

# Indian Trails Public Library District, Illinois

Annual Financial Report

June 30, 2016

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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, 2016, 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, 2016, 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 1, 2016

## **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, one third 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 \$16,321,028 for the fiscal year ending June 30, 2016.
- Capital Assets of \$4,977,728 include land, construction in progress, buildings, vehicle, furniture and equipment and library materials, net of accumulated depreciation.
- Unrestricted Net Position of \$9,426,803 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 \$1,018,611. This was based on an increase in net capital assets of \$1,090,374, and a decrease in cash and investments of \$71,763.

**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.

The statement of net position presents information on all of the District's assets and associated 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 based on the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

### *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 nonmajor 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.

*Other information*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget-to-actual comparisons of the General Fund.

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

The District has \$16,321,028 in total assets. Of these assets, \$4,977,728 are maintained in capital assets, net of depreciation, and are unavailable to current liabilities of the District. Of the remaining, \$1,916,497 is restricted for specific purposes and \$9,426,803 is unrestricted. The District maintains a majority of its cash available in Buffalo Grove Bank and Trust, the Illinois Funds which is a highly liquid investment pool managed by the Illinois Office of the Treasurer, and in invested in laddered Certificates of Deposit through TD Ameritrade.

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

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

	June 30, 2016 Balances	Percent of Total	June 30, 2015 Balances
Assets:			
Cash and Investments	\$ 11,343,300	69.5%	11,415,063
Capital Assets	4,977,728	30.5%	3,887,354
Total Assets	<u>16,321,028</u>	<u>100%</u>	<u>15,302,417</u>
Liabilities:			
Noncurrent Liabilities	-		-
Net Position:			
Net Investment in Capital Assets	4,977,728		3,887,354
Working Cash-Permanent	1,001,286		1,000,224
Restricted	915,211		1,306,330
Unrestricted	9,426,803		9,108,509
Total Net Position	<u>16,321,028</u>		<u>15,302,417</u>

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

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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, 2016.

	<u>June 30, 2016</u> Balances	<u>Percent</u> <u>of Total</u>	<u>June 30, 2015</u> Balances
<b>Revenue:</b>			
Taxes (Property & Replacement) & TIF	7,439,399	96.2%	6,404,303
Interest	23,074	0.3%	(211,795)
Grants	87,004	1.1%	329,488
Donations & Contributions	100,182	1.3%	696
Fines, Fees & Other	81,396	1.1%	101,147
Total Revenues	<u>7,731,055</u>	<u>100.0%</u>	<u>6,623,839</u>
<b>Expenditures:</b>			
Library Materials	728,694	9.3%	887,100
Operating	607,954	7.8%	896,229
Personnel	3,283,456	42.2%	3,129,801
Capital Outlay	2,213,889	28.4%	90,311
Insurance	81,453	1.0%	74,250
Building & Equipment Maintenance	337,095	4.3%	390,508
IMRF	318,325	4.1%	307,852
FICA	220,652	2.8%	207,279
Audit	11,300	0.1%	10,873
Total Expenditures	<u>7,802,818</u>	<u>100.0%</u>	<u>5,994,203</u>
Loss on Sale of Capital Assets	<u>(516,079)</u>		<u>(3,361)</u>
Increase (Decrease) in Fund Balances	(587,842)		626,275
Depreciation, Net of Capital Expenditures	<u>1,606,453</u>		<u>(117,968)</u>
Change in Net Position of Governmental Activities	<u>1,018,611</u>		<u>508,307</u>

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

In the current year, the District increased the capital assets by \$1,090,374, primarily in the area of construction in progress linked to the 355 Schoenbeck main building construction project. A higher-than-usual retirement of the Furniture and Equipment (\$1,200,018) is on based the removal of outdated mechanical systems and furniture that is being replaced during the project, such as a geothermal system to replace a circa 1998 HVAC system, as well as new shelving, tables, and chairs. Depreciation expense for the current year was \$605,901 offset by \$22,010 in furniture and equipment, \$269,127 in books and \$1,921,217 in construction in progress additions.

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

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### **Revenue**

The Library received 96.2% of its operating revenue from property taxes and contributions from local governments in lieu of property taxes in Fiscal Year 2015-2016. Contributions, grants, fines and fees, copy machines, and miscellaneous income made up the remaining 3.8% of the Library's total revenue.

### **Expenditures**

Personnel services are the largest portion of expenditures, totaling 49% of all expenditures for 2015-2016. Personnel services include salaries, health insurance benefits, employee retirement, and social security benefits. The Operating category accounted for 7.8% 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 9.3%, which constitutes to purchase and processing of materials and databases for patron use. Capital Outlay totaled 28.4% of the expenditures as plans were completed and construction began on the 355 Schoenbeck Road facility.

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

Actual revenue was \$137,879 or 1.8% above budget for Fiscal Year 2015-2016. The majority of this was due to a \$100,000 unrestricted donation from the Helen Morrow Trust. Plans to expend these funds will be developed over the next few years. Impact fees of \$37,181 above budget accounts also contributed to the increased revenue. Increases in Taxes (in particular Property Tax and Impact Fees), as well as the prior mentioned Trust donation helped offset the decrease in the grant line as the District did not receive a DCEO grant this year. Interest income was better this year; however, that is due to the 2014-2015 write off of the IMET First Farmers investment.

Expenditures were below budget by approximately \$3,671,988 or 32% below budget. \$2,836,576 or 24.7 % of this can be directly traced to the 355 Construction budget line, as pay requests from the project management company were below forecast at the beginning of the project. Other areas under budget include payroll by \$86,023 due to a slowdown in personnel replacement while the Library operates out of temporary space; \$68,814 below budget in employee benefits due to employee medical benefits renewal costs being below anticipated; \$203,517 below budget in materials as purchasing was slowed due to space constraints of the temporary library; and \$330,890 below budget in the operating line items such as supplies, travel, education, programming, contractual, and contingency.

### **Capital Asset**

At the end of fiscal year 2015-2016, the Indian Trails Library District had total capital assets (net of accumulated depreciation) of \$4,977,728. This includes the land and building that houses the library operations (355 Schoenbeck Road, Wheeling, Illinois), a large collection of library materials (books, dvds, etc.), and computers and other electronic devices.

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

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The District completed planning and began construction to renovate the existing space and add an additional 15,000 square feet to the 355 Schoenbeck Road facility. \$1,921,217 was spent on construction in progress toward the project in the 2015-2016 fiscal year in addition to \$156,361 in previous years. In preparation for the construction, \$636,041 in materials that were no longer being used by patrons, and/or were in dilapidated condition were disposed of. \$151,837 of Building and Improvements, as well as \$1,200,018 in Furniture and Equipment was disposed of, which included both furnishings such as tables and chairs, and equipment such as outdated boiler systems and HVAC systems were decommissioned due to the construction project. The renovation includes remodeled public spaces, new HVAC systems including a geothermal system, new roof, and addresses safety and mechanical issues. (More detailed information about the District’s capital assets is presented in Note 4 to the financial statements.)

	<u>2016</u>	<u>2015</u>
Land	\$ 136,734	136,734
Construction in Progress	2,077,578	156,361
Building & Improvements	5,126,933	5,278,770
Furniture & Equipment	721,999	1,900,007
Books & Library Materials\	<u>2,528,449</u>	<u>2,895,363</u>
Cost of Capital Assets	10,591,693	10,367,235
Less Accumulated Depreciation	<u>(5,613,965)</u>	<u>(6,479,881)</u>
	<u><u>4,977,728</u></u>	<u><u>3,887,354</u></u>

**Economic Conditions**

The Indian Trails Public Library District operates primarily on property taxes collected by the Cook and Lake County Clerks for a majority of its revenue. 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 (EAVs). The District 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 2014 levy year, for which the District received the taxes in 2015, the CPI was 0.8%. The percent for the 2015 levy year has been announced at 0.7%. This will used to calculate the taxes receivable in 2016.

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

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

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Unless otherwise legislated, the main area of state involvement is that of grants, particularly the Per Capita Grant. The District did submit for and receive a Per Capita Grant in 2015-2016 for \$51,655. This was a decrease of \$32,108 from the prior year. The District 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 banking institutions. To increase investment returns in a safe manner, the District has invested funds held in reserve for the 355 Schoenbeck construction project in TD Ameritrade through Ehlers Investment Partners. Laddered Certificates of Deposit have been utilized to allow for the money earn a higher rate of return, while maintaining accessibility to meet the construction payment schedule. Corporate funds being held for use to pay expenses in the second part of the 2016-2017 fiscal year are on deposit with Illinois Funds. The main check writing functions were moved from MB Financial to Buffalo Grove Bank and Trust, to take advantage of different products and collateralization agreement terms.

On March 16, 2016, the Library Board of Trustees approved the bids for the renovation of existing space and the addition of 15,000 square feet of new space for the 355 Schoenbeck Road main library. This was the culmination of several years of planning, and will address not only the space needed to serve the District taxpayer's ever changing needs and interests, but will also address mechanical issues that had become increasingly apparent in recent years. The total cost of the project is estimated at \$14.0 million dollars, and will be financed through the general operating funds, special reserve that had been put aside in preceding years for the project, and the issuance of debt certificates. The District requested a credit rating from Moody's, and was issued a Aa2 rating on July 1, 2016. \$5,925,000 in debt certificates were issued August 10, 2016, with final payment due June 1, 2027.

A ground breaking ceremony was held April 1, 2016, for the 355 Schoenbeck Road construction project, and, due to the extensive nature of the project, all library services were relocated to temporary space in a shopping center within the district. Staffing, purchasing of materials, and program offerings were adjusted to fit into the smaller temporary space. The project has an expected completion of spring of 2017.

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.

### **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, Il 60090.

## **BASIC FINANCIAL STATEMENTS**

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

Statement of Net Position - Modified Cash Basis

June 30, 2016

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Assets	
Current Assets	
Cash and Investments	\$ 11,343,300
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	<u>4,977,728</u>
Total Assets	<u>16,321,028</u>
Liabilities	<u>                    </u>
Net Position	
Net Investment in Capital Assets	4,977,728
Restricted for	
Working Cash - Permanent (Non-expendable)	1,001,286
Retirement Benefits	244,514
Employer Taxes	182,309
Audit	13,191
Liability Insurance	220,625
Unemployment Insurance	24,108
Workers' Compensation	23,683
Building Maintenance	206,781
Unrestricted	<u>9,426,803</u>
Total Net Position	<u>\$ 16,321,028</u>

See Notes to Financial Statements

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

Statement of Activities - Modified Cash Basis

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Library Services	\$ 6,712,444	81,396	374,367		(6,256,681)
	General Revenues				
	Taxes				
	Property Taxes				7,055,206
	Replacement Taxes				70,416
	Intergovernmental				126,596
	Investment Income				23,074
	Total General Revenues				7,275,292
	Increase in Net Position				1,018,611
	Net Position				
	Beginning				15,302,417
	Ending				\$ 16,321,028

See Notes to Financial Statements



**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

Balance Sheet - Governmental Funds - Modified Cash Basis

June 30, 2016

	General Fund	Working Cash Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Investments	\$ 9,695,219	1,001,286	646,795	11,343,300
<b>Liabilities</b>				
	\$			
<b>Fund Balances</b>				
Non-spendable				
Working Cash - Permanent		1,001,286		1,001,286
Restricted for				
Retirement Benefits			244,514	244,514
Employer Taxes			182,309	182,309
Audit			13,191	13,191
Liability Insurance	220,625			220,625
Unemployment Insurance	24,108			24,108
Workers' Compensation	23,683			23,683
Building Maintenance			206,781	206,781
Committed to:				
Capital Projects	5,051,592			5,051,592
Unassigned	4,375,211			4,375,211
<b>Total Fund Balances</b>	<b>9,695,219</b>	<b>1,001,286</b>	<b>646,795</b>	<b>11,343,300</b>
	<b>\$ 9,695,219</b>	<b>1,001,286</b>	<b>646,795</b>	<b>11,343,300</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, 2016

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Total Fund Balances - Governmental Funds	\$ 11,343,300
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.	<u>4,977,728</u>
Net Position of Governmental Activities	<u>\$ 16,321,028</u>

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, 2016

	General Fund	Working Cash Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 6,486,229		568,977	7,055,206
Replacement Taxes	70,416			70,416
Intergovernmental	400,781			400,781
Investment Income	21,278	1,062	734	23,074
Contributions	100,182			100,182
Fines, Fees and Other	81,396			81,396
Total Revenues	7,160,282	1,062	569,711	7,731,055
<b>Expenditures</b>				
Library Materials	728,694			728,694
Operating	607,954			607,954
Personnel	3,283,456			3,283,456
Capital Outlay	2,213,889			2,213,889
Insurance	81,453			81,453
Building and Equipment				
Maintenance			337,095	337,095
IMRF			318,325	318,325
FICA			220,652	220,652
Audit			11,300	11,300
Total Expenditures	6,915,446	-	887,372	7,802,818
Net Change in Fund Balances	244,836	1,062	(317,661)	(71,763)
<b>Fund Balances</b>				
Beginning	9,450,383	1,000,224	964,456	11,415,063
Ending	\$ 9,695,219	1,001,286	646,795	11,343,300

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, 2016

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Net Change in Fund Balances - Total Governmental Funds	\$ (71,763)
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 (\$2,212,354) exceeded the depreciation (\$605,901) in the current period.	1,606,453
The undepreciated cost of capital assets disposed is reported in the Statement of Activities.	<u>(516,079)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,018,611</u>

See Notes to Financial Statements

**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, 2016

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Revenues</b>			
Property Taxes	\$ 6,455,546	6,486,229	30,683
Replacement Taxes	73,105	70,416	(2,689)
Investment Income	23,055	21,278	(1,777)
Intergovernmental	376,091	400,781	24,690
Contributions	250	100,182	99,932
Fines, Fees, and Other	96,898	81,396	(15,502)
<b>Total Revenues</b>	<b>7,024,945</b>	<b>7,160,282</b>	<b>135,337</b>
<b>Expenditures</b>			
Library Materials	932,211	728,694	(203,517)
Operating	938,844	607,954	(330,890)
Personnel	3,437,905	3,283,456	(154,449)
Capital Outlay	5,073,800	2,213,889	(2,859,911)
Insurance	101,608	81,453	(20,155)
<b>Total Expenditures</b>	<b>10,484,368</b>	<b>6,915,446</b>	<b>(3,568,922)</b>
<b>Net Change in Fund Balance</b>	<b>(3,459,423)</b>	<b>244,836</b>	<b>3,704,259</b>
<b>Fund Balance</b>			
Beginning	9,450,383	9,450,383	
Ending	<b>\$ 5,990,960</b>	<b>9,695,219</b>	<b>3,704,259</b>

See Notes to Financial Statements

## INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to the Financial Statements  
June 30, 2016

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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, 2016

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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, 2016

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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 and the Illinois Metropolitan Investment Fund (IMET) (fair value equals value of pool shares). Oversight of The Illinois Funds is performed by the State of Illinois Treasurer's Office. The 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.



## INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to the Financial Statements  
June 30, 2016

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

#### 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.

### 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 \$525 has been excluded from the amounts shown below. At year end, the carrying amount of the District's deposits, including certificates of deposit, totaled \$8,537,837 and the bank balances totaled \$8,576,620, of which all were fully collateralized at June 30, 2016.

#### 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 AA-Am 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, 2016, was 0.36% and 0.48% 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, all of which was written off in 2015. Recovery efforts are ongoing with the Library recovering \$11,940 through June 30, 2016. 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.

## INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to the Financial Statements  
June 30, 2016

### 2. Deposits and Investments (Cont.)

#### District Investments (Cont.)

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 “AAA<sub>m</sub>,” and the Illinois Metropolitan Investment Fund, which are rated “AAA<sub>f</sub>.”

	Maturities	Fair Value
Illinois Funds Money Market	N/A	\$ 2,804,763
Illinois Metropolitan Investment Fund	N/A	<u>175</u>
		<u>\$ 2,804,938</u>

### 3. Property Tax Revenue Recognition

Property taxes for 2015 are attached as an enforceable lien on January 1, 2015. They were levied in November 2015 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 2016. 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, 2015	Additions	Retirements	Balance June 30, 2016
Capital Assets Not Being Depreciated				
Land	\$ 136,734			136,734
Construction in Progress	156,361	1,921,217		2,077,578
Total Capital Assets Not Being Depreciated	<u>293,095</u>	<u>1,921,217</u>	-	<u>2,214,312</u>
Capital Assets Being Depreciated				
Buildings and Improvements	5,278,770		151,837	5,126,933
Furniture and Equipment	1,900,007	22,010	1,200,018	721,999
Library Materials	2,895,363	269,127	636,041	2,528,449
Total Capital Assets Being Depreciated	<u>10,074,140</u>	<u>291,137</u>	<u>1,987,896</u>	<u>8,377,381</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,897,234)	(135,955)	(140,500)	(2,892,689)
Furniture and Equipment	(976,660)	(108,739)	(695,276)	(390,123)
Library Materials	(2,605,987)	(361,207)	(636,041)	(2,331,153)
Total Accumulated Depreciation	<u>(6,479,881)</u>	<u>(605,901)</u>	<u>(1,471,817)</u>	<u>(5,613,965)</u>
Total Capital Assets Being Depreciated, Net	<u>3,594,259</u>	<u>(314,764)</u>	<u>516,079</u>	<u>2,763,416</u>
Capital Assets, Net	<u>\$ 3,887,354</u>	<u>1,606,453</u>	<u>516,079</u>	<u>4,977,728</u>

## INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to the Financial Statements  
June 30, 2016

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### 4. Capital Assets (Cont.)

#### 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	\$ 13,956,324	1,922,763		12,033,561

### 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 2015 was 11.07% 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, 2015, the District's annual pension cost of \$306,835 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.

## INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to the Financial Statements  
June 30, 2016

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### 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.

### 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, 2016, amounted to \$124,841. Future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2017	\$ 245,581
2018	<u>2,907</u>
	<u>\$ 248,488</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, 2015	\$ 5,040,507
Interest Earnings	<u>11,085</u>
Ending Balance, June 30, 2016	<u>\$ 5,051,592</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. Due to the timing of billing, the District did not have any expenditures paid to the Consortium for the year ended June 30, 2016.

## INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS

Notes to the Financial Statements  
June 30, 2016

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### 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 Governmental 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, 2016, (including FICA and IMRF responsibilities) is equivalent to \$228,886.

### 13. Subsequent Events

On August 10, 2016, the District completed the sale of \$5,925,000 in General Obligation (Limited Tax) Debt Certificates, Series 2016, due in annual installments of \$530,000 to \$555,000, plus interest at 2.25% - 3.00% through June 1, 2027. The debt certificates will be used to fund the renovation of the Library.

## **ADDITIONAL INFORMATION**

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

Nonmajor Governmental Funds

Combining Balance Sheet - Modified Cash Basis

June 30, 2016

	Special Revenue Funds				Total
	Building Maintenance	IMRF	FICA	Audit	
Assets					
Cash	\$ 206,781	244,514	182,309	13,191	646,795
Liabilities	\$				
Fund Balances					
Restricted for:					
Building Maintenance	206,781				206,781
Retirement Benefits		244,514			244,514
Employer Taxes			182,309		182,309
Audit				13,191	13,191
Total Fund Balances	\$ 206,781	244,514	182,309	13,191	646,795

**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, 2016

	Special Revenue Funds				Total
	Building Maintenance	IMRF	FICA	Audit	
Revenues					
Property Taxes	\$ 249,413	191,698	125,271	2,595	568,977
Investment income	259	262	199	14	734
Total Revenues	249,672	191,960	125,470	2,609	569,711
Expenditures	337,095	318,325	220,652	11,300	887,372
Net Change in Fund Balances	(87,423)	(126,365)	(95,182)	(8,691)	(317,661)
Fund Balances					
Beginning	294,204	370,879	277,491	21,882	964,456
Ending	\$ 206,781	244,514	182,309	13,191	646,795



**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

General Fund

Schedule of Expenditures - Modified Cash Basis - Budget and Actual  
Year Ended June 30, 2016

	Original and Final Budget	Actual
Library Materials		
Books	\$ 340,550	269,127
Standing Orders	26,500	26,621
Serial Publications	24,900	19,499
Audio Visual Materials	62,250	34,738
Video Tapes	162,500	134,453
Electronic Resources	257,500	213,656
Realia	15,600	3,982
Software	42,411	26,618
	932,211	728,694
Operating		
Equipment Maintenance	89,140	48,095
Library Automation Maintenance	101,080	92,424
OCLC Cataloging	27,500	25,117
Binding	500	47
Library Supplies	97,460	47,944
Postage	34,025	20,622
Travel	46,065	19,620
Staff Education	60,264	13,486
Memberships	10,005	7,299
Trustee Development	11,855	6,651
Publishing Fees	14,800	7,455
Printing	47,000	45,356
Program Expense	108,490	49,530
Legal	50,000	13,230
Telephone	31,411	39,166
Contractual Services	140,179	106,143
Ground Maintenance	18,720	11,081
Janitorial Supplies	15,350	16,719
Contingency	30,000	
Grants		35,349
Building Repairs	5,000	2,620
	938,844	607,954
Personnel		
Salaries	3,130,445	3,044,422
Benefits	303,921	235,107
EAP	2,421	2,125
Flex Spending	1,118	1,802
	3,437,905	3,283,456
Capital Outlay		
Furniture	33,400	13,570
Technology	40,400	36,895
355 Construction	5,000,000	2,163,424
	5,073,800	2,213,889

**INDIAN TRAILS PUBLIC LIBRARY DISTRICT, ILLINOIS**

General Fund

Schedule of Expenditures - Modified Cash Basis - Budget and Actual (Cont.)  
Year Ended June 30, 2016

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	Original and Final Budget	Actual
Insurance		
Liability	72,500	65,475
Workers' Compensation	10,300	7,660
Unemployment	18,808	8,318
	<u>101,608</u>	<u>81,453</u>
	<u>\$ 10,484,368</u>	<u>6,915,446</u>