

# Indian Trails Public Library District, Illinois

Annual Financial Report

June 30, 2015

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# INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS

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**INDEPENDENT AUDITOR'S REPORT**

## Independent Auditor's Report

Members of the Board of Trustees  
Indian Trails Public Library District, Illinois  
Wheeling, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund, budgetary comparison of the General Fund, and the aggregate remaining fund information of Indian Trails Public Library District, Illinois as of and for the year ended June 30, , and the related notes to the financial statements, which collectively comprise the District'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 the modified cash basis of accounting described in Note 1.C; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion 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 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 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Trails Public Library District, Illinois as of June 30, 2015, and the respective changes in financial position - modified cash basis and the budgetary comparison for the General Fund for the year then ended in accordance with the basis of accounting described in Note 1.C.

### **Basis of Accounting**

We draw attention to Note 1.C. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Disclaimer of Opinion on Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Management's Discussion and Analysis on pages 3-10, and the Additional Information on pages 26-29 are the responsibility of management, are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such 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 it.

*BKD, LLP*

Oakbrook Terrace, Illinois  
November 4, 2015

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

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

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**General Information**

The Indian Trails Public Library was established as a Library District in 1958. The purpose of the District is to provide library services to the residents of the District. The District serves most of the Village of Wheeling, half of the Village of Buffalo Grove, half of the City of Prospect Heights, and a small portion of the Village of Arlington Heights, as well as some unincorporated Cook County areas. This is done through the main library building at 355 Schoenbeck Road, Wheeling, Illinois and a branch location at 99 East Palatine Road, Suite A, Prospect Heights, Illinois.

The Management Discussion and Analysis is a required supplementary element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34. The purpose is to provide an overview of the financial activities of the Indian Trails Public Library District on currently known facts, decisions or conditions.

**Financial Highlights**

- The Indian Trails Public Library District's assets exceed its liabilities by \$15,302,417 for the fiscal year ending June 30, 2015.
- Capital Assets of \$3,887,354 include land, buildings, vehicle, furniture and equipment, net of accumulated depreciation.
- Unrestricted net position of \$9,108,509 which is available to maintain the continuing operation of the Library.
- As a result of the current year operations, there was a positive change in net position of \$508,307. This was based on a decrease in net capital assets of \$121,329, and a favorable budget variance for General Fund expenditures.

**Overview of the Financial Statements**

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

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

This report also contains other supplementary information in addition to the basic financial statements.

## **INDIAN TRAILS PUBLIC LIBRARY DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS (CONT.)**

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### *Government-wide financial statements*

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position.

The statement of activities presents information showing how the District's net position changed during the fiscal year being reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

### *Fund financial statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 District'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 District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Working Cash funds, which are considered to be major funds. Data from the remaining governmental funds – Building Maintenance, Audit, FICA, and IMRF – are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining schedules elsewhere in this report. The District adopts an annual budget for the General fund and each of the non-major funds listed above. A budgetary comparison statement has been provided to demonstrate compliance with this budget.



**INDIAN TRAILS PUBLIC LIBRARY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (CONT.)**

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*Notes to the basic financial statements*

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

**Financial Analysis of the Indian Trails Public Library District as a Whole**

The District has \$15,302,417 in total assets. Of these assets, \$3,887,354 are maintained in capital assets, net of depreciation, and are unavailable to current liabilities of the District. Of the remaining, \$2,306,554 is restricted for specific purposes and \$9,108,509 is unrestricted. The District maintains a majority of its cash available in the Illinois Funds which is a highly liquid investment pool managed by the Illinois Office of the Treasurer.

The District does not currently reflect any outstanding Long Term Liabilities.

**Summary of Net Position – Modified Cash Basis**

	June 30, 2015 Balances	Percent of Total	June 30, 2014 Balances
Assets:			
Cash and Investments	\$ 11,415,063	74.6%	10,785,427
Capital Assets	3,887,354	25.4%	4,008,683
Total Assets	<u>15,302,417</u>	<u>100.0%</u>	<u>14,794,110</u>
Liabilities:			
Non-current Liabilities	<u>-</u>		<u>-</u>
Net Position:			
Net investment in Capital Assets	3,887,354		4,008,683
Working Cash-Permanent	1,000,224		998,512
Restricted	1,306,330		1,871,875
Unrestricted	9,108,509		7,915,040
Total Net Position	<u>\$ 15,302,417</u>		<u>14,794,110</u>

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (CONT.)**

The data provided below is presented on the modified cash basis of accounting. The following table summarizes the changes in the Indian Trails Public Library District's total fund balance and net assets for the fiscal year ending June 30, 2015.

	2014-2015 <u>Activities</u>	Percent of Total	2013-2014 <u>Activities</u>
Revenues:			
Taxes (Property & Replacement) & TIF	\$ 6,404,303	96.70 %	7,037,109
Investment Income	(211,795)	(3.20)%	10,269
Grants	329,488	5.00 %	160,902
Donations & Contributions	696	0.00 %	715
Fines, Fees, & Others	101,147	1.50 %	111,639
Total Revenues	<u>6,623,839</u>	<u>100.00 %</u>	<u>7,320,634</u>
Expenditures:			
Library Materials	887,100	14.80 %	926,225
Operating	896,229	15.00 %	587,308
Personnel	3,129,801	52.20 %	3,118,923
Capital Outlay	90,311	1.50 %	228,605
Insurance	74,250	1.20 %	95,692
Building and Equipment Maintenance	390,508	6.50 %	366,209
IMRF	307,852	5.10 %	308,619
FICA	207,279	3.50 %	203,785
Audit	10,873	0.20 %	10,208
Total Expenditures	<u>5,994,203</u>	<u>100.00 %</u>	<u>5,845,574</u>
Increase in Fund Balances	629,636		1,475,060
Depreciation, Net of Capital Expenditures	(117,968)		(369,600)
Loss on Disposal of Capital Assets	<u>(3,361)</u>		<u>(86,850)</u>
Change in Net Position of Governmental Activities	<u>\$ 508,307</u>		<u>1,018,610</u>

## **INDIAN TRAILS PUBLIC LIBRARY DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS (CONT.)**

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### **Overview of the Statement of Activities – Modified Cash Basis**

In the current year, the District decreased the capital assets by \$121,329 primarily in the area of the retirement of cd shelving, and the withdrawal of low circulating and/or damaged material in preparation for an upcoming renovation. Depreciation expense for the current year was \$687,093, offset by \$61,086 in furniture and equipment, \$351,678 in books and \$156,361 in construction in progress (architectural planning for the upcoming building project) additions.

### **Revenue**

The Library received 96.7% of its operating revenue from property taxes and contributions from local governments in lieu of property taxes in Fiscal Year 2014-2015. Grants, fines and fees, copy machines and miscellaneous income made up the remaining 6.5% of the Library's total revenue. Interest revenue is showing as a negative 3.2% due to the write-off of \$228,084 of investments with Illinois Metropolitan Investment Fund (IMET), which is discussed in the "Economic Conditions" section of the Management Discussion and Analysis.

### **Expenditures**

Personnel services are the largest portion of expenditures, totaling 60.8% of all expenditures for 2014-2015. Personnel services include salaries, health insurance benefits, employee retirement and social security benefits. The Operating category tied to 15.0% of the expenses, the majority of which was for contractual services related to the financial, architectural and construction management planning for the Library's upcoming addition and renovation. Materials purchasing accounted for 14.8%, which constitutes to purchase and processing of materials and databases for patron use.

### **Variations Between Budget and Actual Expenditures**

The District did not amend the budget in the current year, but spent the funds available in a conservative fashion based on the economy and the plans for an upcoming major building project.

Actual revenue was \$349,305 or 0.50% below budget this year. The main portion of this was the write off of \$228,084 of investments with IMET, which is discussed in the "Economic Conditions" sections to follow. The other area below expectations was within the property tax line due to an error in Cook County's 2012 levy which then filtered into Lake County's levy in 2013. The issue should have resolved itself with the 2014 levy to be collected in 2015. Areas of note that were replacement taxes with the receipt of \$10,585 in prior year taxes collected in the 2014-2015 fiscal year, TIF receipts of \$26,583 due to the closing of the Wheeling South East TIF, and \$56,488 in grants due to a larger than budgeted Per Capita Grant and the generous donation of \$39,926 from the Friends of the Indian Trails Public Library District.

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (CONT.)**

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Expenditures were below budget by approximately \$729,353. Primary areas that were under budget were Payroll by \$321,696 (particularly in salaries by \$221,149, and benefits by \$102,789) Operating by \$150,668 (specifically library supplies, travel & mileage, staff education, programming and contingency); and Capital by \$190,489. Lower payroll costs can be tied to the retirement of several longtime employees in positions that were then re-evaluated. Lower medical benefits (\$102,789) were due to lower than expected renewal costs and a lower medical insurance head-count due to the open positions. Newer employees led to more training on-site, which led to lower travel and staff education costs. Original plans for programming changed with new employees and new ideas. Limited repairs to the current 355 Schoenbeck Road facility led to savings in both the Contingency and Capitol lines.

**Capital Assets**

At the end of fiscal year 2014-2015, the Indian Trails Library District had total capital assets (net of accumulated depreciation) of \$3,887,354, computers and other electronic devices, a large collection of library materials (books, dvd's, etc.) maintained by the district and the building which houses the library operations. The District has made limited improvements to the building and furnishings as well the purchase of new materials and the withdrawal of old items that were no longer being used by the patrons, and/or were in dilapidated condition. \$156,361 has also been invested in architectural services toward the drawings and schematics for an addition of 15,000 square feet and renovation of the existing building at 355 Schoenbeck. This renovation will include remodeled public spaces, new HVAC systems and roofing, as well as addressing safety and mechanical issues. (More detailed information about the District's capital assets is presented in Note 4 to the financial statements.)

	2015	2014
Land	\$ 136,734	\$ 136,734
Construction in Progress	156,361	
Building & Improvements	5,278,770	5,278,770
Furniture & Equipment	1,900,007	1,859,584
Books & Library Materials	2,895,363	3,401,610
	<hr/>	<hr/>
Cost of Capital Assets	10,367,234	10,676,698
Less Accumulated Depreciation	(6,479,881)	(6,668,015)
	<hr/>	<hr/>
Net Capital Assets	<u>\$ 3,887,354</u>	<u>\$ 4,008,683</u>

## **INDIAN TRAILS PUBLIC LIBRARY DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS (CONT.)**

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### **Economic Conditions**

The Indian Trails Public Library District operates primarily on property taxes. Property tax income is subject to state statutes regarding property tax levies such as tax caps and limitations as well as Equalized and Assessed Property Values (EAV's). There is nominal short term risk of economic conditions having a negative effect on property tax revenues. However, continued declines in property values due to economic conditions may have a downward effect on the assessed valuation of the District property, therefore reducing the monetary increases in property taxes collected.

The Indian Trails Public Library District depends on property taxes collected by the Cook and Lake County Clerks for 96.7% of its revenue. The Library is subject to the PTELL tax extension limitations. This limits the amount of property tax that the Library can raise to 5% or the increase in the national Consumer Price Index (CPI) for the year preceding the levy year. For the 2013 levy year, for which the District received the taxes in 2014, the CPI was 1.5 %. The PTELL Use percent for the 2014 levy year has been announced at 0.8%. This will be used to calculate the taxes receivable in 2016.

The Library is also monitoring Illinois state budget negotiations and legislation regarding property tax with attention paid to any possible effects on the Library's income. With these limitations in mind, the District monitors spending to minimize the risk of cash shortfalls in future budget year.

Unless otherwise legislated, the main area of state involvement is that of grants, particularly the Per Capita Grant. The Library did submit for and receive a Per Capita Grant in 2014-2015 for \$83,762. The Library will continue to submit for the Per Capita Grant on a yearly basis.

The economy has continued to be slow, with low interest rates being paid by the institution that holds most of the Library's money, Illinois Funds. In an effort to blend safety, liquidity, and return on investments, \$8 million dollars was moved from Illinois Funds to Illinois Metropolitan Investment Fund (IMET) beginning in January 2014. Unfortunately one set of the investments that IMET purchased was fraudulent. The Library's portion of the fraudulent investments was \$240,024, of which \$11,940 has been returned to the Library. While litigation continues for the return of the remaining funds, the Library has taken the prudent course of action; moving the non-restricted amount back to Illinois Funds, and writing off the outstanding \$228,084 as of June 30, 2015. Any future return of the outstanding balance will be recorded as income as the funds are released to the Library.

The bank that the Library had used for its main check writing functions, Cole Taylor Bank, merged with MB Financial Bank this year. As with all mergers, it has taken time for the two banks' systems to align, and paperwork to be cleared with the new bank. The Library was assured by both banks that all existing agreements were to be honored, and any collateralization issues have been addressed.

## **INDIAN TRAILS PUBLIC LIBRARY DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS (CONT.)**

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The Indian Trails Public Library District continues to participate in the Reaching Across Illinois Library System (RAILS). RAILS makes available to member libraries a van delivery service for library materials, and several other consortium offerings. The District also takes part in the Wellness Insurance Network, a consortium of libraries for employee medical insurance, which is separate from RAILS.

During the 2014-2015 fiscal year, the Library District continued dovetailing its long range financial plan with architectural planning for a long awaited addition and renovation of the library's main building at 355 Schoenbeck Road, Wheeling. The plans include adding an additional 15,000 square feet to the existing building and will address mechanical issues that have become apparent in recent years. This will allow the Library to enhance and expand the District's offerings to our taxpayers and patrons. The scope of the project is approximately \$14 million dollars, to be financed through the general operating funds and debt certificates. With this in mind, the library has been re-evaluating the allocation of the amounts it levies for the each of restricted funds, and the general operating fund. The ground breaking for the project is intended for spring of 2016.

### **Contacting The Indian Trails Public Library District's Administration**

This financial report is designed to provide a general overview of the Indian Trails Public Library District's finances, comply with finance related laws and regulations, and demonstrate the library's commitment to public accountability. Questions about this report or the request for additional information should be sent to: Brian Shepard, Library Director, Indian Trails Public Library District, 355 Schoenbeck Road, Wheeling, Illinois 60090.

## **BASIC FINANCIAL STATEMENTS**

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

Statement of Net Position - Modified Cash Basis

June 30, 2015

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Assets

Current Assets

Cash and Investments \$ 11,415,063

Noncurrent Assets

Capital Assets, Net of Accumulated Depreciation 3,887,354

Total Assets 15,302,417

Liabilities

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Net Position

Net Investment in Capital Assets 3,887,354

Restricted for:

Working Cash - Permanent (Non-expendable) 1,000,224

Retirement Benefits 370,879

Employer Taxes 277,491

Audit 21,882

Liability Insurance 283,435

Unemployment Insurance 29,761

Workers' Compensation 28,678

Building Maintenance 294,204

Unrestricted 9,108,509

Total Net Position \$ 15,302,417

See Notes to Financial Statements



**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

Statement of Activities - Modified Cash Basis

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Library Services	\$ 6,115,532	101,147	330,184	(5,684,201)
	General Revenues			
	Taxes			
	Property Taxes			6,191,228
	Replacement Taxes			76,492
	Intergovernmental			136,583
	Investment Income			(211,795)
	Total General Revenues			6,192,508
	Increase in Net Position			508,307
	Net Position			
	Beginning			14,794,110
	Ending			15,302,417

See Notes to Financial Statements

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

Balance Sheet - Governmental Funds - Modified Cash Basis

June 30, 2015

	General Fund	Working Cash Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Investments	\$ 9,450,383	1,000,224	964,456	11,415,063
<b>Liabilities</b>				
	\$			
<b>Fund Balances</b>				
Non-spendable				
Working Cash - Permanent		1,000,224		1,000,224
Restricted for:				
Retirement Benefits			370,879	370,879
Employer Taxes			277,491	277,491
Audit			21,882	21,882
Liability Insurance	283,435			283,435
Unemployment Insurance	29,761			29,761
Workers' Compensation	28,678			28,678
Building Maintenance			294,204	294,204
Committed to:				
Capital Projects	5,040,507			5,040,507
Unassigned	4,068,002			4,068,002
<b>Total Fund Balances</b>	<b>9,450,383</b>	<b>1,000,224</b>	<b>964,456</b>	<b>11,415,063</b>
	<b>\$ 9,450,383</b>	<b>1,000,224</b>	<b>964,456</b>	<b>11,415,063</b>

See Notes to Financial Statements

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

Reconciliation of Balance Sheet of Governmental Funds  
to the Statement of Net Position - Modified Cash Basis

June 30, 2015

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Total Fund Balances - Governmental Funds \$ 11,415,063

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 funds. 3,887,354

Net Position of Governmental Activities \$ 15,302,417

See Notes to Financial Statements

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balances -  
Modified Cash Basis - Governmental Funds

Year Ended June 30, 2015

	General Fund	Working Cash Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 5,796,211		395,017	6,191,228
Replacement Taxes	76,492			76,492
Intergovernmental	466,071			466,071
Investment Income	(215,339)	1,712	1,832	(211,795)
Contributions	696			696
Fines, Fees and Other	101,147			101,147
<b>Total Revenues</b>	<b>6,225,278</b>	<b>1,712</b>	<b>396,849</b>	<b>6,623,839</b>
<b>Expenditures</b>				
Library Materials	887,100			887,100
Operating	896,229			896,229
Personnel	3,129,801			3,129,801
Capital Outlay	90,311			90,311
Insurance	74,250			74,250
Building and Equipment				
Maintenance			390,508	390,508
IMRF			307,852	307,852
FICA			207,279	207,279
Audit			10,873	10,873
<b>Total Expenditures</b>	<b>5,077,691</b>	<b>-</b>	<b>916,512</b>	<b>5,994,203</b>
<b>Net Change in Fund Balances</b>	<b>1,147,587</b>	<b>1,712</b>	<b>(519,663)</b>	<b>629,636</b>
<b>Fund Balances</b>				
Beginning	8,302,796	998,512	1,484,119	10,785,427
Ending	\$ 9,450,383	1,000,224	964,456	11,415,063

See Notes to Financial Statements

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

Reconciliation of the Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Modified Cash Basis

Year Ended June 30, 2015

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Net Change in Fund Balances - Total Governmental Funds \$ 629,636

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful life of the assets. This is the amount by which capital outlays (\$569,125) exceeded the depreciation (\$687,093) in the current period. (117,968)

The undepreciated cost of capital assets disposed is reported in the Statement of Activities. (3,361)

Change in Net Position of Governmental Activities \$ 508,307

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

General Fund

Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balance -  
 Modified Cash Basis - Budget and Actual  
 Year Ended June 30, 2015

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Revenues</b>			
Property Taxes	\$ 5,902,650	5,796,211	(106,439)
Replacement Taxes	65,907	76,492	10,585
Investment Income	14,084	(215,339)	(229,423)
Intergovernmental	383,000	466,071	83,071
Contributions	480	696	216
Fines, Fees, and Other	113,100	101,147	(11,953)
<b>Total Revenues</b>	<b>6,479,221</b>	<b>6,225,278</b>	<b>(253,943)</b>
<b>Expenditures</b>			
Library Materials	900,850	887,100	(13,750)
Operating	1,046,897	896,229	(150,668)
Personnel	3,451,497	3,129,801	(321,696)
Capital Outlay	280,800	90,311	(190,489)
Insurance	127,000	74,250	(52,750)
<b>Total Expenditures</b>	<b>5,807,044</b>	<b>5,077,691</b>	<b>(729,353)</b>
Net Change in Fund Balance	672,177	1,147,587	475,410
<b>Fund Balance</b>			
Beginning	8,302,796	8,302,796	
Ending	\$ 8,974,973	9,450,383	475,410

See Notes to Financial Statements

## INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to the Financial Statements  
June 30, 2015

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### 1. Summary of Significant Accounting Policies

The financial statements of Indian Trails Public Library District, Illinois (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units (except for the basis of accounting as described in Note 1.C.). 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 District's accounting policies are described below.

#### A. Reporting Entity

The District follows the provisions of Governmental Accounting Standards Board Statement No. 61 *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14. and No. 34.* As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate, tax-exempt entities and meet all of the following criteria:

- The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits or impose specific financial burdens of the primary government.
- The primary government is financially accountable if the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The District has concluded that no entities meet the criteria of Statement No. 61 for inclusion as a component unit. Likewise, the District is not required to be included as a component unit of any other entity.

#### B. Basis of Presentation

The Statement of Net Position, Statement of Activities, Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balances combine information about the reporting government as a whole and individual funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements. The major funds are the General Fund and the Working Cash Fund. Following is a description of major and nonmajor funds.

**General Fund** – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund also accounts for liability insurance, unemployment and workers' compensation, which have separate tax levies. In addition, the Special Reserve Fund is included in the General Fund.

**Working Cash Fund (Permanent Fund)** – The Working Cash Fund provides reserves for possible short-term cash needs.

## INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to the Financial Statements  
June 30, 2015

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### 1. Summary of Significant Accounting Policies (Cont.)

#### B. Basis of Presentation (Cont.)

**Nonmajor Funds** – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The special revenue funds of the District are: FICA, IMRF, Audit and Building Maintenance.

#### C. Measurement Focus and Basis of Accounting

The government-wide financial statements (Statement of Net Position and the Statement of Activities) are prepared using the economic resources measurement focus, and the fund financial statements (Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balances) are prepared using the current financial resources measurement focus.

These financial statements are prepared on the modified cash basis of accounting, whereby certain revenues and the related assets are recognized when received, rather than when earned, and certain expenditures and the related liabilities are recognized when paid rather than when the obligations are incurred. This practice differs from generally accepted accounting principles.

#### D. Fund Balance/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or 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. Committed fund balance is constrained by formal actions of the District's Board, which is considered the District's highest level of decision-making authority. Formal actions include resolutions and ordinances approved by the board. Assigned fund balance represents amounts constrained by the District's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the District through the approved fund balance policy of the District, if applicable. Any residual fund balance of the General Fund is reported as unassigned.

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

#### E. Budgets

Budgets are adopted on a modified cash basis. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

#### F. Cash and Investments

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "cash and investments." In addition, investments are separately held by several of the District's funds.



# INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to the Financial Statements  
June 30, 2015

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## 1. Summary of Significant Accounting Policies (Cont.)

### F. Cash and Investments (Cont.)

In accordance with the District's investment policy, the District's monetary assets may be placed in all instruments permitted by the Illinois Public Funds Investment Act. This Act permits deposits and investments in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of states and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, the Illinois Funds and the Illinois Metropolitan Investment Fund.

It is the policy of the District 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 District. The primary objective of the policy is safety (preservation of capital and protection of investment principal), liquidity and yield.

Cash includes amounts in demand deposits, certificates of deposit and petty cash. Investments are stated at cost, which approximates fair market value, and consists of The Illinois Funds (fair value equals value of pool shares). Oversight of The Illinois Funds is performed by the State of Illinois Treasurer's Office. The Illinois Metropolitan Investment Fund (IMET) is not registered with the SEC. The IMET Board provides oversight for IMET.

### G. Capital Assets

#### *Government-wide Statements*

In the government-wide financial statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives by type of asset as follows:

Buildings and Improvements	10 - 50 years
Furniture and Equipment	5 - 20 years
Library Materials	7 years

The minimum capitalization threshold is any item with a total cost greater than \$2,500, except for library materials.

#### *Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

### H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles or other comprehensive basis of accounting requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to the Financial Statements  
June 30, 2015

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### 2. Deposits and Investments

#### District 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 District's deposits may not be returned to it. The District's investment policy requires pledging of collateral with a fair value of 110% of all bank balances in excess of the federal depository insurance. Cash on hand of \$1,025 has been excluded from the amounts shown below. At year end, the carrying amount of the District's deposits, including certificates of deposit, totaled \$653,122 and the bank balances totaled \$773,138. At June 30, 2015, the District's cash accounts exceeded federally insured limits by approximately \$320,000. Management does not believe this represents a significant risk to the District.

#### District Investments

The Illinois Funds Money Market Fund is an external investment pool developed and implemented in 1975 by the Illinois General Assembly under the jurisdiction of the Treasurer, who has regulatory oversight for the pool. The Fund is not registered with the SEC and has an affirmed AAAM Standards & Poor's credit qualifying rating. The fair value of the positions of this pool is the same as the value of the pool shares. The Fund offers two separate investment vehicles to public entities. The average yields on the Illinois Funds Money Market Fund and the Illinois Metropolitan Investment Fund (IMET) for the year ending June 30, 2015, was 0.02% and 0.30% respectively. The Fund issues a publicly available financial report. That report may be obtained by writing to Office of the State Treasurer, Illinois Funds Administrative Office, 300 W. Jefferson Street, Springfield, Illinois 62702.

The IMET Convenience Fund is a short-term money market instrument developed and implemented in 2003 by public entities as a cooperative endeavor under the jurisdiction of the IMET Board of Trustees elected from the participating members. The board controls the fund and is responsible for policy formation and administrative oversight. The fund is not registered with the SEC as an investment company or rated by a credit rating agency. All pool shares are either FDIC insured or collateralized at 110%. The collateral is held in the name of IMET at the Federal Reserve Bank of New York. The fair value of the positions in the pool is the same as the value of the pool shares. In October 2014, the Illinois Metropolitan Investment Fund (IMET) notified all participants that over \$50 million in loans, which were being held in the Convenience Fund's approximately \$176 million assets, were fraudulent and in default. The forged guarantees on these loans were denied by the USDA. The Library's portion of the IMET Convenience Fund that has been impaired is \$240,024. Recovery efforts are ongoing with the Library recovering \$11,940 subsequent to year end. IMET issues a publicly available financial report. That report may be obtained by writing to IMET, 1220 Oak Brook Road, Oak Brook, Illinois 60523.

In accordance with its investment policy, the District limits its exposure to interest rate risk by structuring the portfolio so that securities are available to meet cash requirements for ongoing operations by investing operating funds primarily in money market mutual funds or similar investment pools.

The District 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 money market mutual funds, the Illinois Funds which are rated "AAAM," and the Illinois Metropolitan Investment Fund, which are is rated "AAAF."

	Maturities	Fair Value
Illinois Funds Money Market	N/A	\$ 10,760,741
Illinois Metropolitan Investment Fund	N/A	<u>175</u>
		<u>\$ 10,760,916</u>

## INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to the Financial Statements  
June 30, 2015

### 3. Property Tax Revenue Recognition

Property taxes for 2014 are attached as an enforceable lien on January 1, 2014. They were levied in November 2014 by passage of a Tax Levy Ordinance. Tax bills were prepared by Lake and Cook Counties and issued the following year, payable in two installments in the spring and fall of 2015. The Counties collect such taxes and remit them periodically, primarily during the period of March through December. Property tax revenues are recognized on the modified cash basis.

### 4. Capital Assets

#### A. Changes in Capital Assets During the Fiscal Year

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 136,734			136,734
Construction in Progress		156,361		156,361
<b>Total Capital Assets Not Being Depreciated</b>	<b>136,734</b>	<b>156,361</b>	<b>-</b>	<b>293,095</b>
<b>Capital Assets Being Depreciated</b>				
Buildings and Improvements	5,278,770			5,278,770
Furniture and Equipment	1,859,584	61,086	20,663	1,900,007
Library Materials	3,401,610	351,678	857,925	2,895,363
<b>Total Capital Assets Being Depreciated</b>	<b>10,539,964</b>	<b>412,764</b>	<b>878,588</b>	<b>10,074,140</b>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	(2,762,495)	(134,739)		(2,897,234)
Furniture and Equipment	(855,231)	(138,731)	(17,302)	(976,660)
Library Materials	(3,050,289)	(413,623)	(857,925)	(2,605,987)
<b>Total Accumulated Depreciation</b>	<b>(6,668,015)</b>	<b>(687,093)</b>	<b>(875,227)</b>	<b>(6,479,881)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>3,871,949</b>	<b>(274,329)</b>	<b>3,361</b>	<b>3,594,259</b>
<b>Capital Assets, Net</b>	<b>\$ 4,008,683</b>	<b>(117,968)</b>	<b>3,361</b>	<b>3,887,354</b>

#### B. Construction Commitments

The Library has entered into contracts for the construction or renovation of various facilities as follows:

Project	Project Authorization	Expended to Date	Retainage	Commitment
Library Renovation	\$ 1,037,000	155,550		881,450

The construction commitments listed above do not require further financing.

## INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to the Financial Statements  
June 30, 2015

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### 5. Defined Benefit Pension Plan

#### *Plan Description*

The District'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 employer 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 online at [www.imrf.org](http://www.imrf.org).

#### *Funding Policy*

As set by statute, employees participating in IMRF are required to contribute 4.5% of their annual covered salary. The statute requires the District to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its employees. The District rate for calendar year 2014 was 12.01% of annual covered payroll. The District 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.

#### *Annual Pension Cost*

For the fiscal year ending December 31, 2014, the District's annual pension cost of \$326,559 for the plan was equal to the District's required and actual contributions.

### 6. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent District employees at their option, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation are held in trust (until paid or made available to the employee or other beneficiary). The deferred compensation is not subject to the claims of the District's creditors.

### 7. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As such, the District carries commercial insurance for all risks of loss with the exception of unemployment insurance, which is covered by Library Insurance Management and Risk Control Combination. Settled claims resulting from these risks have historically not exceeded insurance coverage in the past three years and there have been no significant reductions in coverage.

The District also participates in a public entity risk pool (pool) for unemployment insurance coverage. The District is responsible for quarterly payments and the pool is responsible for administering the program. If funds in the program are insufficient in the judgment of the pool, then the pool may assess the members' additional equal payments.

## INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to the Financial Statements  
June 30, 2015

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### 8. Operating Leases

The District is committed under various leases for property and equipment. The leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2015, amounted to \$42,725. Future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2016	\$ 43,407
2017	37,235
2018	<u>2,025</u>
	<u>\$ 82,667</u>

### 9. Special Reserve Account

The Special Reserve Account is reported within the General Fund. The balance has been committed for future capital projects. The activity for the Special Reserve Account is as follows:

Beginning Balance, June 30, 2014	\$ 838,823
Interest Earnings	1,684
Transfers In from Unassigned	<u>4,200,000</u>
Ending Balance, June 30, 2015	<u>\$ 5,040,507</u>

### 10. Jointly Governed Organization

The District participates in North Suburban Digital Consortium (Consortium). This organization is owned by the participating libraries. The Consortium offers downloadable digital materials. No participant has any obligation, entitlement, or residual interest in the Consortium, and must give notice 90 days prior to December 31 to terminate its membership. The District's expenditures paid to the Consortium were \$13,465 for the year ended June 30, 2015.

### 11. Other Post-Employment Plan

The District participates in a cost-sharing multiple-employer defined benefit OPEB plan provided and administered by Wellness Insurance Network (Network). The plan provides health benefits in accordance with a proposal provided by the Network. The employer pays 75% of the applicable single rate and 50% of additional family coverage. The District is required to offer employees, who are IMRF vested, continued health insurance participation upon termination of employment. The District has no retired employees covered by the Network plan and, therefore, has no implicit subsidy as defined by the Government Accounting Standards Board (GASB) Statement No. 45. The OPEB plan does not issue a stand alone report. Information regarding the plan may be obtained from the Network.

### 12. Compensated Absences

It is the policy of the Indian Trails Public Library District, Illinois to pay any unused vacation pay at the time of termination. While the District reports on the modified cash basis of accounting and therefore does not report the outstanding compensated absences balance as a liability, the outstanding vacation time earned at June 30, 2015, (including FICA and IMRF responsibilities) is equivalent to \$236,714.

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

Notes to the Financial Statements  
June 30, 2015

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13. Subsequent Events

On November 1, 2015, the District entered into a non-cancelable operating lease agreement for additional office space. The lease is commencing on April 1, 2016, and expiring on March 31, 2017. The lease calls for 12 monthly payments of \$16,128. The total future minimum lease payments for operating leases as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Amount
2016	\$ 48,384
2017	<u>145,152</u>
	<u><u>\$ 193,536</u></u>

## **ADDITIONAL INFORMATION**

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

Nonmajor Governmental Funds

Combining Balance Sheet - Modified Cash Basis

June 30, 2015

	Special Revenue Funds				Total
	Building Maintenance	IMRF	FICA	Audit	
Assets					
Cash	\$ 294,204	370,879	277,491	21,882	964,456
Liabilities	\$				
Fund Balances					
Restricted for:					
Building Maintenance	294,204				294,204
Retirement Benefits		370,879			370,879
Employer Taxes			277,491		277,491
Audit				21,882	21,882
Total Fund Balances	\$ 294,204	370,879	277,491	21,882	964,456



**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

Nonmajor Governmental Funds

Combining Schedule of Revenues Received, Expenditures Disbursed  
and Changes in Fund Balances - Modified Cash Basis  
For the Year Ended June 30, 2015

	Special Revenue Funds				Total
	Building Maintenance	IMRF	FICA	Audit	
Revenues					
Property Taxes	\$ 224,323	122,318	45,080	3,296	395,017
Investment income	500	717	589	26	1,832
Total Revenues	224,823	123,035	45,669	3,322	396,849
Expenditures	390,508	307,852	207,279	10,873	916,512
Net Change in Fund Balances	(165,685)	(184,817)	(161,610)	(7,551)	(519,663)
Fund Balances					
Beginning	459,889	555,696	439,101	29,433	1,484,119
Ending	\$ 294,204	370,879	277,491	21,882	964,456

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

General Fund

Schedule of Expenditures - Modified Cash Basis - Budget and Actual  
Year Ended June 30, 2015

	Original and Final Budget	Actual
<b>Library Materials</b>		
Books	\$ 363,800	351,678
Standing Orders	26,000	35,364
Serial Publications	25,550	20,748
Audio Visual Materials	69,000	57,897
Video Tapes	160,000	185,723
Electronic Resources	225,000	217,316
Realia	12,000	1,791
Software	19,500	16,583
	<u>900,850</u>	<u>887,100</u>
<b>Operating</b>		
Equipment Maintenance	7,010	777
Library Automation Maintenance	55,810	27,644
OCLC Cataloging	27,000	25,817
Binding	1,000	58
Library Supplies	95,700	66,333
Postage	36,425	21,444
Travel	71,365	13,673
Staff Education	79,700	29,538
Memberships	12,030	6,575
Trustee Development	14,038	6,143
Publishing Fees	5,710	3,958
Printing	6,700	2,890
Program Expense	138,933	86,122
Newsletter	38,580	33,154
Legal	50,000	43,295
Telephone	27,756	24,975
Contractual Services	308,790	443,843
Janitorial Supplies	15,350	14,264
Contingency	50,000	
Grants		45,726
Building Repairs	5,000	
	<u>1,046,897</u>	<u>896,229</u>
<b>Personnel</b>		
Salaries	3,084,942	2,863,793
Benefits	364,055	261,266
EAP	2,500	2,425
Flex Spending		2,317
	<u>3,451,497</u>	<u>3,129,801</u>

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

General Fund

Schedule of Expenditures - Modified Cash Basis - Budget and Actual (Cont.)  
Year Ended June 30, 2015

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	Original and Final Budget	Actual
Capital Outlay		
Furniture	122,000	32,267
Technology	143,000	48,244
Disc Washer Replacement	15,800	9,800
	<u>280,800</u>	<u>90,311</u>
Insurance		
Liability	77,000	49,200
Workers' Compensation	10,000	9,544
Unemployment	40,000	15,506
	<u>127,000</u>	<u>74,250</u>
	<u>\$ 5,807,044</u>	<u>5,077,691</u>