

**LINCOLN TRAIL LIBRARIES SYSTEM  
Champaign, Illinois**

**Audit Report**

**For the Fiscal Year Ended  
June 30, 2010**

LINCOLN TRAIL LIBRAIRIES SYSTEM

Audit Report  
For the Fiscal Year Ended June 30, 2010

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**LINCOLN TRAIL LIBRARIES SYSTEM**

**Audit Report  
For the Fiscal Year Ended June 30, 2010**

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September 15, 2010

Board of Directors  
Lincoln Trail Libraries System  
Champaign, IL

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln Trail Libraries System, as of and for the year ended June 30, 2010, which collectively comprise the System's basic financial statements as listed in the table of contents under "Basic Financial Statements". These financial statements are the responsibility of Lincoln Trail Libraries System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln Trail Libraries System, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincoln Trail Libraries System's basic financial statements. The combining nonmajor funds financial statements, as listed in the table of contents as Schedules 1 and 2, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
BRAY, DRAKE, LILES & RICHARDSON LLP

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Members of the American Institute of Certified Public Accountants  
Members of the Illinois CPA Society

**Lincoln Trail Libraries System, Illinois  
Management's Discussion and Analysis  
June 30, 2010**

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As the management of the Lincoln Trail Libraries System, we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal year ended June 30, 2010.

**USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL REPORT**

The discussion and analysis is intended to serve as an introduction to the Lincoln Trail Libraries System's basic financial statements. The Lincoln Trail Libraries System's basic financial statements consist of 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 these basic financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the System's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the System that are principally supported by operating grants, capital grants, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the System are general control and administration specifically relating to academic, public, schools and special libraries. The business-type activities of the System include the automation program, the cooperative services program and the automation equity program for System members.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**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 System, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the System can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand

the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The System maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Maintenance Fund, the OCLC Accounting Grant Fund, and the Cataloging Maintenance Center. These are considered to be major funds. Data from the other non-major governmental fund is presented in a schedule elsewhere in this report.

The System adopts an annual budget for its General Fund and other major funds. A budgetary comparison statement has been provided for the General Fund and other major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 - 15 of this report.

**Proprietary Funds** The System maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The System uses enterprise funds to account for its system-wide automation network, cooperative services, and automation equity programs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Automation Fund, Cooperative Services Fund and Automation Equity Fund, which are all considered to be major funds.

The basic proprietary fund financial statements can be found on pages 16 - 18 of this report.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the System's own programs. The accounting used for fiduciary funds is different than that used for proprietary funds. The System maintained one fiduciary fund during the year. This fund was for the proceeds of ILLINET/OCLC billings; the required Statement of Fiduciary Fund Assets is on page 19.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 30 of this report.

### **Other Information**

The combining statements referred to earlier in connection with nonmajor governmental funds can be found immediately following the required supplementary. Combining fund statements and schedules can be found on pages 32 and 33 of this report.

### **Infrastructure Assets**

Lincoln Trail Libraries System has no infrastructure assets.

## GOVERNMENT-WIDE STATEMENTS

### Net Assets

The following table reflects the condensed Statement of Net Assets.

#### Statement of Net Assets As of June 30, 2010

	FY2010 Governmental Activities	FY2009 Governmental Activities	FY2010 Business- Type Activities	FY2009 Business-Type Activities	FY2010 Total Primary Government	FY2009 Total Primary Government
Current and Other Assets	\$541,288	\$760,140	\$941,201	\$832,899	\$1,482,489	\$1,593,039
Capital Assets, Net of Accumulated Depreciation	\$120,889	\$146,496	\$6,680	\$9,498	\$127,569	\$155,994
<b>Total Assets</b>	<b>\$662,177</b>	<b>\$906,636</b>	<b>\$947,881</b>	<b>\$842,397</b>	<b>\$1,610,058</b>	<b>\$1,749,033</b>
Other Liabilities	\$33,353	\$95,397	\$17,020	\$20,736	\$50,373	\$116,133
Long-term Liabilities	\$38,775	\$46,758	\$18,870	\$18,232	\$57,645	\$64,990
<b>Total Liabilities</b>	<b>\$72,128</b>	<b>\$142,155</b>	<b>\$35,740</b>	<b>\$38,968</b>	<b>\$108,018</b>	<b>\$181,123</b>
<b>Net Assets:</b>						
Invested In Capital Assets, Net of Debt	\$120,889	\$146,496	\$6,680	\$9,498	\$127,569	\$155,994
Restricted	\$469,160	\$617,985	\$905,311	\$793,931	\$1,374,471	\$1,411,916
<b>Total Net Assets</b>	<b>\$590,049</b>	<b>\$764,481</b>	<b>\$911,991</b>	<b>\$803,429</b>	<b>\$1,502,040</b>	<b>\$1,567,910</b>

The System's governmental net assets decreased \$174,432 and business-type net assets increased \$108,562 for combined decrease of \$65,870 in net assets during fiscal year 2010.

## Governmental Activities

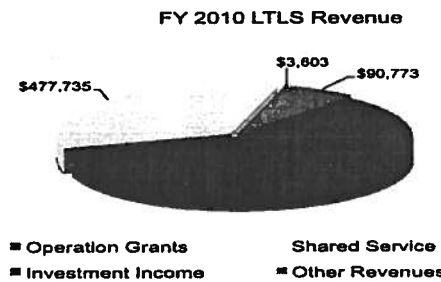
The following table summarizes the revenue and expenses of the System's activities.

	FY2010 Governmental Activities	FY2009 Governmental Activities	FY2010 Business-Type Activities	FY2009 Business- Type Activities	FY2010 Total Primary Government	FY2009 Total Primary Government
<b>REVENUES</b>						
Program Revenues:						
Shared Service Costs	\$ -	\$ -	\$477,735	\$487,527	\$477,735	\$487,527
Operating Grants	\$836,816	\$1,215,566	-	-	\$836,816	\$1,215,566
General Revenues:						
Other Revenues	\$26,940	\$46,645	\$90,773	\$59,681	\$117,713	\$106,326
Investment Income	-	-	\$3,603	\$15,349	\$3,603	\$15,349
Gain (loss) on sale of capital assets	-	-				
<b>Total Revenues</b>	<b>\$836,756</b>	<b>\$1,262,211</b>	<b>\$572,111</b>	<b>\$562,557</b>	<b>\$1,435,867</b>	<b>\$1,824,768</b>
<b>EXPENSES</b>						
General Control and Administration	\$996,091	\$1,304,650			\$996,091	\$1,304,650
Business-type activities	-	-	\$505,644	\$604,799	\$505,644	\$604,799
<b>Total Expenses</b>	<b>\$996,091</b>	<b>\$1,304,650</b>	<b>\$604,709</b>	<b>\$604,709</b>	<b>\$1,501,735</b>	<b>\$1,909,359</b>
<b>Change in Net Assets</b>	<b>\$(174,432)</b>	<b>\$(42,455)</b>	<b>\$108,564</b>	<b>\$(42,242)</b>	<b>\$(65,868)</b>	<b>\$(84,687)</b>
Beginning Net Assets	\$764,481	\$806,926	\$803,429	\$845,671	\$1,567,910	\$1,652,597
Beginning Net Assets restated	\$764,481	\$806,926	\$803,429	\$845,671	\$1,567,910	\$1,652,597
<b>Ending Net Assets</b>	<b>\$590,049</b>	<b>\$764,481</b>	<b>\$911,993</b>	<b>\$803,429</b>	<b>\$1,502,042</b>	<b>\$1,567,910</b>

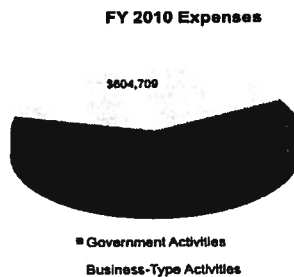


**Revenues by Source – Governmental Activities**

The following pie chart depicts by percentage of total revenue the sources for the Library System's revenues for governmental activities:



Approximately 66% of the System's revenue sources are derived from grants. The remaining amount represents reimbursements, miscellaneous and interest earnings.



The System's expenses totaled \$1,501,735 fiscal 2010. As the primary focus of the System is to provide services to its members, the majority of the general control and administrative expense is associated to personnel dedicated to this task. The majority of expenses related to business-type activities were for expenditures relating to the support of those business related activities.

**FINANCIAL ANALYSIS OF THE SYSTEM'S FUNDS**

As noted earlier, the System uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Government Funds**

The focus of the System's governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. In particular, reserved and unreserved fund balance may serve as a useful measure of the Library System's net resources available for spending.

As of June 30, 2010, the System's governmental funds reported combined ending balances of \$507,932, a decrease of \$156,808 over last year.

**General Fund Budgetary Highlights  
For the Fiscal Year Ended June 30, 2010**

General Fund	Final Budget	Actual
Revenues and Transfers in		
Area and Per Capita Grants	\$689,058	\$689,058
Other		\$11,292
Transfers in		
<b>Total Revenues</b>	<u>\$689,058</u>	<u>\$700,350</u>
Expenditures		
<b>Expenditures</b>	<u>\$738,680</u>	<u>\$755,443</u>
<b>Net change in fund balance</b>	<u>\$(49,622)</u>	<u>\$(55,093)</u>

**Capital Assets**

During fiscal year 2010, the System's Governmental activities had invested \$5,628 in capital assets and the System's Business-Type activities had \$456 in capital investment. None of these expenditures were capitalized. Additional information on the System's capital assets can be found in note C of this report.

**Economic Factors and Next Year's Budget**

Due to the severe budgetary financial crisis in the State, the Lincoln Trail Libraries System had a 16.5% reduction in funding equal to a \$136,162 for FY 2010. Additionally, the remaining payments for FY10 totaling \$295,461 has not been received and is not anticipated to be received until December 2010. The outlook for FY 2011 funding remains flat, and state cash flow deficits have caused payment delays of approximately 153 days as of June 2010, per the Illinois Comptroller's website. The loss over overfunding in IMRF due to stock market fluctuations has caused retirement costs to remain higher than in prior years. The IMRF rate for Lincoln Trail Libraries System will increase from 8.62% to 9.48% in January 2011.

**Reorganization Factors**

Due to the economic and political factors, Lincoln Trail Libraries System and other library systems in the state have entered into discussions to merge operations. The anticipated result will be the creation of two library systems in the state down from the current nine, consisting of a northern and southern system. It is anticipated that the two merged entities will be better able to survive the current economic climate. Since such merger discussions are still in the preliminary phase, it is unknown what effect the merger will have on the operations of Lincoln Trail Libraries System. The resulting mergers are anticipated to occur on July 1, 2011.

## **CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Ramona Rollins, Business Office Manager, Lincoln Trail Libraries System, 1704 West Interstate Drive, Champaign, Illinois 61822

LINCOLN TRAIL LIBRARIES SYSTEM

Exhibit I

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and Short-Term Investments	\$ 185,326	\$ 885,394	\$ 1,070,720
Investments	100,000	-	100,000
Receivables	296,122	4,227	300,349
Inventory	-	8,171	8,171
Internal Balances	(43,409)	43,409	-
Prepaid Expenses	3,249	-	3,249
<b>NON-CURRENT ASSETS:</b>			
Land	20,773	-	20,773
Capital Assets, Net of Accumulated Depreciation	<u>100,116</u>	<u>6,680</u>	<u>106,796</u>
<b>Total Assets</b>	<b><u>\$ 662,177</u></b>	<b><u>\$ 947,881</u></b>	<b><u>\$ 1,610,058</u></b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accrued Liabilities	\$ 25,679	\$ 13,393	\$ 39,072
Accounts Payable	7,854	3,627	11,481
Deferred Revenue	(180)	-	(180)
<b>NON-CURRENT LIABILITIES:</b>			
Due Within One Year	33,220	16,228	49,448
Due in More Than One Year	<u>5,555</u>	<u>2,642</u>	<u>8,197</u>
<b>Total Liabilities</b>	<b><u>\$ 72,128</u></b>	<b><u>\$ 35,890</u></b>	<b><u>\$ 108,018</u></b>
<b>NET ASSETS:</b>			
Invested in Capital Assets	\$ 120,889	\$ 6,680	\$ 127,569
Restricted	<u>469,160</u>	<u>905,311</u>	<u>\$ 1,374,471</u>
<b>Total Net Assets</b>	<b><u>\$ 590,049</u></b>	<b><u>\$ 911,991</u></b>	<b><u>\$ 1,502,040</u></b>

The Notes to Financial Statements are an Integral Part of this Statement.

**LINCOLN TRAIL LIBRARIES SYSTEM**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit II

	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Business- Type Activities
	Expenses	\$	Governmental Activities	Total
<b>FUNCTIONS / PROGRAMS</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
Culture and Recreation	\$ (996,091)	\$ 836,816	\$ (159,275)	\$ (159,275)
Total Governmental Activities	(996,091)	836,816	(159,275)	(159,275)
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Automation	(420,025)	-	43,213	43,213
Coop Services	(85,619)	-	(71,122)	(71,122)
Automation Equity	-	-	-	-
Total Business-Type Activities	(505,644)	-	(27,909)	(27,909)
Total Government	(1,501,735)	836,816	(159,275)	(187,184)
<b>General Revenues:</b>				
Other Revenue		26,940	90,771	117,711
Unrestricted Investment Earnings		-	3,603	3,603
Transfers		(42,097)	42,097	-
Total General Revenues		(15,157)	136,471	121,314
Change in Net Assets		(174,432)	108,562	(65,870)
Net Assets - Beginning		\$ 764,481	\$ 803,429	\$ 1,567,910
Net Assets - Ending		\$ 590,049	\$ 911,991	\$ 1,502,040

The Notes to Financial Statements are an Integral Part of this Statement.  
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LINCOLN TRAIL LIBRARIES SYSTEM

Exhibit III

GOVERNMENTAL FUNDS  
BALANCE SHEET

JUNE 30, 2010

	Major Funds				All Other	Total Governmental Funds
	General Fund	Capital Maintenance Fund	OCLC Grant Fund	Cataloging Maintenance Center Fund	(Non-Major) Governmental Funds	
<b>ASSETS</b>						
Cash and Short-Term Investments	\$ -	\$ 85,901	\$ 16,038	\$ 31,806	\$ 51,581	\$ 185,326
Investments	-	100,000	-	-	-	100,000
Receivables	295,622	-	-	-	500	296,122
Prepaid Items	3,249	-	-	-	-	3,249
<b>Total Assets</b>	<b>\$ 298,871</b>	<b>\$ 185,901</b>	<b>\$ 16,038</b>	<b>\$ 31,806</b>	<b>\$ 52,081</b>	<b>\$ 584,697</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accrued Liabilities	21,319	\$ -	\$ 1,995	\$ 2,426	(61)	\$ 25,679
Accounts Payable	7,750	-	103	1	-	7,854
Due to Other Funds	42,105	-	-	-	1,304	43,409
Deferred Revenue	-	-	(180)	-	-	(180)
<b>Total Liabilities</b>	<b>\$ 71,174</b>	<b>\$ -</b>	<b>\$ 1,918</b>	<b>\$ 2,427</b>	<b>\$ 1,243</b>	<b>\$ 76,762</b>
<b>FUND BALANCES:</b>						
Reserved, Reported in:						
General Fund	\$ 227,697	\$ -	\$ -	\$ -	\$ -	\$ 227,697
Special Revenue Funds	-	185,901	14,120	29,379	50,838	260,238
<b>Total Fund Balances</b>	<b>\$ 227,697</b>	<b>\$ 185,901</b>	<b>\$ 14,120</b>	<b>\$ 29,379</b>	<b>\$ 50,838</b>	<b>\$ 507,935</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 298,871</b>	<b>\$ 185,901</b>	<b>\$ 16,038</b>	<b>\$ 31,806</b>	<b>\$ 52,081</b>	<b>\$ 584,697</b>

The Notes to Financial Statements are an Integral Part of this Statement.

LINCOLN TRAIL LIBRARIES SYSTEM

Exhibit III-a

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS FOR GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010

Fund Balance - Total Governmental Funds - See Exhibit III	\$ 507,935
Capital Assets, net of depreciation, used in governmental activities	120,889
Accrued compensated absences related to governmental activities	<u>(38,775)</u>
Net Assets of Governmental Activities - Exhibit I	<u>\$ 590,049</u>

The Notes to Financial Statements are an Integral Part of this Statement.

LINCOLN TRAIL LIBRARIES SYSTEM

Exhibit IV

GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Fiscal Year Ended June 30, 2010

	Major Funds				All Other	Total Governmental Funds
	General Fund	Capital Maintenance Fund	OCLC Grant Fund	Cataloging Maintenance Center Fund	(Non-Major) Governmental Funds	
<b>REVENUES</b>						
Area and Per Capita	\$ 689,058	\$ -	\$ -	\$ -	\$ -	\$ 689,058
Grant Revenue	-	-	90,881	56,877	-	147,758
Other Revenue	11,292	-	-	-	15,648	26,940
Total Revenues	\$ 700,350	\$ -	\$ 90,881	\$ 56,877	\$ 15,648	\$ 863,756
<b>EXPENDITURES</b>						
Current:						
Culture and Recreation:						
Personnel	\$ 473,244	\$ -	\$ 39,203	\$ 49,983	\$ -	\$ 562,430
Payroll Taxes/Fringe Benefits	144,598	-	15,370	14,258	-	174,226
Recruiting	80	-	-	-	-	80
Library Materials	630	-	-	190	-	820
Building and Grounds	31,678	-	1,000	-	-	32,678
Vehicle Expenses	42,355	-	-	-	-	42,355
Travel	6,434	-	-	1,609	1,390	9,433
Continuing Education and Meetings	2,226	-	-	190	265	2,681
Public Relations	260	-	-	-	-	260
Liability Insurance	4,931	-	-	-	-	4,931
Supplies, Postage, Printing	19,265	-	2,621	1,624	(206)	23,304
Telephone and Telecommunications	3,431	-	74	4	603	4,112
Equipment Rental and Repairs	1,566	-	-	-	3,000	4,566
EDP Equipment Insurance	511	-	-	-	-	511
Professional Services	13,075	-	1,135	-	-	14,210
Centralized Data Processing	-	-	-	-	-	-
Outside Printing Services	-	-	-	-	-	-
Other Contractual Services	1,647	-	21,460	7,443	61,798	92,348
Miscellaneous	3,884	-	-	-	10	3,894
Total Current	749,815	-	80,863	75,301	68,860	972,839
Capital Outlay	5,628	-	-	-	-	5,628
Total Expenditures	\$ 755,443	\$ -	\$ 80,863	\$ 75,301	\$ 68,860	\$ 978,487
<b>OTHER SOURCES (USES):</b>						
Transfer In (Out)	-	-	(35,677)	24,885	(31,305)	(42,097)
Total Other Sources (Uses)	-	-	(35,677)	24,885	(31,305)	(42,097)
Net Change in Fund Balances	\$ (55,093)	\$ -	\$ (25,659)	\$ 6,461	\$ (82,517)	\$ (156,808)
Fund Balance, Beginning of Year	\$ 282,790	\$ 185,901	\$ 39,779	\$ 22,918	\$ 133,355	\$ 664,743
Fund Balance, End of Year	\$ 227,697	\$ 185,901	\$ 14,120	\$ 29,379	\$ 50,838	\$ 507,935

The Notes to Financial Statements are an Integral Part of this Statement.



LINCOLN TRAIL LIBRARIES SYSTEM

Exhibit IV-a

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES FOR GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

Net Change in Fund Balances - Total Governmental Funds - See Exhibit IV	\$ (156,808)
Remove expenditures for capital assets	-
Include depreciation expense	(25,607)
Accrued compensated absences change from beginning of year	<u>7,983</u>
Change in Net Assets of Governmental Activities - See Exhibit II	<u>\$ (174,432)</u>

The Notes to Financial Statements are an Integral Part of this Statement.

LINCOLN TRAIL LIBRARIES SYSTEM Exhibit V

**GENERAL AND MAJOR SPECIAL REVENUE FUNDS**  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2010

	General Fund		Capital Maintenance Fund		OCLC Fund		Cataloging Maintenance Center Fund	
	Actual	Budget (Original)	Actual	Budget (Original)	Actual	Budget (Original)	Actual	Budget (Original)
<b>REVENUES</b>								
Area and Per Capita	\$ 689,058	\$ 825,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grant Revenue	-	-	-	-	90,881	95,617	56,877	80,606
Other Revenue	11,292	-	-	-	-	-	-	-
Total Revenues	\$ 700,350	\$ 825,219	\$ -	\$ -	\$ 90,881	\$ 95,617	\$ 56,877	\$ 80,606
<b>EXPENDITURES</b>								
Current:								
Culture & Recreation:								
Personnel	\$ 473,244	\$ 513,764	\$ -	\$ -	\$ 39,203	\$ 72,047	\$ 49,983	\$ 101,908
Payroll Taxes/Fringe Benefits	144,588	156,509	-	-	15,370	29,155	14,258	39,323
Recruiting	80	1,150	-	-	-	-	190	1,687
Library Materials	630	3,000	-	-	1,000	2,000	-	-
Building and Grounds	31,678	36,085	-	-	-	-	-	-
Vehicle Expenses	42,355	45,115	-	-	-	-	1,609	1,273
Travel	6,434	11,200	-	-	-	2,455	190	517
Continuing Education & Meetings	2,228	5,700	-	-	-	12,898	-	-
Public Relations	260	400	-	-	-	-	-	-
Liability Insurance	4,931	5,355	-	-	2,621	6,085	1,624	1,804
Supplies, Postage, Printing	19,265	27,725	-	-	74	504	4	-
Telephone and Telecommunication:	3,431	4,265	-	-	-	900	-	-
Equipment Rental and Repairs	1,566	2,700	-	-	-	-	-	-
EDP Equipment Insurance	511	1,600	-	-	1,135	9,000	-	-
Professional Services	13,075	12,250	-	-	-	-	-	-
Centralized Data Processing	-	-	-	-	-	-	-	-
Outside Printing Services	1,647	250	-	-	21,460	48,683	7,443	14,771
Other Contractual Services	3,884	5,830	-	-	-	533	-	-
Miscellaneous	749,815	833,898	-	-	80,863	184,270	75,301	161,293
Total Current	5,628	7,000	-	-	-	2,228	-	1,200
Capital Outlay								
Total Expenditures	\$ 755,443	\$ 840,898	\$ -	\$ -	\$ 80,863	\$ 186,498	\$ 75,301	\$ 162,493
<b>OTHER SOURCES (USES):</b>								
Transfer In (Out)	-	-	-	-	(35,677)	-	24,885	-
Total Other Sources (Uses)	-	-	-	-	(35,677)	-	24,885	-
Net Change in Fund Balances	\$ (55,093)	\$ (15,679)	\$ (49,622)	\$ -	\$ (25,659)	\$ (90,881)	\$ 6,461	\$ (81,877)
Fund Balance, Beginning of Year	\$ 282,790	\$ 282,790	\$ 185,901	\$ 185,901	\$ 39,779	\$ 39,779	\$ 22,918	\$ 22,918
Fund Balance, End of Year	\$ 227,697	\$ 267,111	\$ 233,168	\$ 185,901	\$ 14,120	\$ (51,102)	\$ 29,379	\$ (58,959)

The Notes to Financial Statements are an Integral Part of this Statement.

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS**

JUNE 30, 2010

	<b>Business-Type Activities Enterprise Funds</b>			
	<u>Automation Fund</u>	<u>Cooperative Services Fund</u>	<u>Automation Equity Fund</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and Short-Term Investments	\$ 239,879	\$ 223,066	\$ 422,449	\$ 885,394
Receivables	-	227	4,000	4,227
Inventory	-	8,171		8,171
Prepaid Expenses		-	-	-
Due From other funds	43,409	-	-	43,409
<b>NON-CURRENT ASSETS:</b>				
Capital Assets, Net of Accumulated Depreciation	-	6,680	-	6,680
<b>Total Assets</b>	<u>\$ 283,288</u>	<u>\$ 238,144</u>	<u>\$ 426,449</u>	<u>\$ 947,881</u>
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
Accrued Liabilities	\$ 11,245	\$ 2,148	\$ -	\$ 13,393
Accounts Payable	2,144	1,483	-	3,627
<b>NON-CURRENT LIABILITIES:</b>				
Due Within One Year	13,194	3,034	-	16,228
Due in More than One Year	2,148	494	-	2,642
<b>Total Liabilities</b>	<u>\$ 28,731</u>	<u>\$ 7,159</u>	<u>\$ -</u>	<u>\$ 35,890</u>
<b>NET ASSETS</b>				
Invested in Capital Assets	\$ -	\$ 6,680	\$ -	\$ 6,680
Restricted	254,557	224,305	426,449	905,311
<b>Total Net Assets</b>	<u>\$ 254,557</u>	<u>\$ 230,985</u>	<u>\$ 426,449</u>	<u>\$ 911,991</u>

The Notes to Financial Statements are an Integral Part of this Statement.

LINCOLN TRAIL LIBRARIES SYSTEM

Exhibit VII

PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities Enterprise Funds			Total Proprietary Funds
	Automation Fund	Coop Services Fund	Automation Equity Fund	
<b><u>Operating Revenues:</u></b>				
Fees for Services and Materials	\$ 463,238	\$ 14,430	\$ -	\$ 477,668
Reimbursements	-	67	-	67
Grant	-	-	-	-
Other Revenue	-	74,771	16,000	90,771
Total Revenues	\$ 463,238	\$ 89,268	\$ 16,000	\$ 568,506
<b><u>Operating Expenses:</u></b>				
Current:				
Culture & Recreation:				
Personnel	\$ 202,221	\$ 42,671	\$ -	\$ 244,892
Payroll Taxes/Fringe Benefits	80,855	11,508	-	92,363
Library Materials	722	150	-	872
Building and Grounds	3,796	910	-	4,706
Travel	1,130	954	-	2,084
Continuing Education and Meetings	215	1,708	-	1,923
Public Relations	-	-	-	-
Supplies/Postage/Printing	9,084	3,794	-	12,878
Telephone and Telecommunications	6,233	6,846	-	13,079
Equipment Rental and Repairs	66,560	11,796	-	78,356
Professional Services	5,200	-	-	5,200
Contractual Agreements W/ Systems	42,356	2,924	-	45,280
Depreciation	784	2,034	-	2,818
Miscellaneous	413	324	-	737
Total Current	419,569	85,619	-	505,188
Capital Outlay	456	-	-	456
Total Operating Expenses	420,025	85,619	-	505,644
Operating Income (Loss)	\$ 43,213	\$ 3,649	\$ 16,000	\$ 62,862
<b><u>Nonoperating Revenues (Expenses):</u></b>				
Transfers from other funds	\$ -	\$ 54,556	\$ -	\$ 54,556
Transfers to other funds	-	(12,459)	-	(12,459)
Investment Earnings	-	3,603	-	3,603
Net Nonoperating Revenues (Expenses)	\$ -	\$ 45,700	\$ -	\$ 45,700
Change in Net Assets	\$ 43,213	\$ 49,349	\$ 16,000	\$ 108,562
Net Assets - Beginning of Year	\$ 211,344	\$ 181,636	\$ 410,449	\$ 803,429
Net Assets - End of Year	\$ 254,557	\$ 230,985	\$ 426,449	\$ 911,991

The Notes to Financial Statements are an Integral Part of this Statement.

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2010**

	<u>Business -Type Activities - Enterprise Funds</u>			Total Proprietary Funds
	<u>Automation Fund</u>	<u>Coop Services Fund</u>	<u>Automation Equity Fund</u>	
<b>Cash Flows From Operating Activities</b>				
Cash receipts from customers	\$ 479,209	\$ 90,026	\$ 22,000	\$ 591,235
Payments to Suppliers	(215,931)	(43,969)	-	(259,900)
Payments to Employees	(201,882)	(42,372)	-	(244,254)
<b>Net Cash Provided By (Used By) Operating Activities</b>	<u>61,396</u>	<u>3,685</u>	<u>22,000</u>	<u>87,081</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Loans to other funds	(43,409)	-	-	(43,409)
Transfers In	-	54,556	-	54,556
Transfers Out	-	(12,459)	-	(12,459)
<b>Net Cash Provided By (Used By) Noncapital Financing Activities</b>	<u>(43,409)</u>	<u>42,097</u>	<u>-</u>	<u>(1,312)</u>
<b>Cash Flows From Investing Activities</b>				
Purchase of equipment	-	-	-	-
Interest Received	-	3,603	-	3,603
<b>Net Cash Flow Provide By (Used By) Investing Activities</b>	<u>-</u>	<u>3,603</u>	<u>-</u>	<u>3,603</u>
<b>Net increase in cash and cash equivalents</b>	17,987	49,385	22,000	89,372
<b>Cash and Short-Term Investments, Beginning of Year</b>	<u>221,892</u>	<u>173,681</u>	<u>400,449</u>	<u>796,022</u>
<b>Cash and Short-Term Investments, End of Year</b>	<u>\$ 239,879</u>	<u>\$ 223,066</u>	<u>\$ 422,449</u>	<u>\$ 885,394</u>
<b><u>Reconciliation of operating income to net cash provided by operating activities:</u></b>				
Operating Income (Loss)	43,213	3,651	16,000	62,864
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	784	2,034	-	2,818
(Increase) Decrease in Receivables	15,971	756	6,000	22,727
(Increase) Decrease in Inventory	-	647	-	647
(Increase) Decrease in Prepaid Expenses	1,105	-	-	1,105
Increase (Decrease) in Accounts Payable	(1,133)	(3,645)	-	(4,778)
Increase (Decrease) in Accrued Liabilities	1,117	(55)	-	1,062
Increase (Decrease) in Compensated Absences	339	299	-	638
<b>Total Adjustments</b>	<u>18,183</u>	<u>36</u>	<u>6,000</u>	<u>24,219</u>
<b>Net cash provided by operating activities</b>	<u>\$ 61,396</u>	<u>\$ 3,687</u>	<u>\$ 22,000</u>	<u>\$ 87,083</u>

The Notes to Financial Statements are an Integral Part of this Statement.

LINCOLN TRAIL LIBRARIES SYSTEM

Exhibit IX

FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010

	<u>ILLINET/OCLC Agency Fund</u>
<b><u>ASSETS</u></b>	
CURRENT ASSETS:	
Cash and Short-Term Investments	\$ <u>3,789,627</u>
Total Assets	\$ <u>3,789,627</u>
<b>LIABILITIES:</b>	
CURRENT LIABILITIES:	
Due to Other Agencies	\$ <u>3,789,627</u>
Total Liabilities	\$ <u>3,789,627</u>
<b><u>NET ASSETS</u></b>	
Net Assets	\$ <u>-</u>

The Notes to Financial Statements are an Integral Part of this Statement.

**LINCOLN TRAIL LIBRARIES SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE A SUMMARY OF ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

The Lincoln Trail Libraries System's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Library System has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the System has chosen not to do so. The more significant accounting policies established in GAAP and used by the System are discussed below.

**1. Reporting Entity**

The Lincoln Trail Libraries System was created by the Illinois Library System Act approved August 17, 1965. The purpose of the Act is to provide a program of state grants designed to establish, develop and operate a network of public library systems covering the entire state. This System is one of the 10 Systems in the State of Illinois. The Lincoln Trail Libraries System is governed by a Board of Directors which, along with other duties, has the exclusive control of the expenditures of all monies and funds held in the name of the System.

The System defines its reporting entity in accordance with provisions established by the Governmental Accounting Standards Board (GASB). GASB requirements for inclusion of component units are based upon whether the System's governing body has a significant amount of financial accountability for another entity. The System is accountable if it appoints a voting majority of the entity's governing body and is able to impose its will on that entity, or there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the System. Based on these requirements, no entities are considered to be component units of the System. The government-wide financial statements incorporate all governmental and business-like activities for which the System is financially responsible.

**LINCOLN TRAIL LIBRARIES SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE A - SUMMARY OF ACCOUNTING POLICIES CONTINUED**

**2. Basic Financial Statements/Government-Wide Statements**

The System's financial statements include both government-wide (reporting the System as a whole) and fund financial statements (reporting the System's major funds). The government-wide financial statements exclude any fiduciary funds. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The System's general administrative services and special revenues are classified as governmental activities. The System's member library services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The System's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the System's functions and business-type activities. The functions are also supported by general government revenues (certain intergovernmental revenues). The Statement of Activities reduces gross expense (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (intergovernmental revenues, interest income, etc).

This government-wide focus is more on the sustainability of the System as an entity and the change in the System's net assets resulting from the current year's activities.

**3. Basic Financial Statements-Fund Financial Statements**

The financial transactions of the System are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.



**LINCOLN TRAIL LIBRARIES SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE A – SUMMARY OF ACCOUNTING POLICIES – CONTINUED**

The following fund types are used by the System:

**a.) Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the System:

1. **General fund** is the general operating fund of the System. It is used to account for all financial resources except those required to be accounted for in another fund.
2. **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**b.) Proprietary Funds:**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the System:

1. **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based upon a pricing policy designed to recover similar costs.

**c.) Fiduciary Funds**

The fiduciary fund includes one agency fund, the ILLINET OCLC, used to account for money held in trust for the ILLINET OCLC but not controlled by the System.

**4. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**LINCOLN TRAIL LIBRARIES SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE A - SUMMARY OF ACCOUNTING POLICIES CONTINUED**

**a.) Accrual:**

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**b.) Modified Accrual:**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to help pay the current liabilities.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. An expenditure is recognized for compensated absences only when paid.

**5. Cash and Cash Equivalents**

Deposits in banks or savings associations are value at cost, which is equivalent to fair value.

For purposes of the statement of cash flows, the proprietary funds consider short-term, highly liquid investments, including time deposits at financial institutions, to be cash equivalents.

**6. Compensated Absences**

All full-time employees of the System are permitted to accumulate a maximum of 30 days of accrued vacation (annual leave). Upon termination of employment, an employee is paid for his or her accumulated annual leave based on his or her current hourly rate of pay.

Sick leave is expensed in the period in which it is incurred.

The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentation.

**7. Inventories**

Inventories are stated at the lower of cost or market value with cost being determined on a first-in, first-out (FIFO) basis.

**LINCOLN TRAIL LIBRARIES SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED**

**8. Investments**

Investments consist of a certificate of deposit that is stated at cost, which is the same as market.

**9. Deferred Revenue**

Deferred revenues of the governmental funds represent those revenue items where the asset recognition criteria have been met; however, the revenue recognition criteria have not been met. Revenue from grants is recognized with the funds are expended.

**10. Property and Equipment**

All property and equipment are carried at cost. Property and equipment of the proprietary funds are depreciated by the straight-line method over the estimated useful lives of the assets. No depreciation is provided on the general fixed assets for the governmental funds, but is included with the government-wide statement of net assets and statement of activities.

**11. Encumbrances**

Encumbrances, which represent purchase orders, contracts and other commitments for goods and services not yet received, are reported as a reservation of the fund balance. Encumbrances are not recorded as expenditures or liabilities in the financial statements. Actual expenditures are only recognized when the goods or services are received.

**12. Use of Estimates in preparing Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**13. Budgets and Budgetary Accounting**

The System Board adopts a total budget by fund. The Executive Director is authorized to make line item budget adjustments up to a total of \$15,000 per line item within each fund. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

- The System Budget and Finance committee, upon recommendations of the System Executive Director and the administrative staff, prepares the "annual budget" for the General and Internal Service funds. The budget is prepared

**LINCOLN TRAIL LIBRARIES SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE A – SUMMARY OF ACCOUNTING POLICIES – CONTINUED**

and presented to the board to be submitted to the Illinois State Library by May 1st.

- The budgets for the Special Revenue funds are prepared by the Executive Director and administrative staff and submitted to the Illinois State Library with the grant applications. The Illinois State Library notifies Lincoln Trail Libraries System as to the approval or award of each grant and the Executive Director is authorized by the Board to sign the contract for grant programs.
  
- The "annual budget" is revised at least two times during the year to reflect changes in expenditures. In the fall, the revision is done following the prior year audit to reflect prior year encumbrances in the current year budget. Other revisions reflect changes in expenditures and must be approved by the Board when this changes the total fund or are outside of the LTLS Board policy for line item approval of the Executive Director.
  
- Special revenue fund changes or more than 10% per line item must be approved by the Illinois State Library.

Budgets lapse at the end of each fiscal year.

**14. Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historic cost or estimated historic cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building & Improvements	5-50 years
Machinery and Equipment	5-10 years
Vehicles	3-5 years
Computers	2-5 years

**NOTE B – DEPOSITS AND INVESTMENTS**

Statutes authorize the System to invest in direct obligations of federally insured banks and savings and loan associations; insured obligations of Illinois credit unions; securities issued or guaranteed by the U.S. Government; money-market mutual funds investing only in U.S. Government backed securities; commercial paper of U.S. corporations with assets over \$500 million; short-term obligations of the Federal National Mortgage Association; repurchase agreements; and the Illinois Funds.

**LINCOLN TRAIL LIBRARIES SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE B - DEPOSITS AND INVESTMENTS - Continued**

**1. Deposits**

At June 30, 2010, the carrying amount of the System's deposits with financial institutions, excluding fiduciary funds, was \$1,070,720 and the bank balance was \$1,181,264. The petty cash balance was \$100. The bank balance is categorized as follows:

	Carrying Value	Bank Balance
Cash on hand	\$ 100	\$ 0
Demand Deposits	363	11,249
Money Markets	1,450	1,208
Certificates of Deposit	100,000	100,000
Investments in Illinois Funds	<u>1,068,807</u>	<u>1,068,807</u>
 Total deposits and investments	 <u>\$ 1,070,720</u>	 <u>\$1,181,264</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's deposits in the form of demand deposits, certificates of deposit, and money markets are covered by federal depository insurance in the amount of \$250,000 for cash deposits and \$250,000 for time deposits per bank. The securities pledged as collateral for amounts above these limits are categorized as insured, registered, or held by the System or its agent in the System's name in order to reduce custodial risk to a minimum. The Illinois Funds investments are discussed below.

**Interest Rate Risk**

Interest rate risk is the risk that interest rate changes will adversely affect the fair value of an investment. The System's policy minimizes the risk by structuring the investment portfolio so that securities mature to meet cash requirements, thereby avoiding the need to sell securities on the open market prior to maturity.

**Credit Rating Risk- Pooled Investments**

The State Treasurer maintains the Illinois Funds at cost and fair value through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at least 25 days. The Pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. The Pool maintains a Standards and Poor's AAA rating. The System's investments in the Illinois Funds are not required to be categorized.

**LINCOLN TRAIL LIBRARIES SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE B – DEPOSITS AND INVESTMENTS – Continued**

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The System's investment policy places no limit on the amount the District may invest in any one issuer. As of June 30, 2010, the System's investments in any single issuer do not exceed five percent of its total investments. Investments issued or explicitly guaranteed by the U. S. Government and investments in external investment pools are excluded from the requirement.

**NOTE C – PROPERTY, PLANT AND EQUIPMENT**

GASB Statement No. 34 requires governmental activities to capitalize and depreciate fixed assets.

A summary of property, plant and equipment at June 30, 2010, in the Governmental Funds follows:

	Beginning of Year	Additions	Deletions	End of Year
Land	\$ 20,773	\$ 0	\$0	\$ 20,773
Building & Improvements	\$ 597,615	\$ 0	\$0	\$ 591,
Equipment, Vehicles & Computers	\$ 1,111,183	\$ 0	\$0	\$ 1,111,183
Accumulated Depreciation	\$(1,583,075)	\$(25,607)	\$0	\$(1,608,682)
Net-Governmental	\$ 146,496	\$(25,607)	\$0	\$ 120,889

**LINCOLN TRAIL LIBRARIES SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE C – PROPERTY, PLANT AND EQUIPMENT - Continued**

A summary of property, plant and equipment at June 30, 2010, in the Proprietary Funds follows:

	Beginning of Year	Additions	Deletions	End of Year
Automation Equipment	\$ 623,777	\$ 0	\$0	\$ 623,777
Automation Accumulated Depreciation	\$(622,994)	\$ (783)	\$0	\$(623,777)
Cooperative Service Equipment	\$ 26,884	\$ 0	\$0	\$ 26,884
Cooperative Service Accumulated Depreciation	\$ (18,169)	\$ (2,035)	\$0	\$ (20,204)
Net-Proprietary	\$ 9,498	\$ (2,818)	\$0	\$ 6,680
<b>Total – all funds</b>	<b>\$ 155,994</b>	<b>\$ (28,425)</b>	<b>\$0</b>	<b>\$ 127,569</b>

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally using the straight-line method. Depreciation expense for the fiscal year ended June 30, 2010, amounted to \$25,607 in the Governmental Funds and \$2,818 in the Proprietary Funds. All depreciation is allocated to culture and recreation.

**NOTE D – COMPENSATED ABSENCES**

Changes in compensated absences during the year ended June 30, 2010 are as follows:

Type of Dept	Balance June 30, 2009	Earned	Used	Balance June 30, 2010
Vested compensated Absences – Governmental Funds	\$46,758	\$36,221	\$(44,204)	\$38,775
Vested Compensated Absences – Proprietary Funds	\$18,232	\$16,264	\$(15,626)	\$ 18,870
<b>Total</b>	<b>\$ 64,990</b>	<b>\$ 52,485</b>	<b>\$ (59,830)</b>	<b>\$ 57,645</b>

**LINCOLN TRAIL LIBRARIES SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE E — DEFINED BENEFIT PENSION PLAN**

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

*Funding Policy.* As set by statute, your employer Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2009 was 3.86 percent of annual covered payroll. Your employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Annual Pension Cost.* For fiscal year ending December 31, 2009, Your employer's annual pension cost of \$32,618 for the Regular plan was equal to your employer's required and actual contributions.

**Three-Year Trend Information for the Regular Plan**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
12/31/09	32,618	100%	\$0
12/31/08	44,400	100%	\$0
12/31/07	54,844	100%	\$0

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a 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 your employer 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 15% corridor between the actuarial and market value of assets. Your employer Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2007, valuation was 5 years.

*Funded Status and Funding Progress.* As of December 31, 2009, the most recent actuarial valuation date, the Regular plan was 79.69 percent funded. The actuarial accrued liability for benefits was \$3,436,310 and the actuarial value of assets was \$2,738,418, resulting in an underfunded actuarial accrued liability (UAAL) of \$697,892. The covered payroll (annual



**LINCOLN TRAIL LIBRARIES SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE E — DEFINED BENEFIT PENSION PLAN (continued)**

payroll of active employees covered by the plan) was \$845,024 and the ratio of the UAAL to the covered payroll was 83 percent. In conjunction with the December 2009 actuarial valuation, the market value of investments was determined using techniques that spread the effect 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. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 10-year basis.

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

**NOTE F - RESERVED FUND BALANCES AND DEFICIT FUND EQUITY**

**1. Reservations**

Reservations of fund balances of governmental funds are established to identify the portion of the fund balance that is not appropriable for future expenditures.

**2. Deficit Fund Balances**

At June 30, 2010, the System had one fund with a deficit fund balance:

World Cat Local Grant Fund	\$ (1,304)
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## **SUPPLEMENTARY INFORMATION**

**LINCOLN TRAIL LIBRARIES SYSTEM  
 EMPLOYER NUMBER: 04586R  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 JUNE 30, 2010**

**(UNAUDITED)**

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)
12/31/2009	2,738,418	3,436,310	697,892	79.69	845,024	82.59%
12/31/2008	2,877,688	3,263,813	386,125	88.17	810,221	47.66%
12/31/2007	3,366,664	3,191,722	(171,942)	105.38	797,152	(21.56)%

LINCOLN TRAIL LIBRARIES SYSTEM  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET

June 30, 2010

	Digital Image Fund	Delivery Ramp UP Grant	MARC of Quality Grant	Cataloging Services Fund	Library Interpreters Network Grant Fund	Ohio Multistate Resource Share	Educate and Automate Fund	Private Grants - Gates Diversity and Rural Sustainability Fund	World Cat Local Grant Fund	Lincoln Trail Libraries Foundation	Total Non-Major Governmental Funds
<b>ASSETS</b>											
Cash and Short-Term Investments	\$ -	\$ -	\$ 500	\$ 24,394	\$ 408	\$ 1,480	\$ -	\$ 5,229	\$ -	\$ 19,570	\$ 51,581
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	500
Prepaid Items	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ -	\$ -	\$ 500	\$ 24,394	\$ 408	\$ 1,480	\$ -	\$ 5,229	\$ -	\$ 20,070	\$ 52,081
<b>LIABILITIES AND FUND BALANCES</b>											
<b>LIABILITIES:</b>											
Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ (61)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (61)
Accounts Payable	-	-	-	-	-	-	-	-	1,304	-	1,304
Due to Other Funds	-	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ (61)	\$ -	\$ -	\$ -	\$ 1,304	\$ -	\$ 1,243
<b>FUND BALANCES:</b>											
Reserved, Reported in:											
General Fund	\$ -	\$ -	\$ 500	\$ 24,394	\$ 469	\$ 1,480	\$ -	\$ 5,229	\$ (1,304)	\$ 20,070	\$ 50,838
Special Revenue Funds	\$ -	\$ -	\$ 500	\$ 24,394	\$ 469	\$ 1,480	\$ -	\$ 5,229	\$ (1,304)	\$ 20,070	\$ 50,838
Total Fund Balances	\$ -	\$ -	\$ 500	\$ 24,394	\$ 408	\$ 1,480	\$ -	\$ 5,229	\$ -	\$ 20,070	\$ 52,081
Total Liabilities and Fund Balances	\$ -	\$ -	\$ 500	\$ 24,394	\$ 408	\$ 1,480	\$ -	\$ 5,229	\$ -	\$ 20,070	\$ 52,081

LINCOLN TRAIL LIBRARIES SYSTEM

NON-MAJOR GOVERNMENTAL FUNDS  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances  
For the Fiscal Year Ended June 30, 2010

	Digital Image Fund	Delivery Ramp UP Grant	MARC of Quality Grant	Cataloging Services Fund	Library Interpretation Network Grant Fund	Ohio Multistate Resource Share	Educate and Advocate Fund	Private Grants - Rural Sustainability Fund	World Cat Local Grant Fund	Lincoln Trail Libraries Foundation	Total Non-Major Governmental Funds
<b>REVENUES</b>											
Area & Per Capita Grant Revenue	3			10,577			15			5,050	15,640
Other Revenue											
<b>Total Revenues</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>10,577</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>5,050</b>	<b>15,640</b>
<b>EXPENDITURES</b>											
Current:											
Culture & Recreation:											
Personnel											
Payroll Taxes/Fringe Benefits											
Recruiting											
Library Materials											
Building and Grounds											
Vehicle Expenses											
Travel						538			852		1,390
Continuing Education and Meetings									338		265
Public Relations											
Liability Insurance											
Supplies, Postage, Printing											
Telephone and Telecomm						253			4		(206)
Equipment Rental and Repairs									350		603
EDP Equipment Insurance									3,000		3,000
Professional Services											
Centralized Data Processing											
Outside Printing Services											
Other Contractual Services						8,283					61,788
Repay Grant Funds											
Miscellaneous									53,515		10
Total Current						9,074			58,059	(200)	66,860
Capital Outlay											
<b>Total Expenditures</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>(24,101)</b>	<b>1,660</b>	<b>9,074</b>	<b>15</b>	<b>(73)</b>	<b>58,059</b>	<b>(200)</b>	<b>66,860</b>
<b>OTHER SOURCES (USES):</b>											
Transfer in (Out)					1,660						(31,305)
Total Other Sources (Uses)					1,660						(31,305)
<b>Net Change in Fund Balances</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>(13,524)</b>	<b>1,660</b>	<b>(9,074)</b>	<b>15</b>	<b>(9,947)</b>	<b>(57,903)</b>	<b>5,250</b>	<b>(82,517)</b>
Fund Balance, Beginning of Year	(3)	(3)	(3)	37,918	(1,191)	10,554	(15)	14,176	56,589	14,820	133,365
Fund Balance, End of Year				24,394	469	1,480		5,229	(1,304)	20,070	50,838