

WAUKEGAN PUBLIC LIBRARY

Waukegan, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report
As of and for the Year Ended April 30, 2012

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**CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
AS OF AND FOR THE FISCAL YEAR ENDED APRIL 30, 2012
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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Members of the Library Board of Trustees
Waukegan Public Library
City of Waukegan

We have audited the accompanying financial statements of the governmental activities, the major fund and the discretely presented component unit of the Waukegan Public Library, a component unit of City of Waukegan, Illinois, as of and for the year ended April 30, 2012, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Waukegan Public Library's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the discretely presented component unit of the Waukegan Public Library, as of April 30, 2012, 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.

As described in Note 9, the Library adopted the provision of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective, May 1, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 15, 2013 on our consideration of the City of Waukegan's, of which the Waukegan Public Library is a component unit, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the Library Board of Trustees
Waukegan Public Library
City of Waukegan

The Waukegan Public Library has not presented a Management's Discussion and Analysis as required supplementary information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operation, economical, or historical context. Our opinion on the financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waukegan Public Library's basic financial statements. The supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Oak Brook, Illinois
January 15, 2013

BASIC FINANCIAL STATEMENTS

The basic financial Statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- ***Government-wide Financial Statements***
- ***Fund Financial Statements – Governmental Fund***

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
STATEMENT OF NET ASSETS
AS OF APRIL 30, 2012

	GOVERNMENTAL ACTIVITIES	COMPONENT UNIT
Assets		
Cash and investments	\$ 2,849,537	\$ 72,446
Receivables (net of allowance for uncollectibles):		
Property taxes	3,840,142	-
Other	19,806	3,000
Capital assets		
Land	71,486	-
Depreciable capital assets, net	<u>4,614,966</u>	<u>-</u>
 Total assets	 <u>11,395,937</u>	 <u>75,446</u>
Liabilities		
Accounts payable	54,897	-
Accrued salaries	20,000	-
Accrued interest payable	46,496	-
Other current liabilities	80,889	10,829
Unearned revenue	3,933,478	-
Long-term liabilities - due within one year	283,489	-
Long-term liabilities - due after one year	<u>3,759,174</u>	<u>-</u>
 Total liabilities	 <u>8,178,423</u>	 <u>10,829</u>
Net assets		
Invested in capital assets, net of related debt	1,407,899	-
Restricted for grant purposes	157,378	-
Restricted for endowment and library	-	48,933
Unrestricted	<u>1,652,237</u>	<u>15,684</u>
 Total net assets	 <u>\$ 3,217,514</u>	 <u>\$ 64,617</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	COMPONENT UNIT FOUNDATION
Primary Government					
Governmental activities					
Library services	\$ 4,097,962	\$ 98,001	\$ 366,639	\$ (3,633,322)	\$ -
Total governmental activities	\$ 4,097,962	\$ 98,001	\$ 366,639	(3,633,322)	-
Component Unit					
Foundation operations	\$ 59,016	\$ -	\$ 39,766	-	(19,250)
General revenues:					
Property taxes				3,664,896	-
Donations & sponsorships				60,633	-
Interest				3,081	78
Miscellaneous				9,878	-
Total general revenues				3,738,288	78
Change in net assets				104,966	(19,172)
Net assets, beginning of year				3,112,548	83,789
Net assets, end of year				\$ 3,217,514	\$ 64,617

The notes to the financial statements are an integral part of this statement.

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
GOVERNMENTAL FUND
BALANCE SHEET
AS OF APRIL 30, 2012

	GOVERNMENTAL ACTIVITIES GENERAL FUND
Assets	
Cash and investments	\$ 2,849,537
Receivables (net of allowance for doubtful accounts):	
Property taxes	3,840,142
Other	19,806
 Total assets	 \$ 6,709,485
Liabilities and fund balance	
Liabilities	
Accounts payable	\$ 54,897
Accrued payroll	20,000
Other current liabilities	80,889
Deferred revenue	3,933,478
 Total liabilities	 4,089,264
Fund balance	
Restricted for capital projects	675,992
Restricted for grant purposes	157,378
Unreserved	1,786,851
 Total fund balance	 2,620,221
Total liabilities and fund balance	\$ 6,709,485

The notes to the financial statements are an integral part of this statement.

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
AS OF APRIL 30, 2012

Total fund balances - governmental funds	\$	2,620,221
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

The cost of capital assets (land, buildings & improvements, and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Library as a whole.

Cost of capital assets	\$	8,926,659	
Depreciation expense to date		<u>(4,240,207)</u>	
			4,686,452

Long-term liabilities applicable to the Library's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities - both current and long-term, are reported in the Statement of Net Assets. Balances at April 30, 2011 are:

Debt certificates payable		(3,690,000)	
Capital lease		(204,488)	
Compensated absences		(148,175)	
Interest payable		<u>(46,496)</u>	
			<u>(4,089,159)</u>

Net assets of governmental activities	\$	<u>3,217,514</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2012

	ORIGINAL AND FINAL BUDGET	ACTUAL
Revenues		
Taxes	\$ 3,658,738	\$ 3,664,696
Intergovernmental	302,000	366,639
Charges for services	15,100	23,725
Fines and penalties	60,120	74,276
Interest	6,500	3,081
Miscellaneous	<u>37,200</u>	<u>70,511</u>
Total revenues	<u>4,079,658</u>	<u>4,202,928</u>
Expenditures		
Current:		
Library services	3,480,634	3,440,010
Capital outlay	301,500	1,455,823
Debt service:		
Principal	150,000	190,888
Interest and fiscal charges	<u>143,263</u>	<u>152,767</u>
Total expenditures	<u>4,075,397</u>	<u>5,239,488</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,261</u>	<u>(1,036,560)</u>
Other Financing Sources (Uses)		
Capital lease value	<u>-</u>	<u>245,376</u>
Change in fund balance	<u>\$ 4,261</u>	<u>(791,184)</u>
Fund balance, beginning of year		<u>3,411,405</u>
Fund balance, end of year		<u>\$ 2,620,221</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2012

Net change in fund balances - total governmental funds \$ (791,184)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period. 971,130

The issuance of long-term debt (bonds, capital leases, etc.) provides current financial resources to the governmental funds, while its principal repayment consumes current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets:

Principal repayments	\$	190,888	
Capital lease value		(245,376)	
			(54,488)

In the Statement of Activities, operating expenses are measured by the amounts incurred during the year. However, certain of these items are included in the governmental funds only to the extent that they require the expenditure of current financial resources:

Compensated absences		(21,486)	
Interest payable		994	
		(20,492)	(20,492)

Change in Net Assets - governmental activities \$ 104,966

The notes to the financial statements are an integral part of this statement.

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CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Library operates and maintains the public library within the City of Waukegan. The Library is a legally separate entity whose Board is appointed by the Mayor of the City of Waukegan with the approval of the City Council. The Library may not issue bonded debt without the City's approval and its property tax levy is subject to the City Council's acceptance, and is therefore, considered to be a component unit of the City of Waukegan, Illinois. This report represents the financial activity of the Waukegan Public Library for the year ended April 30, 2012.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government.

Discretely Presented Component Unit

Waukegan Public Library Foundation

The government-wide financial statements include the Waukegan Public Library Foundation (Foundation) as a component unit. The Foundation is a legally separate organization. The board of the Foundation is elected by the Library Board. The Library can impose its will on the Library Foundation. As a component unit, the Foundation's financial statements have been presented as a discrete column in the financial statements. The Foundation's fiscal year end is December 31. The financial information presented for the Foundation is as of December 31, 2011.

Basis of Presentation

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

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONT'D

Fund Financial Statements

The accounts of the Library in the governmental fund financial statements are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures. Fund accounting segregates funds according to their intended purpose, and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Separate financial statements are provided for the governmental (General) fund, the only fund of the Library.

Measurement Focus, Basis of Accounting, and Financial Statement Preparation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and intended to be utilized. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental funds are used to account for the Library's general government activities. Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they are both "measurable and available".

"Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Library considers all revenues available if they are collected within 60 days after year-end, with the exception of the State of Illinois per capita library grant for which the availability period is one year. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes and interest on investments associated with the current fiscal period are susceptible to accrual and are recognized as revenues of the current fiscal period. Other receipts become measurable and available when cash is received by the Library and are recognized as revenue at that time.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly, when such funds are received they are recorded as deferred revenues until earned.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONT'D

State statutes authorize the Library to invest in obligations of the U.S. Treasury, certain highly-rated commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments are stated at fair value. Changes in fair value of investments are recorded as investment income.

Property Tax Revenues

Property taxes for 2011 attach as an enforceable lien on January 1, 2011, on property values assessed as of the same date. Taxes are levied by December of the fiscal year (by passage of a Tax Levy Ordinance). Tax bills that are prepared by Lake County are issued on May 1 and are payable in two installments on June 1st and September 1st.

The Library's 2011 tax rates per \$100 of assessed valuation, together with the related maximum tax rates, that where applicable, are as follows:

	<i>Lake County</i>
Library	.299

The Counties collect such taxes and remit them periodically. The allowance for uncollectible taxes has been stated at 0.2% of the tax levy or \$7,696 to reflect actual collection experience. The 2011 property tax levy is recognized as a receivable in fiscal 2012, net the allowance for uncollectible. The Library has determined that both installments of the 2011 levy are to be used to finance operations in fiscal 2013 and has deferred the corresponding receivable.

Capital Assets

Capital assets, which include buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$1,000 and a useful life greater than 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation of capital assets is provided using the straight-line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings and improvements	20-40
Furniture and equipment	5-20

**CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONT'D

Deferred Revenues

The Library reports deferred revenue on its financial statements in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. The Library also defers revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the financial statements were as follows:

	<i>Unavailable</i>	<i>Unearned</i>	<i>Totals</i>
Property taxes receivable for subsequent year	\$ -	\$ 3,840,142	\$ 3,840,142
Copier rebate revenue	-	93,336	93,336
Total	<u>\$ -</u>	<u>\$ 3,933,478</u>	<u>\$ 3,933,478</u>

Compensated Absences

The Library accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. There is no liability for accumulated sick days as they are not paid out to an employee. All vacation pay is accrued when incurred in the government-wide financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the governmental fund. Budget amounts were amended during the year by the Board of Trustees. All annual appropriations lapse at fiscal year end.

The budget is prepared by fund, function, department and object, and includes information on the past year, current year budget, current year estimates and requested budget for the next fiscal year. The proposed budget is presented to the Board of Trustees for review. The Board of Trustees holds public hearings and may add to, subtract from, or change budgeted amounts, but may not change the form of the budget. Any revisions that alter the total expenditures of any fund must be approved by the governing body. Expenditures may not legally exceed budgeted appropriations at the fund level.

Excess of Expenditures over Budget

For the year ended April 30, 2012, expenditures exceeded budget in the General Fund by \$1,164,091. This excess was funded by a prior year debt issuance and relates to capital improvements.

NOTE 3 – DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds, and their discretely presented component unit, the Waukegan Public Library. Each fund type's portion of this pool is displayed on the statement of net assets and balance sheet as cash and investments. In addition, investments are separately held by the Library. The Waukegan Public Library follows the City's investment policy.

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED APRIL 30, 2012

NOTE 3 – DEPOSITS AND INVESTMENTS - CONT'D

Permitted Deposits and Investments - Statutes authorize the Library to make deposits/investments 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 agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool. The Library's investment policy allows the Library to invest in any type of security allowable in Illinois statutes regarding the investment on public 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 Fund's share price, the price for which the investments could be sold. Illinois Funds is rated AAAM.

For disclosure purposes, for the Waukegan Public Library, these amounts are segregated into three components: 1) cash on hand 2) deposits with financial institutions, which include amounts held in demand accounts, savings accounts and non-negotiable certificates of deposit; and 3) investments, which consist of investments in the Illinois Funds, as follows:

	<u>Library</u>	<u>Foundation</u>
Cash on hand	\$ 500	\$ -
Deposits with financial institutions	2,234,065	72,446
Illinois Funds	<u>614,972</u>	<u>-</u>
 Total	 <u>\$ 2,849,537</u>	 <u>\$ 72,446</u>

Interest Rate Risk

The Library's investment policies seek to ensure preservation of capital in the Library's overall portfolio. Return on investment is of secondary importance to safety of principal and liquidity. The policy requires the Library's investment portfolio to be sufficiently liquid to enable the Library to meet all operating requirements as they come due. The Library has invested \$614,972 in the Illinois Funds which are due on demand.

Credit Risk

State Statutes limit the investments in commercial paper to the top three ratings of two nationally recognized statistical rating organizations (NRSRO's). The Library's investment policy authorizes investments in any type of security allowed for in Illinois statutes regarding the investment of public funds.

Concentration of Credit Risk

The Library's investment policy requires diversification of the investment portfolio to minimize risk of loss resulting from over-concentration in a particular type of security, risk factor, issuer, or maturity. The Library's investments are managed by the Waukegan City Treasurer, who operates its investments as an internal investment pool where each fund reports it's pro rata share of the investments made by the City Treasurer. In this internal investment pool there were no investments which are subject to concentration for credit risk that represent more than 5% of the portfolio as of April 30, 2012.

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2012

NOTE 3 – DEPOSITS AND INVESTMENTS - CONT'D

Custodial Credit Risk - Deposits

With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Library's investment policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured with collateralization pledged by the applicable financial institution to the extent of 102% of the value of the deposit. As of April 30, 2012, the bank balance of deposits with financial institutions was \$2,324,806 of which \$1,713,197 was uncollateralized.

Custodial Credit Risk - Investments

With respect to investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library's investment policy requires all securities to be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

NOTE 4 – CAPITAL ASSETS

The Library's capital asset activity for the year ended April 30, 2012, was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Capital assets not being depreciated:				
Land	\$ 71,486	\$ -	\$ -	\$ 71,486
Construction in progress	825,194		825,194	-
Total capital assets not being depreciated	<u>896,680</u>	<u>-</u>	<u>825,194</u>	<u>71,486</u>
Capital assets being depreciated:				
Buildings and improvements	5,294,692	1,944,377	-	7,239,069
Furniture and equipment	1,524,840	91,264	-	1,616,104
Total capital assets being depreciated	<u>6,819,532</u>	<u>2,035,641</u>	<u>-</u>	<u>8,855,173</u>
Less accumulated depreciation for:				
Buildings and improvements	3,134,945	134,384	-	3,269,329
Furniture and equipment	865,945	104,933	-	970,878
Total accumulated depreciation	<u>4,000,890</u>	<u>239,317</u>	<u>-</u>	<u>4,240,207</u>
Net capital assets being depreciated	<u>2,818,642</u>	<u>1,796,324</u>	<u>-</u>	<u>4,614,966</u>
Library activities capital assets, net	<u>\$ 3,715,322</u>	<u>\$ 971,130</u>	<u>\$ -</u>	<u>\$ 4,686,452</u>

The entire depreciation expense was charged to the Library activity function.

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2012

NOTE 5 – LONG-TERM LIABILITIES

During the year ended April 30, 2012, the following is the long-term liability activity for the Library:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
Library activities:					
2010 General Obligation Debt Certificates	\$ 3,840,000	-	\$ 150,000	\$ 3,690,000	\$ 150,000
Capital lease	-	245,376	40,888	204,888	46,627
Compensated absences	126,689	21,486	-	148,175	86,862
	<u>\$ 3,966,689</u>	<u>\$ 266,862</u>	<u>\$ 190,888</u>	<u>\$ 4,042,663</u>	<u>\$ 283,489</u>

The compensated absences will be paid out of the general fund.

2010 General Obligation Debt Certificates

The 2010 general obligation debt certificates is a direct obligation and pledges the full faith and credit of the Library. The debt certificates were issued to finance construction of a new roof of the Library's existing building. Library debt certificates currently outstanding are as follows:

<i>Purpose</i>	<i>Interest Rates</i>	<i>Original Indebtedness</i>	<i>Carrying Amount</i>
Series 2010 General Obligation Debt Certificates dated September 30, 2010 are due in annual installments through January 1, 2030	2.00% - 4.38%	\$ 4,000,000	\$ 3,690,000
Total		<u>\$ 4,000,000</u>	<u>\$ 3,690,000</u>

Annual sinking fund redemptions begin January 1, 2030.

Annual debt service requirements to maturity for Library General Obligation Debt Certificates are as follows for governmental type activities:

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013	\$ 150,000	\$ 140,262	\$ 290,262
2014	155,000	136,512	291,512
2015	160,000	132,638	292,638
2016	165,000	127,838	292,838
2017	170,000	122,887	292,887
2018 – 2022	945,000	519,838	1,464,838
2023 – 2027	1,140,000	316,512	1,456,512
2028 – 2030	805,000	71,085	876,085
Total	<u>\$ 3,690,000</u>	<u>\$ 1,567,572</u>	<u>\$ 5,257,572</u>

The annual debt service on the notes will be met through a portion of the Library's share of the City of Waukegan's annual property tax levy.

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2012

NOTE 5 – LONG-TERM LIABILITIES - CONT'D

Capital Lease

On May 30, 2011, the Library entered into a lease agreement as lessee for financing the acquisition of equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, the assets and obligations have been recorded at the present value of the future minimum lease payments as of the inception date. At April 30, 2012, \$245,376 of amounts included in capital assets were acquired via this capital lease. The future minimum lease obligations and the net present value of these minimum lease payments as of April 30, 2012, are as follows:

		<i>Total</i>
2013	\$	54,974
2014		54,974
2015		54,974
2016		54,974
2017		4,581
Total minimum lease payments		224,478
Less: amount representing interest		(19,990)
Present value of minimum lease payments	\$	204,488

NOTE 6 – OPERATING LEASES

The Library leases equipment under a non-cancelable operating lease. Total costs for such leases were \$30,372 for the year ended April 30, 2012. At April 30, 2012, future minimum lease payments for the lease are as follows:

		<i>Total</i>
2013	\$	30,372
2014		25,310
Total	\$	55,682

NOTE 7 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to employee health benefits; workers' compensation claims; theft of, damage to, and destruction of assets; and natural disasters. These risks are provided for through participation in the City of Waukegan's self-insurance risk pool. The risk of any settlement is then spread to the City of Waukegan as a whole.

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2012

NOTE 8 – RETIREMENT SYSTEMS

Illinois Municipal Retirement Fund

The Library contributes to the Illinois Municipal Retirement Fund (IMRF) an agent multiple employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois through the City of Waukegan. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The City is required to contribute at an actuarially determined rate. The employer rate for calendar year 2011 was 10.76 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on an open basis). The amortization period at December 31, 2011 was 30 years.

The employees of the Library are pooled with the employees of City of Waukegan for purposes of actuarial valuation. Therefore, the amount of accumulated retirement liability and normal costs related specifically to Library personnel is not available.

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year 2012, the Library has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

NOTE 10 – OTHER INFORMATION

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, The Financial Reporting Entity: Omnibus; Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements; Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53. Application of these standards may restate portions of these financial statements.

NOTE 11 – SUBSEQUENT EVENT

The Library opened a \$500,000 line of credit on May 14, 2012.

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SUPPLEMENTARY SCHEDULES

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY - GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2012

	ORIGINAL AND FINAL BUDGET	ACTUAL
Revenues		
Taxes		
Property taxes	\$ 3,658,738	\$ 3,664,696
Intergovernmental		
State grants	302,000	366,639
Charges for services		
Licenses, permits & fees	15,100	23,725
Total charges for services	15,100	23,725
Fines and forfeitures		
Fines and penalties	60,120	74,276
Interest		
Interest income	6,500	3,081
Miscellaneous		
Donations	5,000	20,608
Sponsorships	30,000	40,025
Other	2,200	9,878
Total miscellaneous	37,200	70,511
Total revenues	\$ 4,079,658	\$ 4,202,928

CITY OF WAUKEGAN
WAUKEGAN PUBLIC LIBRARY - GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2012

	ORIGINAL AND FINAL BUDGET	ACTUAL
Expenditures		
Public library		
Library services		
Personnel services	\$ 1,887,000	\$ 1,882,238
Personnel benefits	558,400	524,017
Professional services	617,894	615,445
Operating supplies	<u>417,340</u>	<u>418,310</u>
Total library services	<u>3,480,634</u>	<u>3,440,010</u>
Capital outlay	<u>301,500</u>	<u>1,455,823</u>
Debt Service		
Principal	150,000	190,888
Interest and fiscal charges	<u>143,263</u>	<u>152,767</u>
Total debt service	<u>293,263</u>	<u>343,655</u>
Total expenditures	<u>\$ 4,075,397</u>	<u>\$ 5,239,488</u>

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