required employer contributions totaled \$109,081, which was equal to the Library's actual contributions.

*Net Pension Liability*

At December 31, 2018, the Library reported a liability of \$178,860 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, 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 a projection of the Library's long-term share of contributions to the pension plan relative to the projected contributions of the Village and the Library combined. At December 31, 2017, the Library's proportion was 27.59%.

*Actuarial Assumptions*

The Library's net pension liability was measured as of December 31, 2017 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.

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

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**7. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

*Actuarial Assumptions (Continued)*

Actuarial valuation date	December 31, 2017
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	3.39% to 14.25%
Interest rate	7.50%
Cost of living adjustments	3.50%
Asset valuation method	Market value

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Discount Rate*

At December 31, 2017, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members.



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

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**7. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

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

For the year ended December 31, 2018, the Library recognized pension expense of \$82,904. At December 31, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 12,122	\$ 36,250
Changes in assumption	23,545	54,749
Net difference between projected and actual earnings on pension plan investments	43,545	92,200
Contributions subsequent to measurement date	109,081	-
<b>TOTAL</b>	<u>\$ 188,293</u>	<u>\$ 183,199</u>

\$109,081 reported as deferred outflows of resources related to pensions resulting from the Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other 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 December 31,</u>	
2019	\$ (8,853)
2020	(11,732)
2021	(34,088)
2022	(38,762)
2023	(10,552)
Thereafter	-
<b>TOTAL</b>	<u>\$ (103,987)</u>

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

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**7. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

a. Plan Descriptions (Continued)

Municipal Employee Retirement Fund

*Sensitivity of the Library's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate*

The following presents the Library's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50%, as well as what the Library's net pension liability (asset) would be if it were calculated using a single discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.50%)	Current Single Discount Rate Assumption (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	\$ 519,685	\$ 178,860	\$ (94,117)

*Plan Administration*

All employees hired in positions that met or exceeded the prescribed annual hourly standard (1,000 hours) were enrolled in MERF as participating members through January 1, 2005. The plan is closed to new 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*

Pension benefits vest after ten years of service. Participating members who retire after 30 years of creditable service or at or after age 60 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of average compensation for each of the first 15 years of service, plus 2% of average compensation for each year of service in excess of 15 years. Average compensation is defined as the average of the four calendar years (within the preceding ten years of participation) during which the participant received the highest compensation.

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

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**7. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

a. Plan Descriptions (Continued)

Municipal Employee Retirement Fund (Continued)

*Benefits Provided (Continued)*

At December 31, 2017, MERF (most recent available) membership of the Library consisted of:

Inactive employees or their beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>3</u>
 TOTAL	 <u><u>17</u></u>

The Library's net pension liability was measured as of December 31, 2017 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, 2017
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	3.00%
Salary increases	4.50%
Interest rate	4.50%
Cost of living adjustments	3.00%
Asset valuation method	Market value

The actuary used the rates from the December 31, 2017 IMRF Experience Study.

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

**7. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

a. Plan Descriptions (Continued)

Municipal Employee Retirement Fund (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 4.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the MERF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2018	\$ 3,605,076	\$ 605,798	\$ 2,999,278
Changes for the period			
Service cost	12,961	-	12,961
Interest	158,160	-	158,160
Difference between expected and actual experience	197,142	-	197,142
Changes in assumptions	(492,119)	-	(492,119)
Employer contributions	-	208,888	(208,888)
Employee contributions	-	2,873	(2,873)
Net investment income	-	13,020	(13,020)
Benefit payments and refunds	(180,801)	(180,801)	-
Administrative expense	-	-	-
Other (net transfer)	-	-	-
Net changes	(304,657)	43,980	(348,637)
BALANCES AT DECEMBER 31, 2018	\$ 3,300,419	\$ 649,778	\$ 2,650,641

The table above includes the total pension liability and the plan fiduciary net position for the Library only.

No changes in assumptions related to retirement age and mortality were made since the prior measurement date. Additionally, there were no changes to the discount rate.

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

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**7. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

a. Plan Descriptions (Continued)

Municipal Employee Retirement Fund (Continued)

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

For the year ended December 31, 2018, the Library recognized pension expense of \$(140,718).

At December 31, 2018, the Library reported deferred outflows of resources related to MERF from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ -
Changes in assumption	-
Net difference between projected and actual earnings on pension plan investments	39,246
Contributions subsequent to the measurement date	<u>197,742</u>
<b>TOTAL</b>	<b><u>\$ 236,988</u></b>

\$197,742 reported as deferred outflows of resources related to pensions resulting from the Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MERF will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2019	\$ 13,968
2020	13,964
2021	8,329
2022	2,985
Thereafter	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 39,246</u></b>

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

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**7. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

a. Plan Descriptions (Continued)

Municipal Employee Retirement Fund (Continued)

*Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Library calculated using the discount rate of 4.50% 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 (3.50%) or 1 percentage point higher (5.50%) than the current rate:

	1% Decrease (3.50%)	Current Discount Rate (4.50%)	1% Increase (5.50%)
Net pension liability	\$ 2,986,572	\$ 2,650,641	\$ 2,363,228

**8. OTHER POSTEMPLOYMENT BENEFITS**

a. Plan Description

In addition to providing the pension benefits described, the Library provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan (the Plan). The benefits, benefit levels, employee contributions and employer contributions are governed by the Library and can be amended by the Library through its personnel manual. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue a separate report. The activity of the plan is reported in the Library's governmental activities.

b. Benefits Provided

The Library provides the opportunity for retirees to participate in the Library's postretirement health insurance. To be eligible for benefits, the employee must qualify for retirement under the IMRF. An implicit benefit is provided due to the retirees paying 100% of the premium to the plan.

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

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**8. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

c. Membership

At December 31, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>24</u>
 TOTAL	 <u><u>24</u></u>
 Participating employers	 <u>1</u>

d. Total OPEB Liability

The District's total OPEB liability of \$103,590 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

e. Actuarial Assumptions and Other Inputs

The total OPEB liability at December 31, 2018, as determined by an actuarial valuation as of January 1, 2018, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liability was rolled forward by the actuary using updated procedures to December 31, 2018, including updating the discount rate at December 31, 2018, as noted below.

Actuarial cost method	Entry-age normal
Actuarial value of assets	Market value
Inflation	2.50%
Discount rate	4.10%
Healthcare cost trend rates	1.99% (PPO A) and 4.01% (PPO B) in fiscal 2018, to an ultimate trend rate of 5.00%

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

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**8. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

e. Actuarial Assumptions and Other Inputs (Continued)

The discount rate was based on the S&P Municipal Bond 20 year high-grade rate index rate for tax exempt general obligation municipal bonds rated AA or better at December 31, 2018.

IMRF and MERF Mortality follows the Sex Distinct Raw Rates as developed in the RP-2014 Study, with Blue Collar Adjustment. These rates are improved generationally using MP-2016 Improvement Rates.

Spousal Mortality follows the Sex Distinct Raw Rates as developed in the RP-2014 Study. These rates are improved generationally using MP-2016 Improvement Rates.

The actuarial assumptions used in the January 1, 2018 valuation are based on 100% participation assumed (IMRF and MERF) at retirement, with 25% electing spousal coverage.

f. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
BALANCES AT JANUARY 1, 2018	<u>\$ 113,966</u>
Changes for the period	
Service cost	3,750
Interest	3,750
Changes in assumptions	(7,814)
Benefit payments	<u>(10,062)</u>
Net changes	<u>(10,376)</u>
BALANCES AT DECEMBER 31, 2018	<u><u>\$ 103,590</u></u>



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

**8. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

g. Rate Sensitivity

The following is a sensitive analysis of total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability of the Library calculated using the discount rate of 4.10% as well as what the Library's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.10%) or 1 percentage point higher (5.10%) than the current rate:

	1% Decrease (3.10%)	Current Discount Rate (4.10%)	1% Increase (5.10%)
Total OPEB liability	\$ 115,924	\$ 103,590	\$ 93,343

The table below presents the total OPEB liability of the Library calculated using the healthcare rate of 12.50% as well as what the Library's total OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower (11.50%) or 1 percentage point higher (13.50%) than the current rate:

	1% Decrease (0.99% to 3.01%)	Current Healthcare Rate (1.99% to 4.01%)	1% Increase (2.99% to 5.01%)
Total OPEB liability	\$ 91,314	\$ 103,590	\$ 118,288

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

For the year ended December 31, 2018, the Library recognized OPEB expense of \$7,033. At December 31, 2018, the Library reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	7,347
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ 7,347</b>

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

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**8. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

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

<u>Year Ending</u> <u>December 31,</u>	
2019	\$ (467)
2020	(467)
2021	(467)
2022	(467)
2023	(467)
Thereafter	<u>(5,012)</u>
 TOTAL	 <u><u>\$ (7,347)</u></u>

**9. INDIVIDUAL FUND DISCLOSURES**

a. Transfers

For the year ended December 31, 2018, individual fund transfers between funds were as follows:

<u>Transferred to</u>	<u>Transferred from</u>	<u>Amount</u>
Special Reserve	General	<u>\$ 38,676</u>
 TOTAL		 <u><u>\$ 38,676</u></u>

Significant amounts of transfers during the year ended December 31, 2018 are as follows:

- \$38,676 was transferred from the General Fund to the Special Reserve Fund for future capital improvements. This amount will not be repaid.

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

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**10. CHANGE IN ACCOUNTING PRINCIPLE**

The Library adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended December 31, 2018. The implementation of this guidance resulted in changes to the postemployment benefit related liability, revenue, expense, notes presented in the notes to financial statements and to the required supplementary information. The beginning net position reported in the government-wide financial statements has been restated to reflect the new guidance as follows:

**GOVERNMENTAL ACTIVITIES**

BEGINNING NET POSITION, AS PREVIOUSLY REPORTED	<u>\$ 902,033</u>
Change in accounting principle	
To record the opening Library OPEB liability	<u>(113,966)</u>
 BEGINNING NET POSITION, RESTATED	 <u><u>\$ 788,067</u></u>

With the implementation of GASB Statement No. 75, the Library is required to retroactively record the OPEB liability.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MORTON GROVE PUBLIC LIBRARY  
MORTON GROVE, ILLINOIS**

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

For the Year Ended December 31, 2018

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Property taxes	\$ 3,338,463	\$ 3,338,463	\$ 3,338,273
Replacement taxes	29,000	29,000	25,018
Intergovernmental	17,900	17,900	83,533
Charges for services	14,100	14,100	20,208
Fines	20,500	20,500	18,203
Investment income	5,000	5,000	18,236
Miscellaneous	2,700	2,700	7,265
	<hr/>		
Total revenues	3,427,663	3,427,663	3,510,736
<hr/>			
<b>EXPENDITURES</b>			
Current			
Culture and recreation			
Salaries and benefits	2,232,563	2,232,563	2,085,186
Materials and supplies	570,600	570,600	517,821
Operations	439,000	439,000	423,489
Special taxes	133,500	133,500	124,595
Debt service			
Principal	50,900	50,900	50,867
Interest	1,100.00	1,100.00	564
	<hr/>		
Total expenditures	3,427,663	3,427,663	3,202,522
<hr/>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	308,214
<hr/>			
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	-	-	(38,676)
	<hr/>		
Total other financing sources (uses)	-	-	(38,676)
<hr/>			
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	269,538
<hr/>			
<b>FUND BALANCE, JANUARY 1</b>			923,618
			<hr/>
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 1,193,156</b>
			<hr/> <hr/>

(See independent auditor's report.)

**MORTON GROVE PUBLIC LIBRARY  
MORTON GROVE, ILLINOIS**

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

Last Four Fiscal Years

<b>FISCAL YEAR ENDED DECEMBER 31,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Contractually required contribution	\$ 100,656	\$ 107,352	\$ 110,272	\$ 109,081
Contributions in relation to the contractually required contribution	100,656	107,352	110,272	109,081
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Library's covered payroll	\$ 1,038,762	\$ 1,130,021	\$ 1,209,123	\$ 1,190,841
Contributions as a percentage of covered payroll	9.69%	9.50%	9.12%	9.16%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuation 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 26 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate at 7.50% annually, projected salary increases assumptions of 3.39% to 14.25% compounded annually and postretirement benefit increases.

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

(See independent auditor's report.)

**MORTON GROVE PUBLIC LIBRARY  
MORTON GROVE, ILLINOIS**

SCHEDULE OF CHANGES IN THE LIBRARY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Four Fiscal Years

<b>MEASUREMENT DATE DECEMBER 31,</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017*</b>
Library's proportion of net pension liability	25.81%	22.74%	27.56%	27.59%
Library's proportionate share of net pension liability	\$ 266,843	\$ 345,465	\$ 387,146	\$ 178,860
Library's covered payroll	967,773	1,017,575	1,100,728	1,208,951
Library's proportionate share of the net pension liability as a percentage of its covered payroll	27.57%	33.95%	35.17%	14.79%
Plan fiduciary net position as a percentage of the total pension liability	80.39%	77.26%	78.16%	90.65%

\*The Library elected to report information from the December 31, 2017 actuarial valuation. See Note 10 for further information.

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

(See independent auditor's report.)

**MORTON GROVE PUBLIC LIBRARY  
MORTON GROVE, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
MUNICIPAL EMPLOYERS' RETIREMENT FUND**

Last Four Fiscal Years

<b>FISCAL YEAR ENDING DECEMBER 31,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Contractually required contribution	\$ 145,975	\$ 223,313	\$ 208,888	\$ 197,742
Contributions in relation to the contractually required contribution	146,000	223,313	\$ 208,888	\$ 197,742
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<b>\$ (25)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Library's covered payroll	\$ 237,438	\$ 147,907	\$ 148,976	\$ 151,797
Contributions as a percentage of covered payroll	61.49%	150.98%	140.22%	130.27%

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 23 years; the asset valuation method was market and the significant actuarial assumptions were an investment rate of return at 4.50% annually, projected salary increases assumption of 4.50% compounded annually and postretirement benefit increases of 3.00% compounded annually.

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

(See independent auditor's report.)



**MORTON GROVE PUBLIC LIBRARY  
MORTON GROVE, ILLINOIS**

SCHEDULE OF CHANGES IN THE EMPLOYER'S  
NET PENSION LIABILITY AND RELATED RATIOS  
MUNICIPAL EMPLOYERS' RETIREMENT FUND

Last Four Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2014	2015	2016	2017*
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 34,079	\$ 18,637	\$ 4,839	\$ 12,961
Interest	159,057	144,785	183,759	158,160
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	203,601	25,933	(38,488)	197,142
Changes of assumptions	-	1,385,673	-	(492,119)
Benefit payments, including refunds of member contributions	(280,038)	(160,777)	(1,257,122)	(180,801)
Net change in total pension liability	116,699	1,414,251	(1,107,012)	(304,657)
Total pension liability - beginning	3,181,138	3,297,837	4,712,088	3,605,076
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>\$ 3,297,837</b>	<b>\$ 4,712,088</b>	<b>\$ 3,605,076</b>	<b>\$ 3,300,419</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - employer	\$ 138,384	\$ 146,000	\$ 225,037	\$ 208,888
Contributions - member	7,715	6,131	4,105	2,873
Net investment income	47,037	42,023	15,891	13,020
Benefit payments, including refunds of member contributions	(280,038)	(160,777)	(1,257,122)	(180,801)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	(86,902)	33,377	(1,012,089)	43,980
Plan net position - beginning	1,671,412	1,584,510	1,617,887	605,798
<b>PLAN NET POSITION - ENDING</b>	<b>\$ 1,584,510</b>	<b>\$ 1,617,887</b>	<b>\$ 605,798</b>	<b>\$ 649,778</b>
<b>EMPLOYER'S NET PENSION LIABILITY</b>	<b>\$ 1,713,327</b>	<b>\$ 3,094,201</b>	<b>\$ 2,999,278</b>	<b>\$ 2,650,641</b>
Plan fiduciary net position as a percentage of the total pension liability	48.00%	34.30%	16.80%	19.70%
Covered payroll	\$ 237,438	\$ 237,438	\$ 151,335	\$ 148,976
Employer's net pension liability as a percentage of covered payroll	721.60%	1303.20%	1981.90%	1779.20%

\*The Library elected to report information from the December 31, 2017 actuarial valuation. See Note 10 for further information.

Assumption Changes:

2017: The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 3.78% to 3.44% for the current year. The underlying index used is The Bond Buyer 20-Bond GO Index. There were also changes in mortality, retirement and disability rates since the previous measurement date.

2015: The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed to 3.57% for the current year. The underlying index used is The Bond Buyer 20-Bond GO Index. There were also changes in mortality, retirement and disability rates since the previous measurement date. The discount rate used in the determination of the total pension liability was changed from 7.00% to 4.50%.

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

(See independent auditor's report.)

**MORTON GROVE PUBLIC LIBRARY  
MORTON GROVE, ILLINOIS**

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

Last Fiscal Year

<b>MEASUREMENT DATE DECEMBER 31,</b>	<b>2018</b>
<b>TOTAL OPEB LIABILITY</b>	
Service cost	\$ 3,750
Interest	3,750
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(7,814)
Benefit payments, including refunds of member contributions	(10,062)
Net change in total OPEB liability	(10,376)
Total OPEB liability - beginning	113,966
<b>TOTAL OPEB LIABILITY - ENDING</b>	<b>\$ 103,590</b>
Covered Payroll	\$ 1,199,771
Employer's total OPEB liability as a percentage of covered payroll	8.63%

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

There were changes in assumptions related to the discount rate.

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

(See independent auditor's report.)

**MORTON GROVE PUBLIC LIBRARY  
MORTON GROVE, ILLINOIS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

December 31, 2018

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**LEGAL COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

Budgets are adopted on a basis consistent with GAAP. An annual appropriated budget is adopted for the General Fund on the modified accrual basis. The annual appropriated budget is legally enacted and provides for a legal level of control at the fund level. All annual appropriations lapse at fiscal year end.

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

The director is authorized to transfer budgeted amounts between departments within the General Fund; however, any revisions that alter the total expenditures of any fund must be approved by the governing body. Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, no supplemental appropriations were needed.