LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2014

Sikich

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

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Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

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 the major fund of the Lake Bluff Public Library, Lake Bluff, Illinois (the Library), as of and for the year ended April 30, 2014 and the related notes to financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Lake Bluff Public Library, Lake Bluff, Illinois as of April 30, 2014 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sikich LLP

Naperville, Illinois
September 23, 2014

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended April 30, 2014

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, 2014. 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). Accordingly, the Library's budget is approved by the Library Board and included with other Village budgets.

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 financial condition decreased slightly as total net position of $2.518 million as of April 30, 2014 decreased $37,203 or 1.5% from $2.555 million as of April 30, 2013. The *unrestricted* net position decreased by $16,898 to $464,408 from $481,306 in 2013.
- After depreciation expense, the net investment in capital assets declined $20,305 from the disposal of aged books/media in excess of the cost of new materials.
- Program revenues of $48,210, property tax revenues of $849,613, and other revenues of $16,446 were less than the expenses of $951,472 accounting for the decrease in net position of $37,203.
- The Library's spendable resources, represented by the governmental operating fund balance, decreased by $3,902 to $526,458 from $530,360. The difference between the changes in fund balance of ($37,203) and the net position of ($3,902) is attributed to the investment in capital assets (including depreciation and the loss on disposal of assets) of $20,305 and changes in the other postemployment benefit obligation ("OPEB") of $12,996.
- The net investment in capital assets (net of accumulated depreciation) is $2,053,749 consisting of $1,126,650 in buildings; $406,038 in books and media; $347,445 land value, and $173,616 in furniture and equipment.
- The fund balance of $526,458 decreased by $3,902 or .7% under the prior year. This balance represents 57% of the total expenditures of $918,171.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Library's annual report includes two government-wide financial statements. 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 Position** that presents information about all of the Library's assets and liabilities, with the differences reported as net position. Over a multi-year period, an increase or decrease in net position 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 position 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 position. 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 9-21 of this report.*

Other information
The Library's Illinois Municipal Retirement Fund 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 17-20.*

Financial Analysis of the Library

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

Lake Bluff Public Library Net Position

	2014	2013	Increase/ (Decrease)	Percentage Change
Current & other assets	$1,462,730	$1,401,918	$ 60,812	4.3%
Capital assets	$2,053,749	$2,074,054	$ (20,305)	(1.0)
Total assets	$3,516,479	$3,475,972	$ 40,507	1.4
Short-term liabilities	$ 83,968	$ 35,833	$ 48,135	134.3
Long-term liabilities	$ 62,050	$ 49,054	$ 12,996	26.5
Total liabilities	$ 146,018	$ 84,887	$ 61,131	72.0
Deferred inflows of resources	$ 852,304	$ 835,725	$ 16,579	2.0
Total liabilities & deferred inflows	$ 998,322	$ 920,612	$ 77,710	8.4
Invested in capital assets, net of related debt	$2,053,749	$ 2,074,054	$ (20,305)	(1.0)
Unrestricted	$ 464,408	$ 481,306	$ (16,898)	(3.5)
Total net position	**$2,518,157**	**$2,555,360**	**$ (37,203)**	**(1.5)%**

Current and other assets increased 4.3% due to an increase in cash and investments. Capital assets decreased by 1.0% due to the disposal of dated books/media and depreciation exceeding the cost of replacement books/media. Long-term liabilities rose by $12,996 for costs associated with the recognition of other post employment health care costs ("OPEB"). Unrestricted net position decreased by 3.5% or $16,898.

Pursuant to Governmental Accounting Standards Board ("GASB") Statements 63 and 65, unearned revenues are now categorized as deferred inflows of resources. The 2014 deferred inflow of $852,304 accounts for the 2013 property tax levy to be billed and collected in the next fiscal year. The increase of $16,579 or 2.0% is attributed to the Consumer Price Index-Urban ("CPI-U") factor of 1.7% and the amount of new construction added to the tax rolls.

Library Activities

The Library has a major General Fund to account for its financial transactions. 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 General Fund is to provide information on current inflows, outflows, and balances of non-capital (spendable) assets.

Change in Net Position

The schedule below presents a summary of the changes in the net position for the fiscal year ended April 30, 2014 and the amount and percentage of increase or decrease compared to the fiscal year ended April 30, 2013. The fiscal year 2014 revenues increased from the prior year by $62,642 or 7.3%. While the grants and contributions increased by $7,513, the property taxes grew by $48,918. Total expenses increased during 2014 compared to 2013 by $105,452 or 12.5%. The change in net position from 2013 to 2014 was a negative $37,203.

Lake Bluff Public Library
Changes in Net Position

	Governmental Activities		Total	
	2014	2013	Increase/ (Decrease)	Percentage Change
Revenues:				
Program revenues				
Charge for services	$ 23,829	23,203	$ 626	2.7%
Operating grants and Contributions	24,381	16,868	7,513	44.5%
General revenues				
Property taxes	849,613	800,695	48,918	6.1
Interest/Investment Income	322	751	(429)	(57.1)
Miscellaneous	16,124	10,110	6,014	59.5
Subtotal general revenue	866,059	811,556	54,503	6.7
Total Revenues	$ 914,269	$ 851,627	$ 62,642	7.3
Expenses:				
Library	$ 951,472	$ 846,020	$105,452	12.5
Increase/(Decrease) in net position	**(37,203)**	**5,607**	**(42,810)**	**(763.5)**
Net position – May 1, 2013	$2,555,360	$2,549,753	$ 5 ,607	.2
Net position – April 30, 2014	**$2,518,157**	**$2,555,360**	**$ (37,203)**	**(1.5)%**

The schedule on the next page presents a summary of **revenues** and **expenditures** for the fiscal year ended April 30, 2014 and the amount and percentage of increase or decrease in relation to the fiscal year ended April 30, 2013. This schedule shows capital outlay as a reduction in spendable resources and does not

account for depreciation expense, losses on the disposal of assets or OPEB costs. These amounts account for the difference between the decrease in net position of $37,203 (shown in the table above) and the decrease in fund balance of $3,902. Unrestricted fund balance serves as a useful measure of the Library's net resources available for spending at the end of the year. The 2014 total unrestricted fund balance of $526,458 is $3,902 or .7% less than 2013.

Lake Bluff Public Library
Changes in Revenues, Expenditures and Changes in Fund Balance

	2014	2013	Increase/ (Decrease)	Percentage Change
Revenues:				
Property Taxes	$ 849,613	$ 800,695	$ 48,918	6.1%
Intergovernmental	13,033	5,868	7,165	122.1
Donations & Grants	11,348	11,000	348	3.2
Charge for Services	9,329	9,967	(638)	(6.4)
Fines & Forfeits	14,500	13,236	1,264	9.5
Investment Income	322	751	(429)	(57.1)
Miscellaneous	16,124	10,110	6,014	59.5
Total Revenues	$ 914,269	$ 851,627	$ 62,642	7.4%
Expenditures:				
Salaries and benefits	$ 545,851	$ 474,831	$ 71,020	15.0%
Books, DVD, CD	168,243	130,682	37,561	28.7
Contractual/Professional	36,343	20,632	15,611	75.7
Commodities	25,867	21,172	4,695	22.2
Special Programs	16,523	13,049	3,474	26.6
Building maint/improve	34,225	36,430	(2,205)	(6.1)
Technology	49,813	30,048	19,765	65.8
Equipment/Capital	17,145	10,888	6,257	57.5
Contingency	24,161	23,326	835	3.6
Total Expenditures	$ 918,171	$ 761,058	$ 157,113	20.6%
Change in fund balance	$ (3,902)	$ 90,569	$ (94,471)	(104.3)
Fund balance – May 1, 2013	$ 530,360	$ 439,791	$ 90,569	20.6
Fund balance–April 30, 2014	**$ 526,458**	**$ 530,360**	**$ (3,902)**	**(.7%)**

Revenues
Ninety-three percent of the Library's 2014 revenues are derived from property taxes. The 2012 property taxes (shown as revenue in fiscal year 2014) increased $48,918 due to the 3.0% CPI-U factor and the value of new construction added to the tax rolls. Fines and forfeits increased by $1,264 or 9.5%. Miscellaneous revenue increased by $6,014 as fluctuations are typical for unpredictable sources of this nature.

Expenditures
Salaries and benefits increased by $71,020 or 15.0%. Spending on books, publications and other media was $37,561 or 28.7% greater than 2013. Spending on contractual/professional fees increased $15,611 or 75.7%. Commodities spending increased by $4,695 or 22.2%. Special program expenditures, for costs associated with the book club, speakers' fees, and juvenile programs, increased $3,474 or 26.6%. Technology spending increased by $19,765 or 65.8% due to the replacement of obsolete servers and personal computers in public access.

Budgetary Highlights
The budget was not modified during the year and actual expenditures did not exceed the budget. State statutes and local ordinances require that the budget be approved before the beginning of the fiscal year.

Economic Factors/Subsequent Events

- The library has been exempt from the Property Tax Limitation Act since the voters approved Home Rule in April 2005. With the exception of the 2005 levy, the Library has levied a property tax within the Property Tax Limitation Act.
- The CPI-U factor for the 2013 property levy is 1.7% with a projected decline in total equalized assessed value of 4.4% and minimal new construction added to the tax rolls.
- The Library utilization is expected to continue to grow as the economy remains stressed.

All of these factors were considered when preparing the fiscal year 2014-15 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, Eric Bailey at 123 E. Scranton Ave, Lake Bluff, IL 60044, 847-234-2540 x 110, or access the Library's website at www.lakeblufflibrary.org.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

STATEMENT OF NET POSITION

April 30, 2014

	Governmental Activities
ASSETS	
Cash and investments	$ 610,426
Property taxes receivable	852,304
Capital assets not being depreciated	347,445
Capital assets (net of accumulated depreciation)	1,706,304
Total assets	3,516,479
LIABILITIES	
Accounts payable	58,425
Accrued payroll	17,927
Due to other governments	7,616
Noncurrent liabilities	
Due in more than one year	62,050
Total liabilities	146,018
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue - property taxes	852,304
Total deferred inflows of resources	852,304
Total liabilities and deferred inflows of resources	998,322
NET POSITION	
Net investment in capital assets	2,053,749
Unrestricted	464,408
TOTAL NET POSITION	$ 2,518,157

See accompanying notes to financial statements.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2014

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 Position: Governmental Activities
PRIMARY GOVERNMENT					
Governmental Activities					
Culture and recreation	$ 951,472	$ 23,829	$ 24,381	$ -	$ (903,262)
Total governmental activities	951,472	23,829	24,381	-	(903,262)
TOTAL PRIMARY GOVERNMENT	$ 951,472	$ 23,829	$ 24,381	$ -	(903,262)

General Revenues	
Taxes	
Property	849,613
Investment income	322
Miscellaneous	16,124
Total	866,059
CHANGE IN NET POSITION	(37,203)
NET POSITION, MAY 1	2,555,360
NET POSITION, APRIL 30	$ 2,518,157

See accompanying notes to financial statements.

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUND

April 30, 2014

	General
ASSETS	
Cash and investments	$ 610,426
Property taxes receivable	852,304
TOTAL ASSETS	$ 1,462,730
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 58,425
Accrued payroll	17,927
Due to other governments	7,616
Total liabilities	83,968
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	852,304
Total deferred inflows of resources	852,304
Total liabilities and deferred inflows of resources	936,272
FUND BALANCE	
Unrestricted	
Unassigned	526,458
Total fund balance	526,458
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 1,462,730

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 POSITION

April 30, 2014

FUND BALANCE OF GOVERNMENTAL FUND	$	526,458
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund		2,053,749
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund		
Net other postemployment benefit obligation		(62,050)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	2,518,157

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, 2014

	General
REVENUES	
Taxes	$ 849,613
Intergovernmental	13,033
Charges for services	9,329
Fines and forfeits	14,500
Investment income	322
Donations	11,348
Miscellaneous	16,124
Total revenues	914,269
EXPENDITURES	
Current	
Culture and recreation	918,171
Total expenditures	918,171
NET CHANGE IN FUND BALANCE	(3,902)
FUND BALANCE, MAY 1	530,360
FUND BALANCE, APRIL 30	$ 526,458

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, 2014

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	$	(3,902)
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		168,048
The gain (loss) on the disposal of capital assets is calculated and reported in the statement of activities		(51,529)
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 fund		(136,824)
The change in the net other postemployment benefit obligation is not a source or use of a financial resource		(12,996)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(37,203)

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 governed by a seven-member Library Board of Trustees (the Board) that are separately elected. The Board selects management staff and directs the affairs of the Library. As required by generally accepted accounting principles, these financial statements include all funds of the Library. Management has also considered all potential component units. Criteria for including a component unit in the Library's reporting entity principally consist of the potential component unit's financial interdependency and accountability to the Library. Based upon those criteria, there are no potential component units to be included in the reporting entity.

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 restricted or committed monies (special revenue funds), the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds) and the funds committed, restricted or assigned for the servicing of long-term debt (debt service funds). The general fund is used to account for all activities of the Library.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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.

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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using 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.

The Library reports unearned revenue and unavailable revenue on its financial statements. Unavailable revenues arise when a potential revenue does not meet both the available criteria for recognition in the current period, under the modified accrual basis of accounting. Unearned revenue arises when a revenue is measurable but not earned under the accrual basis of accounting. 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 and deferred inflows of resource for unearned and unavailable revenue are 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Capital Assets (Continued)

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

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 Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact, unless conversion of the nonspendable asset to a spendable asset would result in a restriction or commitment on the spendable asset, in which case reporting the restriction or commitment takes precedent.

Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities or from enabling legislation adopted by the Library. Committed fund balance is constrained by formal actions of the Library's Board of Trustees, which is considered the Library's highest level of decision-making authority. Formal actions include ordinances approved by the Board of Trustees. Assigned fund balance represents amounts constrained by the Library's intent to use them for a specific purpose. The authority to assign fund balance resides with the Executive Director. Any residual fund balance in the General Fund, including fund balance targets and any deficit fund balance of any other governmental fund is reported as unassigned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Fund Balance/Net Position (Continued)

The Library'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 Library considers committed funds to be expended first followed by assigned funds and then unassigned funds.

In the government-wide financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. None of the Library's net positions are restricted as a result of enabling legislation adopted by the Library. Net investments in capital assets 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.

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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 Government 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.

2. DEPOSITS AND INVESTMENTS (Continued)

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.

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

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 2013 attach as an enforceable lien on January 1, 2013, 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, 2014 to be necessary. These 2013 taxes are intended to finance the 2014 fiscal year and are not considered available or earned for current operations and are, therefore, reported as deferred/unearned revenue. The 2014 tax levy has not been recorded as a receivable at April 30, 2014, as the tax attached as a lien on property as of January 1, 2014; however, the tax will not be levied until December 2014 and, accordingly, is not measurable at April 30, 2014.

4. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2014 was as follows:

	Balances May 1	Increase	Decrease	Balances April 30
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	$ 347,445	$ -	$ -	$ 347,445
Total capital assets not being depreciated	347,445	-	-	347,445
Capital assets being depreciated				
Buildings	1,851,880	27,284	-	1,879,164
Equipment	237,280	33,509	23,040	247,749
Books	638,669	107,255	125,265	620,659
Total capital assets being depreciated	2,727,829	168,048	148,305	2,747,572
Less accumulated depreciation for				
Buildings	706,144	46,370	-	752,514
Equipment	78,108	18,292	22,267	74,133
Books	216,968	72,162	74,509	214,621
Total accumulated depreciation	1,001,220	136,824	96,776	1,041,268
Total capital assets being depreciated, net	1,726,609	31,224	51,529	1,706,304
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 2,074,054	$ 31,224	$ 51,529	$ 2,053,749

4. CAPITAL ASSETS (Continued)

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

GOVERNMENTAL ACTIVITIES	
Culture and recreation	$ 136,824

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	$ 49,054	$ 12,996	$ -	$ 62,050	$ -

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 of Lake Bluff (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.

6. DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

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

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 2013 and 2014 were 12.44% and 12.12%, respectively.

The actuarial accrued liability for the Village as a whole as of December 31, 2013, 2012 and 2011 was $6,137,398, $5,737,351 and $5,591,537, respectively. The actuarial value of assets at these dates was $5,268,905, $4,284,986 and $4,187,430, respectively, resulting in an unfunded actuarial accrued liability of $868,493, $1,452,365 and $1,404,107, 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.

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Membership

At April 30, 2013 (most recent data available), membership consisted of:

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

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 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2012	$ 20,053	$ 7,345	36.63%	$ 37,503
April 30, 2013	11,962	411	3.44%	49,054
April 30, 2014	20,341	7,345	36.11%	62,050

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The net OPEB obligation as of April 30, 2014, was calculated as follows:

Annual required contribution	$	19,640
Interest on net OPEB obligation		2,453
Adjustment to annual required contribution		(1,752)
Annual OPEB cost		20,341
Contributions made		7,345
Increase in net OPEB obligation		12,996
Net OPEB obligation, beginning of year		49,054
NET OPEB OBLIGATION, END OF YEAR	$	62,050

Funded Status and Funding Progress: The funded status and funding progress of the plan as of April 30, 2013 (most recent data available), was as follows:

Actuarial accrued liability (AAL)	$	89,248
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)		89,248
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (active plan members)	$	246,492
UAAL as a percentage of covered payroll		36.21%

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.

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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, 2013 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% and an initial healthcare cost trend rate of 9% with an ultimate healthcare inflation rate of 5%. 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, 2013 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.

8. RISK MANAGEMENT (Continued)

Intergovernmental Risk Management Agency (IRMA) (Continued)

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 by-laws 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, 2014.

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, 2014

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Taxes	$ 833,508	$ 849,613	$ 16,105
Intergovernmental	5,868	13,033	7,165
Charges for services	7,700	9,329	1,629
Fines and forfeits	12,000	14,500	2,500
Investment income	500	322	(178)
Donations	15,000	11,348	(3,652)
Miscellaneous	30,800	16,124	(14,676)
Total revenues	905,376	914,269	8,893
EXPENDITURES			
Culture and recreation			
Salaries and employee benefits	540,500	545,851	5,351
Books, periodicals, films and records	144,250	168,243	23,993
Professional services	38,500	30,707	(7,793)
Printing, stationery and office supplies	18,000	17,086	(914)
Dues and professional development	5,500	5,636	136
Utilities	6,500	8,781	2,281
Special programs	5,868	16,523	10,655
Building and grounds maintenance	42,750	34,225	(8,525)
Computers/automation	153,000	49,813	(103,187)
Equipment	4,508	4,023	(485)
Contingency	18,000	24,161	6,161
Capital outlay	13,000	13,122	122
Total expenditures	990,376	918,171	(72,205)
NET CHANGE IN FUND BALANCE	$ (85,000)	(3,902)	$ 81,098
FUND BALANCE, MAY 1		530,360	
FUND BALANCE, APRIL 30		$ 526,458	

(See independent auditor's report.)

LAKE BLUFF PUBLIC LIBRARY
LAKE BLUFF, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date April 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL 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
2012	N/A	N/A	N/A	N/A	N/A	N/A
2013	-	89,248	0.00%	89,248	246,492	36.21%
2014	N/A	N/A	N/A	N/A	N/A	N/A

Schedule of Employer Contributions

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
2012	7,345	19,640	37.40%	37,503
2013	411	12,410	3.31%	49,054
2014	7,345	19,640	37.40%	62,050

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.

(See independent auditor's report.)

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.