LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2011

Sikich.
Certified Public Accountants & Advisors

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

Certified Public Accountants & Business Advisors

Sikich.

Members of American Institute of
Certified Public Accountants

998 Corporate Boulevard • Aurora, IL 60502

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Lake Bluff Public Library
Lake Bluff, Illinois

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lake Bluff Public Library, a component unit of the Village of Lake Bluff, Illinois, as of and for the year ended April 30, 2011, which collectively comprise the Lake Bluff Public Library's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Lake Bluff Public Library's management. Our responsibility is to express opinions on the basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lake Bluff Public Library as of April 30 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Sikich LLP

Aurora, Illinois
September 9, 2011

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended April 30, 2011

As management of the Lake Bluff Public Library, Illinois, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Lake Bluff Public Library for the fiscal year ended April 30, 2011. The Library is a component unit of the Village of Lake Bluff but has a separately elected Board of Trustees. The Library is a unit of local government operating in accordance with the Illinois Local Library Act, 75 ILCS 5/1-0.1 et seq. The powers and duties of the Board of Library Trustees are set forth in said Act and include "the exclusive control of the expenditure of all moneys collected for the library and deposited to the credit of the library fund" (75 ILCS 5/4-7(2)). Library taxes are levied by the Village in amounts determined by the Library Board and collected with other Village taxes (75 ILCS 5/3-5).

This management discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues; (2) provide an overview of the Library's financial activity; (3) clarify the Library's financial position and ability to address future challenges; (4) identify material deviations from the budget; and (5) identify concerns specific to individual funds. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The Library's total net assets are $2.461 million as of April 30, 2011; an increase in total net assets of $58,347. The *unrestricted* net assets are $588,002 compared to $496,139 in 2010 reflecting growth of $91,863 or 19%. The decrease of $33,522 in investment in net capital assets and a $6 increase in the Bird Memorial restricted funds accounts for the additional change in net assets.
- Total expenses were $778,564 funded with property tax revenues of $779,602; charge for services of $20,953; donations and grants of $24,186; interest of $1,562; other revenues of $3,083; and $7,525 transfer from the Village, accounting for the increase in net assets of $58,347.
- The governmental operating fund balance increased by $104,369 from $511,451 to $615,820 representing the Library's spendable resources.
- The investment in capital assets (net of accumulated depreciation) is $1,870,095 consisting of $1,004,565 in buildings; $431,561 in books and materials; $347,445 land value; $58,579 in furniture and equipment, and $27,945 in construction in progress.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Library's annual report includes <u>two government-wide financial statements</u>. These statements provide both long-term and short-term information about the Library's overall financial condition. Financial reporting at this level uses accounting similar to full accrual accounting such as in the private sector. Inter-fund activity is eliminated and the cost of assets with a long service life is spread out over future years so that capital expenditures are amortized through depreciation when the benefits are realized.

The first statement is the **Statement of Net Assets** that presents information about all of the Library's assets and liabilities, with the differences reported as net assets. Over a multi-year period, an increase or decrease in net assets can detect an improvement or deterioration in the financial position of the Library. Additionally, one would need to evaluate non-financial factors, such as the condition of Library infrastructure, the satisfaction of constituents, and other information beyond the scope of this report to make a more complete assessment of whether the Library as a whole has improved.

The second statement is the **Statement of Activities**, which reports *how* the Library's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when the cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the Library's distinct activities or functions on revenues provided by the Library's taxpayers.

REPORTING THE LIBRARY'S MOST SIGNIFICANT FUNDS

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 Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library has only one governmental fund.

Governmental funds. Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Unlike the government-wide financial statements, governmental fund financial information focuses on near-term *flow* of spendable resources, as well as on *the balance* of spendable resources available at the end of the fiscal year. *Fund information for the Library is presented in a "Governmental Fund Balance Sheet" on page 5.*

Notes to the financial statements
The accompanying notes to the financial statements provide information essential to a full understanding of these financial statements. *The notes are on pages 9-19 of this report.*

Other information
The Library's pension benefit obligations are combined with the Village of Lake Bluff and included in the Village's comprehensive annual financial report. *The Library's post employment pension obligation information is presented on pages 16-17.*

Financial Analysis of the Library

The largest portion of the Library's net assets reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The Library does not use capital assets to provide services to citizens; therefore these assets are not available for future spending.

Lake Bluff Public Library Net Assets

	2011	2010	Increase/ (Decrease)	Percentage Change
Current & other assets	$1,469,471	$1,337,378	$ 132,093	9.9%
Capital assets	$1,870,095	$1,903,617	$ (33,522)	(1.8)
Total assets	$3,339,566	$3,240,995	$ 98,571	3.0
Short-term liabilities	$ 853,651	$ 825,927	$ 27,724	3.4
Long-term liabilities	$ 24,795	$ 12,295	$ 12,500	101.7
Total term liabilities	$ 878,446	$ 838,222	$ 40,224	4.8
Invested in capital assets, net of related debt	$1,870,095	$1,903,617	$ (33,522)	(1.8)
Reserved for Bird Children's Cntr	$ 3,023	$ 3,017	$ 6	.2
Unrestricted	$ 588,002	$ 496,139	$ 91,863	18.5
Total net assets	**$2,461,120**	**$2,402,773**	**$ 58,347**	**2.4%**

Current and other assets rose 9.9% due to an increase in cash and investments and property tax receivable. Long-term liabilities rose by $12,500 pursuant to the implementation of GASB Statement No. 45 that established requirements for the recognition of potential postemployment health care costs. Unrestricted net assets grew nearly 18% due to a concerted effort to contain operational spending in order to increase the capital reserve account.

Library Activities

The Library has a major General Fund and a non-major Bird Memorial Children's Fund. The Library provides books, CD's, and DVD's for rental to its patrons and periodicals, Internet access, and research assistance to the residents of the community. The focus of the Library's governmental funds is to provide information on current inflows, outflows, and balances of non-capital assets.

Change in Net Assets

The 2011 revenues increased by $17,546 or 2.1% though the charge for services and property taxes remained relatively unchanged. The 2011 grant revenues increased by 32.6% or $5,952 from 2010. Interest income declined by 17.2% or $324 due to the historically low short-term interest rates.

Lake Bluff Public Library Changes in Net Assets

	Governmental Activities		Total	
	2011	2010	Increase/ (Decrease)	Percentage Change
Revenues:				
Program revenues				
Charge for services	20,953	21,047	(94)	-----
Operating grants and contributions	24,186	18,234	5,952	32.6%
General revenues				
Property taxes	779,602	771,464	8,138	1.1
Interest/Investment Inc	1,562	1,886	(324)	(17.2)
Miscellaneous	10608	6,734	3,874	57.5
Subtotal general revenue	791,772	780,084	11,688	1.5
Total Revenues	836,911	819,365	17,546	2.1
Expenses:				
Library/culture	778,564	743,171	35,393	4.8
Increase/(Decrease) in net assets	**58,347**	**76,194**	**(17,847)**	**(23.4)**
Net assets – May 1, 2010	2,402,773	2,326,579	76,194	3.3
Net assets – April 30, 2011	2,461,120	2,402,773	58,347	2.4

The following schedule (shown on the next page) presents a summary of **revenues** and **expenditures** for the fiscal year ended April 30, 2011 and the amount and percentage of increases and decreases in relation to the prior year. This schedule shows capital outlay as a reduction in spendable resources and does not account for depreciation expense. These accounts for the difference between the increase in net assets of $58,347 (shown in the table above) and the change in fund balance of $104,369. Unreserved fund balance serves as a useful measure of the Library's net resources available for spending at the end of the year. The total unreserved fund balance of $612,797 is $104,363 or 20.5% more than 2010.

	2011	2010	Increase/ (Decrease)	Percentage Change
Revenues:				
Property Taxes	$ 779,602	$ 771,464	$ 8,138	1.1%
Intergovernmental	6,190	7,327	(1,137)	(15.5)
Donations & Grants	17,996	10,907	7,089	65.0
Charge for Services	7,340	7,201	139	1.9
Fines & Forfeits	13,613	13,846	(233)	(1.7)
Investment Income	1,562	1,886	(324)	(17.2)
Miscellaneous	10,608	6,734	3,874	57.5
Total Revenues	$ 836,911	$ 819,365	$ 17,546	2.1%
Expenditures:				
Salaries and benefits	$ 459,119	$ 418,169	$ 40,950	9.8%
Books, DVD, CD	113,066	96,512	16,554	17.2
Contractual/Professional	36,572	61,574	(25,002)	(40.6)
Commodities	13,359	26,579	(13,220)	(49.7)
Special Programs	3,079	23,218	(20,139)	(86.7)
Building maint/improve	34,241	33,022	1,219	3.4
Technology	30,979	53,658	(22,679)	(42.3)
Equipment/Capital	12,435	18,752	(6,317)	(38.5)
Contingency	29,692	-	29,692	100.0
Total Expenditures	$ 732,542	$ 731,484	$ 1,058	.1%
Change in fund balance	$ 104,369	$ 87,881	$ (92,738)	(51.3)
Fund balance – May 1, 2010	$ 511,451	$ 423,570	$ 180,619	74.3
Fund balance – April 30, 2011	$ 615,820	$ 511,451	$ 87,881	20.7%

Revenues
Ninety-three percent of the Library's 2011 revenues are derived from property taxes. Donations and grants grew by $7,089 or 65%. The Library received a per capita grant from the Illinois State Library in the amount of $6,190.

Expenditures
Salaries and benefits increased by $40,950 or 9.8%. This was offset by a decrease in spending on contractual/professional services of (40.6%) or ($25,002). In 2010 the library paid an Interim Director through contractural/professional services, rather than paying a salary. When the current director was hired, the compensation expense was moved from contractual back to salary.

Decrease in spending on commodities was (49.7%) or ($13,220). Increase in spending on books, DVDs and CDs was $16,554 or 17.2%. Decrease in spending on special programs was (86.7%) or ($20,139). Decrease in spending on Technology was (42.3%) or ($22,679).

The Contingency spending ($29,692) was the start of a building renovation that will be completed in 2012.

Budgetary Highlights
The budget was not modified during the year and actual expenditures did not exceed the budget.

Economic Factors/Subsequent Events

- The library has been exempt from the Property Tax Limitation Act since the voters approved Home Rule in April 2005.
- The Library utilization is expected to continue to grow as the economy is projected to begin a protracted recovery.
- The library will use about half its capital reserves to renovate the building in 2011-2012.

All of these factors were considered when preparing the fiscal year 2011-12 annual budget.

Contacting the Library's Financial Management

This financial report is designed to provide a general overview of the Library's finances, comply with finance related laws and regulations and demonstrate the Library's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Library Director, Matt Womack at 123 E. Scranton Ave, Lake Bluff, IL 60044, 847-234-2540 x 110, or access the Library's website at www.lakeblufflibrary.org.

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LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

STATEMENT OF NET ASSETS

April 30, 2011

	Governmental Activities
ASSETS	
Cash and investments	$ 678,832
Property taxes receivable	785,106
Prepaid items	2,510
Restricted cash and investments	3,023
Capital assets not being depreciated	375,390
Capital assets (net of accumulated depreciation)	1,494,705
Total assets	3,339,566
LIABILITIES	
Accounts payable	53,808
Accrued payroll	14,737
Deferred revenue	785,106
Noncurrent liabilities	
Due in more than one year	24,795
Total liabilities	878,446
NET ASSETS	
Invested in capital assets, net of related debt	1,870,095
Restricted for	
Library's Children's Computer Center	3,023
Unrestricted	588,002
TOTAL NET ASSETS	$ 2,461,120

See accompanying notes to financial statements.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets: Governmental Activities
PRIMARY GOVERNMENT					
Governmental Activities					
Culture and recreation	$ 778,564	$ 20,953	$ 24,186	$ -	$ (733,425)
Total governmental activities	778,564	20,953	24,186	-	(733,425)
TOTAL PRIMARY GOVERNMENT	$ 778,564	$ 20,953	$ 24,186	$ -	(733,425)

General Revenues	
Taxes	
Property	779,602
Investment income	1,562
Miscellaneous	10,608
Total	791,772
CHANGE IN NET ASSETS	58,347
NET ASSETS, MAY 1	2,402,773
NET ASSETS, APRIL 30	$ 2,461,120

See accompanying notes to financial statements.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUND

April 30, 2011

	General
ASSETS	
Cash and investments	$ 678,832
Property taxes receivable	785,106
Prepaid items	2,510
Restricted cash and investments	3,023
TOTAL ASSETS	$ 1,469,471
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 53,808
Accrued payroll	14,737
Unearned property taxes	785,106
Total liabilities	853,651
FUND BALANCE	
Reserved for	
Library's Children's Computer Center	3,023
Unreserved	612,797
Total fund balance	615,820
TOTAL LIABILITIES AND FUND BALANCE	$ 1,469,471

See accompanying notes to financial statements.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

RECONCILIATION OF FUND BALANCE OF GOVERNMENTAL FUND TO THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS

April 30, 2011

FUND BALANCE OF GOVERNMENTAL FUNDS	$ 615,820
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	1,870,095
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Net other postemployment benefit obligation	(24,795)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 2,461,120

See accompanying notes to financial statements.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

For the Year Ended April 30, 2011

	General
REVENUES	
Taxes	$ 779,602
Intergovernmental	6,190
Charges for services	7,340
Fines and forfeits	13,613
Investment income	1,562
Donations	17,996
Miscellaneous	10,608
Total revenues	836,911
EXPENDITURES	
Current	
Culture and recreation	732,542
Total expenditures	732,542
NET CHANGE IN FUND BALANCE	104,369
FUND BALANCE, MAY 1	511,451
FUND BALANCE, APRIL 30	$ 615,820

See accompanying notes to financial statements.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

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

For the Year Ended April 30, 2011

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	$ 104,369
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	114,372
The gain (loss) on the disposal of capital assets is calculated and reported in the statement of activities	(25,297)
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(122,597)
The change in the net other postemployment benefit obligation is not a source or use of a financial resource	(12,500)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 58,347

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lake Bluff Public Library (the Library), have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The more significant of the accounting policies are described below.

a. Reporting Entity

The Library is a discretely presented component unit of the Village of Lake Bluff, Illinois (the Village) pursuant to GASB Statement No. 14, since the Village is financially accountable for the Library.

b. Fund Accounting

The Library uses funds to report on its financial position and the changes in its financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into the following categories: governmental, proprietary and fiduciary. The Library reports only governmental funds.

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

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Library. The effect of material interfund activity, if any, has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, if any, which rely to a significant extent on fees and charges for support.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The Library reports the following major governmental fund:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both "measurable" and "available." Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers revenues to be available if they are collected within six months of the end of the current fiscal period. Expenditures generally are recorded when a fund liability is incurred.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Library reports unearned revenue on its financial statements. Unearned revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Library before it has a legal claim to them or prior to the provision of services, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Library has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements and revenue is recognized.

e. Investments

Investments are stated at cost or amortized cost, which approximates fair value. The Library's investments include the Illinois Funds Investment Pool, money market mutual funds and certificates of deposit.

f. Capital Assets

Capital assets, which include property, equipment and books are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost in excess of $1,000 (except that all books are capitalized) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Assets	Years
Buildings	15-50
Equipment	3-25
Books	10

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Compensated absences

Library employees are awarded vacation and sick days on the first day of the fiscal year. Earned vacation and sick time may not be carried over into the following year unless specifically approved by the Library Executive Director. If not used within the time period specified, carryover vacation days are forfeited. The General Fund has been used in prior years to liquidate the liability for compensated absences.

h. Fund Balance/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. None of the Library's net assets are restricted as a result of enabling legislation adopted by the Library. Invested in capital assets, net of related debt, represents the Library's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital assets.

2. DEPOSITS AND INVESTMENTS

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

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Library's deposits may not be returned to it. To guard against credit risk for deposits with financial institutions, the Library's investment policy requires that deposits with financial institutions in excess of FDIC insurance be collateralized with collateral held by an independent third-party in the name of the Library.

b. Investments

As of April 30, 2011, the Library had the following investments and maturities:

	Fair Value	Maturity
Illinois Funds	$ 300,839	On Demand
TOTAL INVESTMENTS	$ 300,839	

In accordance with its investment policy, the Library limits its exposure to interest rate risk by diversifying its investment portfolio to the best of its ability based on the nature of the funds invested and the cash flow needs of those funds. A variety of financial instruments and maturities, properly balanced, will help to ensure liquidity and reduce risk or interest rate volatility and loss of principal. Diversifying investments and maturities will avoid incurring unreasonable risks in the investment portfolio regarding specific security types, issuers or individual financial institutions. The Library's investment policy does not specifically limit the maximum maturity length of investments.

The Library limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly guaranteed by the United States Government. However, the Library's investment policy does not specifically limit the Library to these types of investments.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Library will not be able to recover the value of its investments that are in the possession of an outside party. To limit its exposure, the Library's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third-party acting as the Library's agent separate from where the investment was purchased.

3. RECEIVABLES - TAXES

Property taxes for 2010 attach as an enforceable lien on January 1, 2010, on property values assessed as of the same date. Taxes are levied by December 31 of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about May 1 and August 1 and are payable in two installments, on or about June 1 and September 1. The County collects such taxes and remits them periodically. Based upon collection histories, library management does not consider an allowance for uncollectible property taxes at April 30, 2011 to be necessary. These 2010 taxes are intended to finance the 2011 fiscal year and are not considered available or earned for current operations and are, therefore, reported as deferred/unearned revenue. The 2011 tax levy has not been recorded as a receivable at April 30, 2011, as the tax attached as a lien on property as of January 1, 2011; however, the tax will not be levied until December 2011 and, accordingly, is not measurable at April 30, 2011.

The Library has a statutory maximum tax rate of $0.15 per $100 of assessed valuation.

4. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2011 was as follows:

	Balances May 1	Increases	Decreases	Balances April 30
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	$ 347,445	$ -	$ -	$ 347,445
Construction in progress	-	27,945	-	27,945
Total capital assets not being depreciated	347,445	27,945	-	375,390
Capital assets being depreciated				
Buildings	1,618,089	-	-	1,618,089
Equipment	105,357	-	-	105,357
Books	817,595	86,427	124,619	779,403
Total capital assets being depreciated	2,541,041	86,427	124,619	2,502,849
Less accumulated depreciation for				
Buildings	573,149	40,375	-	613,524
Equipment	38,115	8,663	-	46,778
Books	373,605	73,559	99,322	347,842
Total accumulated depreciation	984,869	122,597	99,322	1,008,144
Total capital assets being depreciated, net	1,556,172	(36,170)	25,297	1,494,705
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 1,903,617	$ (8,225)	$ 25,297	$ 1,870,095

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENTAL ACTIVITIES	
Culture and recreation	$ 122,597

5. LONG-TERM OBLIGATIONS

During the year, the following changes occurred in liabilities reported in long-term obligations:

	Balances May 1	Additions	Retirements	Balances April 30	Due Within One Year
Net other postemployment benefits obligation	$ 12,295	$ 12,500	$ -	$ 24,795	$ -

6. DEFINED BENEFIT PENSION PLAN

The employees of the Library are covered by the Village's defined benefit pension plan.

Plan Description

The Library, under the sponsorship of the Village, contributes to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. The Library's participation in IMRF through the Village results in the Library participating in a cost-sharing multiple-employer plan.

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

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Participating members are required to contribute 4.5% of their annual salary to IMRF. The Library, under the sponsorship of the Village, is required to contribute the remaining amounts necessary to fund the plan, using the actuarial basis specified by statute. The employer required contributions for 2010 and 2011 were 10.38% and 10.98%, respectively.

6. DEFINED BENEFIT PENSION PLAN (Continued)

The actuarial accrued liability for the Village as a whole as of December 31, 2010, 2009 and 2008 was $5,354,595, $6,241,956 and $6,222,557, respectively. The actuarial value of assets at these dates was $3,929,456, $4,948,560 and $4,735,416, respectively, resulting in an unfunded actuarial accrued liability of $1,425,139, $1,293,396and $1,487,141, respectively.

7. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, the Library provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan (the Plan). The benefits, benefit levels, employee contributions and employer contributions are governed by the Village and can be amended by the Village through its personnel manual. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the Plan. The Plan does not issue a separate report. The activity of the Plan is reported in the Library's governmental activities.

b. Benefits Provided

The Library provides pre and post Medicare postretirement health insurance to retirees, their spouses and dependents (enrolled at time of employee's retirement). To be eligible for benefits, the employee must qualify for retirement under the Library's retirement plan. The retirees pay 100% of the average employer group cost.

c. Membership

At April 30, 2010 (most recent available), membership consisted of:

Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	5
TOTAL	6
Participating employers	1

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

d. Funding Policy

The Library is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the Plan until retirement.

e. Annual OPEB Costs and Net OPEB Obligation

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 and 2011 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2010	$ 19,640	$ 7,345	37.40%	$ 12,295
April 30, 2011	19,845	7,345	37.01%	24,795

The net OPEB obligation as of April 30, 2011, was calculated as follows:

Annual required contribution	$ 19,640
Interest on net OPEB obligation	615
Adjustment to annual required contribution	(410)
Annual OPEB cost	19,845
Contributions made	7,345
Increase in net OPEB obligation	12,500
Net OPEB obligation beginning of year	12,295
NET OPEB OBLIGATION END OF YEAR	$ 24,795

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

Funded Status and Funding Progress: The funded status and funding progress of the plan as of April 30, 2010 (most recent available), was as follows:

Actuarial accrued liability (AAL)	$	158,482
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)		158,482
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (active plan members)		248,373
UAAL as a percentage of covered payroll		63.81%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions - projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2010 actuarial valuation (most recent available), the entry-age normal actuarial cost method was used. The actuarial assumptions included an investment rate of return of 5.0% and an initial healthcare cost trend rate of 9.0% with an ultimate healthcare inflation rate of 5.0%. Both rates include a 2.5% inflation assumption. The actuarial value of assets was not determined as the Library has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2011 was 30 years.

8. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; employee health; natural disasters; and injuries to the Village's employees. Employees' health insurance is purchased through a broker and no risk of loss is retained by the Library.

Intergovernmental Risk Management Agency (IRMA)

The Library participates in the Intergovernmental Risk Management Agency (IRMA). IRMA is an organization of municipalities and special districts in northeastern Illinois that have formed an association under the Illinois Intergovernmental Cooperation Statute to pool their risk management needs. IRMA administers a mix of self-insurance and commercial insurance coverages; property/casualty and workers' compensation claim administration/litigation management services; unemployment claim administration; extension risk management/loss control consulting and training programs; and a risk information system and financial reporting service for its members.

The Library's payments to IRMA are displayed on the financial statements as expenditures/expenses in appropriate funds. Each member assumes the first $2,500 of each occurrence and IRMA has a mix of self-insurance and commercial insurance at various amounts above that level.

Each member appoints one delegate, along with an alternate delegate, to represent the member on the Board of Directors. The Library does not exercise any control over the activities of IRMA beyond its representation on the Board of Directors.

Initial contributions are determined each year based on the individual member's eligible revenue as defined in the bylaws of IRMA and experience modification factors based on past member loss experience. Members have a contractual obligation to fund any deficit of IRMA attributable to a membership year during which they were a member. Supplemental contributions may be required to fund these deficits. The Library is aware of no additional contributions due to IRMA as of April 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

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

For the Year Ended April 30, 2011

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Taxes	$ 780,709	$ 779,602	$ (1,107)
Intergovernmental	6,500	6,190	(310)
Charges for services	6,100	7,340	1,240
Fines and forfeits	12,000	13,613	1,613
Investment income	3,000	1,562	(1,438)
Donations	1,500	17,996	16,496
Miscellaneous	10,000	10,608	608
Total revenues	819,809	836,911	17,102
EXPENDITURES			
Culture and recreation			
Salaries and employee benefits	514,500	459,119	(55,381)
Books, periodicals, films and records	129,000	113,066	(15,934)
Professional services	38,500	25,626	(12,874)
Printing, stationery and office supplies	19,500	13,359	(6,141)
Dues and professional development	11,500	4,679	(6,821)
Utilities	12,000	6,267	(5,733)
Special programs	24,500	3,079	(21,421)
Building and grounds maintenance	37,500	34,241	(3,259)
Computers/automation	35,000	30,979	(4,021)
Equipment	16,500	908	(15,592)
Contingency	15,309	29,692	14,383
Capital outlay	-	11,527	11,527
Total expenditures	853,809	732,542	(121,267)
NET CHANGE IN FUND BALANCE	$ (34,000)	104,369	$ 138,369
FUND BALANCE, MAY 1		511,451	
FUND BALANCE, APRIL 30		$ 615,820	

(See independent auditor's report.)

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2011

Actuarial Valuation Date April 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded (Overfunded) AAL (OAAL) (UAAL) (2) - (1)	(5) Covered Payroll	UAAL (OAAL) as a Percentage of Covered Payroll (4) / (5)
2010	$ -	$ 158,482	0.00%	$ 158,482	$ 248,373	63.81%
2011	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Information not available

The Library implemented GASB Statement No. 45 for the fiscal year ended April 30, 2010.

Information for prior years is not available.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2011

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed	Net Pension Obligation/ (Asset)
2010	$ 7,345	$ 19,640	37.40%	$ 12,295
2011	7,345	19,640	37.40%	24,795

The Library implemented GASB Statement No. 45 for the fiscal year ended April 30, 2010.

Information for prior years is not available.

(See independent auditor's report.)

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2011

BUDGETS

The Library Board has the authority to approve the budget for the General Fund; the Village Board approves the tax levy for that fund. State statutes and local ordinances require that the budget be approved before the beginning of the fiscal year.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, no supplementary appropriations were adopted.