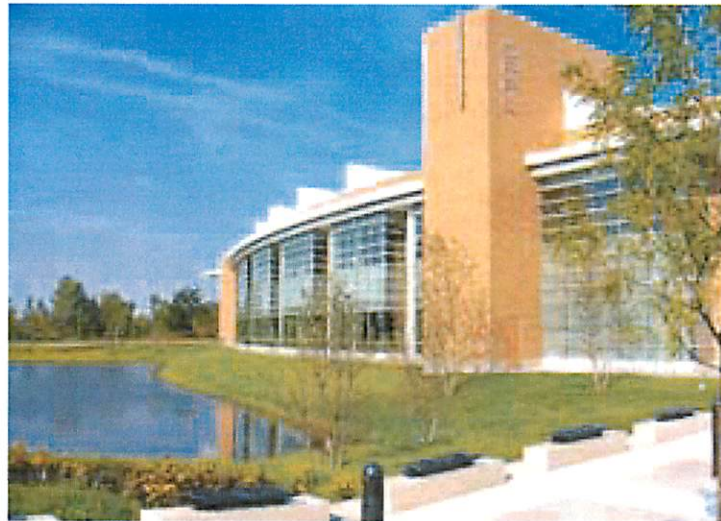


**ORLAND PARK PUBLIC LIBRARY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**



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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Orland Park Public Library  
Orland Park, Illinois

We have audited the accompanying financial statements of the governmental activities and each major and non-major fund of Orland Park Public Library, a component unit of the Village of Orland Park, Illinois, as of and for the year ended December 31, 2012, which collectively comprise the Library's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### **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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major and non-major fund of the Orland Park Public Library, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 5 and 17 through 18 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's financial statements as a whole. The accompanying financial information listed as Additional Information in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 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 or to 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 financial statements as a whole.

*McClure, Imena + Co, Chtd.*

April 10, 2013

ORLAND PARK PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

Management of Orland Park Public Library provides this narrative overview and analysis for the year ending December 31, 2012. It is recommended that readers consider this information in conjunction with the financial statements as a whole.

**Overview of the Financial Statements**

Management's discussion and analysis serves as an introduction to the Library's financial statements. The statements presented include a Governmental Funds Balance Sheet and Statement of Net Position, a Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities, and notes to the financial statements. The Library qualifies as a special-purpose government engaged in only one governmental type activity allowing it to combine the fund and government-wide financial statements. This is done through the use of an adjustment column, on the face of the statements, which reconciles the fund based accounting policies to the government-wide statements.

**Financial Highlights**

The Library's total net position as of December 31, 2012 and 2011 were \$23,516,478 and \$23,768,034 respectively. For the years ended December 31, 2012 and 2011, net position decreased \$251,556 and increased \$256,714 respectively. The term "net position" represents the difference between total assets and total liabilities.

**Financial Statements**

The financial statements of the Library are intended to provide the reader with an understanding of the financial position of the Library as of the close of the fiscal year and the results of activities for the year then ended. The fund financial statements focus on current financial resources while government-wide financial statements are similar to a private-sector business.

The Governmental Funds Balance Sheet and Statement of Net Position provides information on the Library's assets and liabilities. The difference between these two represents governmental fund balances for the current financial resources reporting and net position for the government-wide reporting. Increases in fund balances and net position occur when revenues exceed expenditures. Information is presented for each fund and shows any restrictions on the fund or net position.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities reflects the results of the Library's revenues, expenditures and activities during the year and the corresponding effect on fund and net position balances. This statement shows the source of Library revenues and how those revenues were used to provide Library services.

Notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the basic financial statements. Required Supplementary Information consists of a retirement fund and a comparison of estimated receipts and appropriation to actual revenues and expenditures.

**Financial Analysis**

Net position may serve, over time, as a useful indicator of a government's financial position. The Library's assets exceeded liabilities by \$23,516,478 as of the close of the year. Of the net position balance, \$5,747,762 is unrestricted, \$813,049 is restricted, and \$16,955,667 is invested in capital assets.

Condensed Statement of Net Position

	December 31,	
	2012	2011
<b>Assets</b>		
Current Assets	\$ 12,646,655	\$ 12,323,154
Capital Assets, net of accumulated depreciation	<u>16,955,667</u>	<u>17,446,969</u>
<b>Total Assets</b>	<u>29,602,322</u>	<u>29,770,123</u>
<b>Liabilities</b>		
Current Liabilities	6,071,525	5,988,880
Non-Current Liabilities	<u>14,319</u>	<u>13,209</u>
<b>Total Liabilities</b>	<u>6,085,844</u>	<u>6,002,089</u>
<b>Net Position</b>		
Invested in Capital Assets	16,955,667	17,446,969
Restricted	813,049	705,418
Unrestricted	<u>5,747,762</u>	<u>5,615,647</u>
<b>Total Net Position</b>	<u>\$ 23,516,478</u>	<u>\$ 23,768,034</u>

Condensed Statement of Activities

	For the Years Ended December 31,	
	2012	2011
<b>Revenues</b>		
Property and Replacement Taxes	\$ 5,869,038	\$ 5,911,016
Grants	58,215	60,723
Interest Income	25,972	17,074
Gifts	12,630	12,790
Fines, Fees and Other	<u>117,434</u>	<u>115,708</u>
<b>Total Revenues</b>	<u>6,083,289</u>	<u>6,117,311</u>
<b>Expenses</b>		
Staff	2,441,049	2,248,679
Library Materials	570,310	596,569
Contractual Services	238,625	203,324
Physical Facilities	325,598	221,612
Development	98,396	87,386
Supplies	65,255	52,566
IMRF and FICA	342,917	292,908
Audit	9,300	9,935
Insurance	29,476	30,558
Debt Service	1,594,326	1,578,393
Special Reserve	81,359	-
Capital Campaign	3,495	4,920
Depreciation	<u>534,739</u>	<u>533,747</u>
<b>Total Expenses</b>	<u>6,334,845</u>	<u>5,860,597</u>
<b>Change in Net Position</b>	(251,556)	256,714
<b>Net Position,</b>		
Beginning of Year	<u>23,768,034</u>	<u>23,511,320</u>
<b>End of Year</b>	<u>\$ 23,516,478</u>	<u>\$ 23,768,034</u>

The following is a summary of changes in fund balances for the year ended December 31, 2012:

<u>Governmental Funds</u>	<u>Fund Balance December 31, 2011</u>	<u>Increase (Decrease)</u>	<u>Fund Balance December 31, 2012</u>
General	\$ 5,156,033	\$ 279,061	\$ 5,435,094
Special Reserve	809,999	(75,578)	734,421
Capital Campaign	66,116	(2,460)	63,656
Debt Service	302,126	39,833	341,959
Total Fund Balances	<u>\$ 6,334,274</u>	<u>\$ 240,856</u>	<u>\$ 6,575,130</u>

### **Budgetary Highlight**

The Library's General Fund expended \$4,163,253, which was \$432,231 less than the appropriation of \$4,595,484 for the year ended December 31, 2012. The appropriation sets the maximum spending limit for the fiscal year.

### **Capital Assets and Debt Administration**

The following is a summary of capital assets:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 200,000	\$ 200,000
Artwork	62,702	62,702
Software	22,919	-
Building and Improvements	20,990,193	20,990,193
Equipment	150,161	129,643
Vehicles	21,027	21,027
Cost of Capital Assets	21,447,002	21,403,565
Less Accumulated Depreciation	<u>4,491,335</u>	<u>3,956,596</u>
Net Capital Assets	<u>\$ 16,955,667</u>	<u>\$ 17,446,969</u>

During 2012, the Library acquired large display cases and paid a deposit for Polaris, an integrated library system software. The Library paid the Village of Orland Park principal and interest on bonds the Village issued to construct the Library that were refinanced in February 2010. As of December 31, 2012, the Library portion of the refunding bonds outstanding was \$11,145,000. See Notes 4 and 5 on pages 13 and 14 for more information on capital assets and debt.

### **Description of Current or Expected Conditions**

Presently, management is not aware of any significant changes in conditions that could have a significant effect on the financial position or results of activities of the Library in the near future.

### **Requests for Information**

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Library Director, Orland Park Public Library, 14921 Ravinia Avenue, Orland Park, Illinois 60462.

**BASIC FINANCIAL STATEMENTS**



ORLAND PARK PUBLIC LIBRARY  
GOVERNMENTAL FUNDS BALANCE SHEET  
AND STATEMENT OF NET POSITION

DECEMBER 31, 2012

	GENERAL FUND	SPECIAL RESERVE FUND	CAPITAL CAMPAIGN FUND	DEBT SERVICE FUND	TOTAL	ADJUSTMENTS (Note 9)	STATEMENT OF NET POSITION
<b>ASSETS</b>							
Cash and Cash Investments	\$ 5,422,026	\$ 731,123	\$ 63,656	\$ 369,141	\$ 6,585,946	\$ -	\$ 6,585,946
Property Taxes Receivable, net	4,334,342	-	-	1,653,184	5,987,526	-	5,987,526
Prepaid Expenses	59,791	-	-	-	59,791	-	59,791
Interest Receivable	9,643	3,298	-	451	13,392	-	13,392
Capital Assets, net of accumulated depreciation	-	-	-	-	-	16,955,667	16,955,667
<b>Total Assets</b>	<b>\$ 9,825,802</b>	<b>\$ 734,421</b>	<b>\$ 63,656</b>	<b>\$ 2,022,776</b>	<b>\$ 12,646,655</b>	<b>16,955,667</b>	<b>29,602,322</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ 56,366	\$ -	\$ -	\$ -	\$ 56,366	-	56,366
Deferred Property Tax Revenue	4,334,342	-	-	1,653,184	5,987,526	-	5,987,526
Due to Primary Government	-	-	-	27,633	27,633	-	27,633
Compensated Absences Payable	-	-	-	-	-	14,319	14,319
<b>Total Liabilities</b>	<b>4,390,708</b>	<b>-</b>	<b>-</b>	<b>1,680,817</b>	<b>6,071,525</b>	<b>14,319</b>	<b>6,085,844</b>
<b>FUND BALANCES / NET POSITION</b>							
<b>Fund Balances</b>							
Nonspendable Prepaid Expenses	59,791	-	-	-	59,791	(59,791)	-
Restricted By Donors	-	-	63,656	-	63,656	(63,656)	-
Restricted for Statutory Purposes	407,434	-	-	341,959	749,393	(749,393)	-
Committed for Capital Projects	-	734,421	-	-	734,421	(734,421)	-
Unassigned	4,967,869	-	-	-	4,967,869	(4,967,869)	-
<b>Total Fund Balances</b>	<b>5,435,094</b>	<b>734,421</b>	<b>63,656</b>	<b>341,959</b>	<b>6,575,130</b>	<b>(6,575,130)</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,825,802</b>	<b>\$ 734,421</b>	<b>\$ 63,656</b>	<b>\$ 2,022,776</b>	<b>\$ 12,646,655</b>		
<b>Net Position</b>							
Invested in Capital Assets						16,955,667	16,955,667
Restricted						813,049	813,049
Unrestricted						5,747,762	5,747,762
<b>Total Net Position</b>						<b>\$ 23,516,478</b>	<b>\$ 23,516,478</b>

The accompanying notes are an integral part of these financial statements.

ORLAND PARK PUBLIC LIBRARY

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2012

	GENERAL FUND	SPECIAL RESERVE FUND	CAPITAL CAMPAIGN FUND	DEBT SERVICE FUND	TOTAL	ADJUSTMENTS (Note 9)	STATEMENT OF ACTIVITIES
<b>REVENUES</b>							
Property Taxes	\$ 4,224,049	\$ -	\$ -	\$ 1,632,432	\$ 5,856,481	-	\$ 5,856,481
State Replacement Taxes	12,557	-	-	-	12,557	-	12,557
Grants	58,215	-	-	-	58,215	-	58,215
Fines and Fees	105,909	-	-	-	105,909	-	105,909
Interest Income	18,329	5,781	135	1,727	25,972	-	25,972
Gifts	11,730	-	900	-	12,630	-	12,630
Miscellaneous	11,525	-	-	-	11,525	-	11,525
<b>Total Revenues</b>	<b>4,442,314</b>	<b>5,781</b>	<b>1,035</b>	<b>1,634,159</b>	<b>6,083,289</b>	<b>-</b>	<b>6,083,289</b>
<b>EXPENDITURES / EXPENSES</b>							
Staff	2,439,939	-	-	-	2,439,939	1,110	2,441,049
Library Materials	570,310	2,279	-	-	572,589	-	572,589
Contractual Services	238,625	-	-	-	238,625	-	238,625
Physical Facilities	369,035	33,791	240	-	403,066	(43,437)	359,629
Furniture and Equipment	-	44,531	3,245	-	47,776	-	47,776
Development	98,396	-	-	-	98,396	-	98,396
Supplies	65,255	758	10	-	66,023	-	66,023
Contribution to IMRF	184,446	-	-	-	184,446	-	184,446
Contribution to FICA	158,471	-	-	-	158,471	-	158,471
Audit	9,300	-	-	-	9,300	-	9,300
Insurance	29,476	-	-	-	29,476	-	29,476
Debt Service Paid to Primary Government	-	-	-	1,594,326	1,594,326	-	1,594,326
Depreciation	-	-	-	-	-	534,739	534,739
<b>Total Expenditures / Expenses</b>	<b>4,163,253</b>	<b>81,359</b>	<b>3,495</b>	<b>1,594,326</b>	<b>5,842,433</b>	<b>492,412</b>	<b>6,334,845</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>279,061</b>	<b>(75,578)</b>	<b>(2,460)</b>	<b>39,833</b>	<b>240,856</b>	<b>(492,412)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In (Out)	-	-	-	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>279,061</b>	<b>(75,578)</b>	<b>(2,460)</b>	<b>39,833</b>	<b>240,856</b>	<b>(240,856)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(251,556)</b>	<b>(251,556)</b>
<b>FUND BALANCES / NET POSITION</b>							
Beginning of Year	5,156,033	809,999	66,116	302,126	6,334,274	17,433,760	23,768,034
<b>End of Year</b>	<b>\$ 5,435,094</b>	<b>\$ 734,421</b>	<b>\$ 63,656</b>	<b>\$ 341,959</b>	<b>\$ 6,575,130</b>	<b>\$ 16,941,348</b>	<b>\$ 23,516,478</b>

The accompanying notes are an integral part of these financial statements.

ORLAND PARK PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Orland Park Public Library (Library) have been prepared in conformity with U.S. generally accepted accounting principles as applied to government units. 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.

A. Reporting Entity

The Library's reporting entity includes all entities for which the Library exercised oversight responsibility as defined by the GASB.

The Library has developed criteria to determine whether outside agencies should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Library (1) selects the governing authority or management, (2) has the ability to significantly influence operations, or (3) has accountability for fiscal matters (e.g., final budget approval, responsibility for funding deficits, management of assets, etc.). Using these criteria, the Library has not included in its financial statements the activities of any other entity.

The Library is a component unit of the Village of Orland Park (Village).

B. Basis of Presentation

The government-wide and fund financial statements are combined, with a reconciliation shown between them. The Governmental Funds Balance Sheet and Statement of Net Position and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities combine information about the reporting government as a whole and funds statements to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Library functions or activities.

Based on relative dollar values it has been determined that General and Debt Service are major funds and Special Reserve and Capital Campaign are non-major funds of the Library. Following is a description of the funds.

General Fund – The General Fund is the operating fund of the Library. It is used to account for all financial resources not accounted for in some other fund.

Special Reserve and Capital Campaign – These funds are used to account for the acquisition or construction of capital assets and for restricted contributions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund – This fund accounts for the monies received (primarily taxes) and payments made, to retire bond debt incurred by the Village on behalf of the Library.

C. Basis of Accounting

The government-wide statements (the Statement of Net Position and the Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. Fund financial statements (the Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances) are prepared using the current financial measurement focus and are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or within sixty days after the year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The Library recognizes property taxes receivable during the fiscal year in which the taxes are levied and become a legal claim of the Library. However, property taxes are not recognized as revenue until the subsequent year when the property taxes are extended by Cook County and remitted to the Library. Therefore, the 2012 levy is deferred and all of the 2011 levy which is collected in 2012 and the first 60 days of 2013 is recognized as revenue. Expenditures are recognized when the related obligations are incurred.

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for the general fund. All annual budget amounts lapse at fiscal year end.

A proposed budget is prepared annually and made available for public inspection at least thirty days prior to a public hearing and formal adoption. The Library may make transfers among the various items in any fund not exceeding, in the aggregate, ten percent of the total budget for a particular fund. The budget may be amended in other ways by the same procedures required for its original adoption.

E. Deposits and Investments

Cash includes amounts in demand deposits, money market accounts and certificates of deposits. The vast majority of funds are invested with PMA Financial Network, Inc. which maintains a money market account and purchases certificates of deposit for the Library.

Illinois Revised Statutes authorize the Library to invest in securities guaranteed by the full faith and credit of the United States of America, interest-bearing savings accounts, certificates of deposit or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act, the State Treasurer’s investment pool (authorized by

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ILCS 30, 235-2, e), and other permitted investments under paragraph 902, chapter 85 of the Statutes as amended by Public Act 86-426. Investments may only be made in banks that are insured by the Federal Deposit Insurance Corporation.

Investments are stated at cost, which approximates fair market value, and consist of The Illinois Funds (fair value equals value of pool shares). Oversight of The Illinois Funds is performed by the State of Illinois Treasurer’s office.

F. Capital Assets

The accounting treatment over property, furniture, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

*Government-wide Statements*

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	40 years
Equipment	5-15 years
Vehicles	5 years

The minimum capitalization threshold is any item with a total cost greater than \$10,000.

*Fund Financial Statements*

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

G. Fund Equity

Beginning with fiscal year 2011, the Library implemented GASB statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (such as amounts committed for capital projects); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The board of trustees establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. An assigned fund balance is established by the board of trustees through adoption or amendment of the budget as intended for specific purpose.

When fund balance resources are available for a specific purpose in more than one classification, it is the Library's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

### H. Compensated Absences

It is the Library's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave since it does not vest. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability in the government-wide statements.

### I. Estimates

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

## NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits. At year-end, the carrying amount of the Library's deposits was \$6,246,520, excluding petty cash of \$300, and the bank balance was \$6,263,473. Of the bank balance, \$6,150,417 was covered by federal depository insurance and \$113,056 was covered by collateral with securities held by the pledging financial institution's agent in the Library's name. Included in deposits are certificates of deposit (CD's) totaling \$5,886,184. CD's



## NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

terms are generally less than one year. Interest rates on CD's held at year end range from .170% to 1.00%.

Investments. The Library's investments are in The Illinois Funds. The monies invested by the individual participants are pooled together and invested in U.S. Treasury bills, and notes backed by the full faith and credit of the U.S. Treasury. In addition, monies are invested in fully collateralized time deposits in Illinois financial institutions, in collateralized repurchase agreements, and in treasury mutual funds that invest in U.S. Treasury obligations and collateralized repurchase agreements. The funds are readily available to the Library on demand which thereby reduces any interest rate risk to a negligible level. The Illinois Funds is an "AAAm" rated fund. The carrying amount of deposits in The Illinois Funds at December 31, 2012 was \$339,126.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. The Library's investment policy protects it from custodial risk by requiring funds on deposit in excess of FDIC limits to be secured by collateral.

Concentration of Credit Risk – The Library's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific issues of securities.

Interest Rate Risk – The Library's investment policy addresses interest rate risk by requiring that investments be diversified and reviewed for concentration in maturity.

## NOTE 3 – PROPERTY TAXES

The Village of Orland Park passed its 2012 Tax Levy Ordinance on December 3, 2012, which included the Library's tax levy. Property Taxes for 2012 attached as an enforceable lien on property as of January 1, 2012. Taxes are payable to Cook County in two installments generally on or around March 1 and August 1. As such, significant tax monies are received by the county between March and August and they remit them to the library periodically. Substantially all of the 2011 taxes were collected by year end and within 60 days after year end. The 2012 levy is reflected as both a receivable and as deferred revenue, net of estimated uncollectible taxes of \$122,194.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance December 31, 2011	Increases	Decreases	Balance December 31, 2012
Capital assets, not being depreciated				
Land	\$ 200,000	\$ -	\$ -	\$ 200,000
Artwork	62,702	-	-	62,702
Software	-	22,919	-	22,919
<b>Total capital assets not being depreciated</b>	<b>262,702</b>	<b>22,919</b>	<b>-</b>	<b>285,621</b>
Capital assets, being depreciated				
Building and Improvements	20,990,193	-	-	20,990,193
Equipment	129,643	20,518	-	150,161
Vehicles	21,027	-	-	21,027
<b>Total capital assets being depreciated</b>	<b>21,140,863</b>	<b>20,518</b>	<b>-</b>	<b>21,161,381</b>
Less accumulated depreciation for				
Building and Improvements	(3,847,878)	(524,755)	-	(4,372,633)
Equipment	(93,999)	(5,779)	-	(99,778)
Vehicles	(14,719)	(4,205)	-	(18,924)
<b>Total accumulated depreciation</b>	<b>(3,956,596)</b>	<b>(534,739)</b>	<b>-</b>	<b>(4,491,335)</b>
<b>Total capital assets being depreciated, net</b>	<b>17,184,267</b>	<b>(514,221)</b>	<b>-</b>	<b>16,670,046</b>
<b>Capital assets, net</b>	<b>\$ 17,446,969</b>	<b>\$ (491,302)</b>	<b>\$ -</b>	<b>\$ 16,955,667</b>

NOTE 5 – LONG-TERM DEBT

General Obligation Bonds. The Village of Orland Park issued general obligation bonds Series 2002A to provide funds for the acquisition, construction, and renovation of the Library facility. On February 17, 2010 the Village of Orland Park refunded the Series 2002A bonds and issued new bonds. Listed below are the details of these bonds. The Library levies for principal and interest on these bonds and remits payment to the Village for the required amounts. The liability for these bonds is not reflected in the Library's financial statements, but rather in the Village statements since they are the debt's obligor.

	Balance December 31, 2011	Reductions	Balance December 31, 2012	Amounts Due In One Year
\$13,785,000 thirteen-year General Obligation Refunding Bonds, Series 2010 dated February 1, 2010 with interest rates from 2.0% - 3.65%	<u>\$ 12,385,000</u>	<u>\$ 1,240,000</u>	<u>\$ 11,145,000</u>	<u>\$ 1,275,000</u>

NOTE 5 – LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity are as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$ 1,275,000	\$ 331,593	\$ 1,606,593
2014	1,320,000	306,092	1,626,092
2015	1,360,000	273,093	1,633,093
2016	1,410,000	235,693	1,645,693
2017	1,490,000	193,393	1,683,393
2018-2022	<u>4,290,000</u>	<u>389,604</u>	<u>4,679,604</u>
	<u>\$11,145,000</u>	<u>\$1,729,468</u>	<u>\$ 12,874,468</u>

NOTE 6 – DEFINED BENEFIT PENSION PLAN

*Plan Description:* The Library’s defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Library’s plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org). The Library participates in IMRF through the Village of Orland Park.

*Funding Policy:* As set by statute, the Library’s Regular plan members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Library’s annual required contribution rate for calendar year 2012 was 12.57%. The Library also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Annual Pension Cost:* The required contribution for calendar year 2012 was \$184,446.

Three-Year Trend Information for the Regular Plan

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$ 184,446	100%	\$0
12/31/11	145,975	100%	0
12/31/10	150,833	100%	0

The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a

## NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the Library's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Library's Regular plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

*Funded Status and Funding Progress:* As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 70.91% funded. The actuarial accrued liability for benefits was \$44,210,143 and the actuarial value of assets was \$31,351,283, resulting in an underfunded actuarial accrued liability (UAAL) of \$12,858,860. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$15,064,741 and the ratio of the UAAL to the covered payroll was 85%. These amounts reflect the plan taken as a whole, including the Village of Orland Park and the Library.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## NOTE 7 – DEFERRED COMPENSATION PLAN

The Village of Orland Park offers the Library employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time Village and Library employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in a trust. As such, plan assets are not subject to the claims of general creditors of the Library or Village.

## NOTE 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; and natural disasters for which the Library carries commercial insurance.

## NOTE 9 – ADJUSTMENTS

Amounts reported in the statement of net position are different from the governmental funds balance sheet because:

Capital assets used in governmental activities are not financial resources and therefore are not capitalized in the funds.	\$ 16,955,667
Accrued compensated absences are recognized in governmental activities as they accrue.	<u>(14,319)</u>
	<u>\$ 16,941,348</u>

The governmental funds report capital outlays as expenditures. In the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. The amount by which depreciation exceeded capital outlays is \$491,302 (\$534,739 less \$43,437). Also, the change in accrued compensated absences increased staff expenses by \$1,110.

## NOTE 10 – JOINTLY GOVERNED ORGANIZATION

In July 2010, the Library Board signed an agreement to establish and participate in the System Wide Automated Network (SWAN). SWAN is an intergovernmental instrumentality formed by interested libraries who agree to use the Integrated Library System (ILS) and exists to improve patron service by sharing resources, technology and a planned process of individual and collective growth. SWAN seeks to accomplish this purpose by automating tasks involved in library functions, including but not limited to circulation activities, interlibrary loans, the maintenance of patron files including delinquencies, the maintenance of library catalogs, the acquisition of library materials and serials control. The Members will jointly finance the acquisition and use of an integrated library system for automation of library functions. SWAN's governing board is known as the SWAN Administrator's Council which is comprised of seven administrators elected by the membership. The Library's payment to SWAN for the 2012 fiscal year was \$59,276. In 2013, the Library is planning to bring the ILS in-house and will no longer be a member of SWAN.

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits through IMRF, the Library is obligated to provide certain health care insurance benefits for retired employees through participation in the Village of Orland Park's health insurance plan. The retiree pays the entire health insurance premium and therefore there is no explicit subsidy. Based on the prior year actuarial valuation, any potential implicit subsidy is immaterial and therefore not reflected in the Library's financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**



ORLAND PARK PUBLIC LIBRARY

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF FUNDING PROGRESS  
ILLINOIS MUNICIPAL RETIREMENT FUND

The Orland Park Public Library participates in IMRF through the Village of Orland Park. It is not possible to present the following schedule for the Library alone. As such, the following schedule reflects the Village, inclusive of the Library.

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) Entry Age ( b )	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/12	\$31,351,283	\$ 44,210,143	\$ 12,858,860	70.91%	\$ 15,064,741	85.36%
12/31/11	28,109,004	41,275,139	13,166,135	68.10%	14,625,329	90.02%
12/31/10	28,783,045	40,112,495	11,329,450	71.76%	14,603,064	77.58%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$32,467,268. On a market basis, the funded ratio would be 73.44%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with Village of Orland Park. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

ORLAND PARK PUBLIC LIBRARY

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES -  
ESTIMATED RECEIPTS AND APPROPRIATIONS COMPARED TO ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2012

	Estimated Receipts and Appropriations		
	Original and Final	Actual	Variance
<b>REVENUES</b>			
Property Taxes	\$ 4,249,229	\$ 4,224,049	\$ (25,180)
Replacement Taxes	10,000	12,557	2,557
State Grants	85,000	58,215	(26,785)
Fines and Fees	88,500	105,909	17,409
Gifts	10,000	11,730	1,730
Interest Income	16,000	18,329	2,329
Miscellaneous	10,000	11,525	1,525
Total Revenues	<u>4,468,729</u>	<u>4,442,314</u>	<u>(26,415)</u>
<b>EXPENDITURES</b>			
Staff	2,699,493	2,439,939	259,554
Library Materials	635,000	570,310	64,690
Contractual Services	297,984	238,625	59,359
Physical Facilities	332,400	369,035	(36,635)
Development	120,800	98,396	22,404
Supplies	70,000	65,255	4,745
Contribution to IMRF	216,236	184,446	31,790
Contribution to FICA	175,071	158,471	16,600
Audit	9,500	9,300	200
Insurance	39,000	29,476	9,524
Total Expenditures	<u>4,595,484</u>	<u>4,163,253</u>	<u>432,231</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(126,755)	279,061	405,816
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	-	-	-
Net Change in Fund Balances	<u>\$ (126,755)</u>	<u>\$ 279,061</u>	<u>\$ 405,816</u>

ADDITIONAL INFORMATION

ORLAND PARK PUBLIC LIBRARY

GENERAL FUND

STATEMENT OF EXPENDITURES -  
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>STAFF</b>			
Salaries	2,140,799	\$ 2,010,698	\$ 130,101
Salaries - Maintenance	91,810	92,994	(1,184)
Life/Health Insurance	360,587	336,247	24,340
	<u>2,593,196</u>	<u>2,439,939</u>	<u>153,257</u>
<b>LIBRARY MATERIALS</b>			
Books	370,000	343,306	26,694
Electronic Databases	90,000	68,002	21,998
Periodicals	44,000	34,865	9,135
Audio Visual Materials	130,000	123,319	6,681
Audio Visual Equipment	1,000	818	182
	<u>635,000</u>	<u>570,310</u>	<u>64,690</u>
<b>CONTRACTUAL SERVICES</b>			
Book Rebinding	500	-	500
Accounting	7,000	6,572	428
Insurance	23,000	25,659	(2,659)
Landscaping and Grounds keeping	25,000	15,071	9,929
Building Maintenance	210,000	155,177	54,823
Security System	7,000	7,882	(882)
Library/Office Equipment	3,000	10,543	(7,543)
Legal Fees	12,000	14,225	(2,225)
Library Consultant	3,500	3,496	4
	<u>291,000</u>	<u>238,625</u>	<u>52,375</u>
<b>PHYSICAL FACILITIES</b>			
Electricity	1,000	-	1,000
Water and Sewer	7,000	6,350	650
Natural Gas	60,000	13,779	46,221
Telephone	15,000	16,086	(1,086)
Purchase - New Equipment	5,000	310	4,690
Building /Custodial Supplies	33,000	32,530	470
Building Repairs	25,000	7,344	17,656
Equipment Repairs and Maintenance	11,500	13,711	(2,211)
Machine Rental	1,200	1,125	75
Automation - Equipment	43,000	79,684	(36,684)
Automation - Line Costs	10,000	7,913	2,087
Automation - Consultant	4,000	41,073	(37,073)
Automation - Maintenance	90,000	95,778	(5,778)
Library Furniture	38,768	53,352	(14,584)
	<u>344,468</u>	<u>369,035</u>	<u>(24,567)</u>

(Continued)

GENERAL FUND - STATEMENT OF EXPENDITURES -  
 BUDGET AND ACTUAL (Continued)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>DEVELOPMENT</b>			
Outreach Services	7,000	5,624	1,376
Board Training and Education	6,000	8,099	(2,099)
Staff Training and Education	30,000	19,160	10,840
Conference Fees	3,800	4,048	(248)
Patron Programs and Events	45,000	41,942	3,058
Association Dues and Fees	7,000	5,811	1,189
Public Information	25,000	13,712	11,288
	<u>123,800</u>	<u>98,396</u>	<u>25,404</u>
<b>SUPPLIES</b>			
Library Supplies	31,000	38,873	(7,873)
Office Supplies	15,000	13,822	1,178
Postage	15,000	7,043	7,957
Printing	7,000	5,517	1,483
Bank Charges	-	-	-
	<u>68,000</u>	<u>65,255</u>	<u>2,745</u>
<b>OTHER EXPENDITURES</b>			
Contingency	-	-	-
Contribution to IMRF	196,578	184,446	12,132
Contribution to FICA	170,687	158,471	12,216
Audit	9,000	9,300	(300)
Insurance	33,000	28,807	4,193
Unemployment Compensation	4,000	669	3,331
	<u>413,265</u>	<u>381,693</u>	<u>31,572</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$4,468,729</u></u>	<u><u>\$4,163,253</u></u>	<u><u>\$ 305,476</u></u>