

THE URBANA FREE LIBRARY

Financial Statements

For the Year Ended June 30, 2011

THE URBANA FREE LIBRARY
Financial Statements
For the Year Ended June 30, 2011

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October 29, 2011

Board of Trustees
The Urbana Free Library
Urbana, Illinois

Independent Auditor's Report

We have audited the accompanying financial statements of the Urbana Free Library, a special revenue fund of the City of Urbana, Illinois, as of and for the year ended June 30, 2011, as listed in the table of contents under "Basic Financial Statements". These financial statements are the responsibility of the management of the City of Urbana and the Urbana Free Library. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements present only the Urbana Free Library fund of the City of Urbana, Illinois, and do not purport to, and do not, present fairly the financial position of the City of Urbana, Illinois, as of June 30, 2011, and the changes in its financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Urbana Free Library, a special revenue fund of the City of Urbana, Illinois, as of June 30, 2011, and the changes in its financial position thereof and the respective budgetary comparisons for the Urbana Free Library general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 an opinion on the financial statements that collectively comprise the City of Urbana Free Library, a special revenue fund of the City of Urbana, Illinois, financial statements as a whole. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate 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.


BRAY, DRAKE, LILES & RICHARDSON LLP

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Urbana Free Library (Library), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Urbana Free Library for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS:

- At June 30, 2011, unreserved fund balance for the general fund was \$1,635,689, or 48% of the total general fund expenditures (42% last year). This amount is \$193,600 more than at the end of last year.
- The assets of the Library exceeded liabilities at June 30, 2011, by \$12,397,538. Of this amount \$2,683,185 is unrestricted (\$2,477,816 last year) and may be used to meet the government's ongoing operations.
- The Library's total net assets increased by \$62,356 (\$26,932 increase last year).
- At June 30, 2011, the Library's governmental funds reported combined fund balances of \$2,079,508 (an increase of \$219,247 over last year), of which \$1,681,505 was unreserved (an increase of \$194,448 from last year).
- The only long-term debt of the Library is \$154,381 in accumulated compensated employee absences, which decreased \$38,163 and \$6,842 in other post employment benefits.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to the Urbana Free Library's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional supplementary information.

1. Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Urbana Free Library's finances, in a manner similar to a private-sector business. The government wide financial statements can be found on pages 9 and 10 of this report.
 - The statement of net assets presents information on all of the Library'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 Library 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period.
- Government-wide financial statements distinguish functions of the Library that are principally supported by taxes 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. The governmental activities of the Library include Centralized Costs, Administration, Adult Department, Children's Department, Archives Department, Maintenance, Acquisitions, Circulation, Publishing Costs, and Grant Programs. The Library has no business-type activities.

2. Fund Financial Statements.

- A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. All of the funds of the Library can be categorized as governmental funds.
- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, 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. This information is useful in evaluating the Library'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 for governmental funds with information presented for governmental activities in the government-wide financial statements. 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.
- The Library maintains five 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, which is the only major fund. Data from the other four governmental funds are combined into a single, aggregated

presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report.

- The Library adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.
 - The fund financial statements can be found on pages 11-15 of this report.
3. 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 17-24 of this report.
 4. Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes. Combining statements can be found on pages 25 and 26 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

Comparative Statement of Net Assets:

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 3,035,570	\$ 2,834,280
Restricted assets	398,003	373,204
Capital assets	<u>9,316,350</u>	<u>9,484,162</u>
Total assets	<u>\$12,749,923</u>	<u>\$12,691,646</u>
Long-term liabilities	\$ 161,223	\$ 192,544
Other liabilities	<u>191,162</u>	<u>163,920</u>
Total liabilities	<u>\$ 352,386</u>	<u>\$ 356,464</u>
Net assets:		
Invested in capital assets	\$ 9,316,350	\$ 9,484,162
Restricted	398,003	373,204
Unrestricted	<u>2,683,185</u>	<u>2,477,816</u>
Total net assets	<u>\$12,397,538</u>	<u>\$12,335,182</u>

At the end of the year, the Library is able to report positive balances in all categories of net assets. This situation was true for last year as well.

There was an increase in net assets of \$62,356: \$167,812 was a reduction in investment in capital assets; restricted net assets increased \$24,799; and \$205,369 was added to unrestricted net assets.

Comparative Statement of Governmental Activities:

	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 160,721	\$ 154,403
Grants and contributions	50,560	76,381
General revenues:		
Property tax	2,904,681	2,937,175
Intergovernmental:		
City Urbana	335,144	394,144
Other	132,143	110,680
Donations/Gifts	45,419	27,588
Interest	9,059	14,617
Total revenues	<u>\$3,637,727</u>	<u>\$ 3,714,988</u>
Expenses:		
Centralized costs	\$698,314	\$717,209
Administration	389,857	393,733
Adult department	823,111	856,780
Children's department	473,846	494,651
Archives department	287,854	297,751
Maintenance	48,846	58,405
Acquisitions	238,225	247,846
Circulation	609,146	596,361
Publishing costs	1,172	7,689
Grant programs	5,000	17,631
Total expenses	<u>\$3,575,371</u>	<u>\$ 3,688,056</u>
Increase (decrease) in net assets	62,356	26,932
Beginning net assets	12,335,182	12,308,250
Ending net assets	<u>\$12,397,538</u>	<u>\$12,335,182</u>

As noted the increase in net assets was \$62,356. Last year there was an increase of \$26,932. Total revenues decreased \$77,261 or -2.6%. This decrease was mainly due to an decrease of \$32,494 in property tax (due to a lower levy), a decrease of \$25,821 in grants due to a lower level of grant activity, and a decrease of \$59,000 in the amount received from the City of Urbana due to the lower tax levy.. All other revenues increased \$40,054. Total expenses decreased \$112,675. This cost decrease reflected an effort on the part of management to reduce expenditures due to general economic slowdown in the State and local economies.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS. The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The General Fund is the primary operating fund of the Library. Unreserved fund

balance at the end of 2011 for the general fund increased \$219,247 (6.4% of total general fund expenditures).

GENERAL FUND BUDGETARY HIGHLIGHTS: There were no supplementary budget appropriations during the year. Revenues were \$10,968 below budgeted estimates but expenditures were \$213,207 below budgeted amounts.

CAPITAL ASSETS:

The Library's investment in capital assets as of June 30, 2011, was \$9,316,350 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment. Capital asset events during the year were:

- Building improvements during year of \$11,226
- Fully depreciated equipment of \$10,977 was disposed of and removed
- Depreciation expense of \$179,038 was charged

Comparative Statement of Capital Assets (net of depreciation):

	<u>2011</u>	<u>2010</u>
Land	\$ 480,732	\$ 480,732
Building and Improvements	8,639,495	8,773,476
Equipment	<u>196,123</u>	<u>229,954</u>
Total Net Capital Assets	<u>\$9,316,350</u>	<u>\$9,484,162</u>

Additional information on capital assets can be found in note 4 in the Notes to Financial Statements.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET.

- The most significant revenue source for the Library is the property tax, responsible for 82% of the revenues in the general fund budget. The future financial stability of the Library is very dependent upon the continued stability of the local real estate market. Prior to 2010, assessed valuation has averaged 7% annual growth over a 10 year period. The City of Urbana has been very aggressive in encouraging new business development and new housing construction. These actions along with inflationary increases in property values have been the primary reasons for this growth. However, in 2010, assessed value increased 2% and in 2011, increased 0.6%. This slowdown in growth in assessed value reflects the economic slowdown in building and development activity and depressed property values. Management expects growth in assessed value to remain at a modest increase similar or slightly higher than 2011 for the next 2 years since the process of determining assessed value trails actual economic real estate activity by 2 years.

- The general fund budget for next year increased a slight amount at+1.4%, as the Library Board expects to match expenditure levels to slight revenue increases.
- For next year, the management of the Library has the following initiatives:
 1. To manage the implementation of a new automated catalog system to be shared by the Champaign and Urbana libraries.
 2. To implement any operational changes required by the new Illinois Heartland Library System.
 3. Undertake a review of the library's pay scale.

REQUEST FOR INFORMATION. This financial report is designed to provide a general overview of the Urbana Free Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Urbana Free Library, 210 W. Green Street, Urbana, 61801.

THE URBANA FREE LIBRARY

Statement of Net Assets

June 30, 2011

ASSETS:

Cash and Cash Equivalents:

On Hand	\$ 516
Checking	18,949
Savings	1,564,912
Illinois Public Treasurer's Pool	8,104

Receivables:

Property Tax	1,431,975
Due from State of Illinois	11,114

Restricted Assets:

Cash and Cash Equivalents:

Checking	9,316
Savings	157,544
Illinois Public Treasurer's Pool	118
Goldman Sachs Govt. Money Market	108,853
Certificates of Deposit	121,918
Interest Receivable	254

Capital Assets:

Land	480,732
Other Capital Assets (net of accumulated depreciation):	
Buildings and Improvements	8,639,495
Equipment	196,123

Total Assets	12,749,923
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LIABILITIES:

Accounts Payable	13,548
Due to City of Urbana	28,186
Deferred Revenues	28,802
Accrued Salaries and Taxes	120,626

Non-Current Liabilities:

Other Post Employment Benefits	6,842
Accumulated Compensated Absences	154,381

Total Liabilities	352,385
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NET ASSETS:

Invested in Capital Assets, net of related debt	9,316,350
Restricted for:	
Foundation Programs	231,025
Library Materials	166,978
Unrestricted	2,683,185

Total Net Assets	\$ 12,397,538
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The accompanying notes are an integral part of these financial statements.

THE URBANA FREE LIBRARY
Statement of Activities
For the Year Ended June 30, 2011

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Functions/Programs:				
Governmental Activities:				
Centralized Costs	\$ 698,314	\$ 42,290	\$ -	\$ (656,024)
Administration	389,857	-	-	(389,857)
Adult Department	823,111	36,414	-	(786,697)
Children's Department	473,846	22,898	22,560	(428,388)
Archives Department	287,854	14,592	23,000	(250,262)
Maintenance	48,846	-	-	(48,846)
Acquisitions	238,225	12,940	-	(225,285)
Circulation	609,146	31,587	-	(577,559)
Publishing Costs	1,172	-	-	(1,172)
Grant Programs	5,000	-	5,000	-
Total Governmental Activities	<u>\$ 3,575,371</u>	<u>\$ 160,721</u>	<u>\$ 50,560</u>	<u>(3,364,090)</u>
General Revenues:				
Real Property Tax				2,904,681
Intergovernmental:				
Corporate Personal Property				
Replacement Tax				90,647
State Aid-Public Libraries				41,496
City of Urbana				335,144
Donations/Gifts				45,419
Interest				9,059
Total General Revenues				<u>3,426,446</u>
Change in Net Assets				62,356
Net Assets, Beg. Year				<u>12,335,182</u>
Net Assets, End Year				<u>\$ 12,397,538</u>

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

THE URBANA FREE LIBRARY
Balance Sheet-Governmental Funds
June 30, 2011

ASSETS	General	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Cash and Cash Equivalents:			
On Hand	\$ 516	\$ -	\$ 516
Checking	17,037	1,912	18,949
Savings	1,515,323	49,589	1,564,912
Illinois Public Treasurer's Pool	7,354	750	8,104
Receivables:			
Property Tax	1,431,975	-	1,431,975
Due from the State of Illinois	11,114	-	11,114
Restricted Assets:			
Cash and Cash Equivalents:			
Checking	-	9,316	9,316
Savings	-	157,544	157,544
Illinois Public Treasurer's Pool	-	118	118
Goldman Sachs Govt. Money Market	-	108,853	108,853
Certificates of Deposit	-	121,918	121,918
Interest Receivable	-	254	254
Total Assets	<u>\$2,983,319</u>	<u>\$ 450,254</u>	<u>\$ 3,433,573</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 13,413	\$ 135	\$ 13,548
Due to City of Urbana	28,186	-	28,186
Accrued Salaries and Taxes	120,626	-	120,626
Deferred Revenues	<u>1,185,405</u>	<u>6,300</u>	<u>1,191,705</u>
Total Liabilities	<u>1,347,630</u>	<u>6,435</u>	<u>1,354,065</u>
Fund Balances:			
Reserved for:			
Foundation Programs	-	231,025	231,025
Library Materials	-	166,978	166,978
Unreserved, Reported in:			
General Fund:			
Designated for Future Employee Separation Benefits	111,093		111,093
Undesignated	1,524,596		1,524,596
Special Revenue Funds	<u>-</u>	<u>45,816</u>	<u>45,816</u>
Total Fund Balance	<u>1,635,689</u>	<u>443,819</u>	<u>2,079,508</u>
Total Liabilities and Fund Balance	<u>\$2,983,319</u>	<u>\$ 450,254</u>	<u>\$ 3,433,573</u>

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

THE URBANA FREE LIBRARY

Reconciliation of the Fund Balance in Governmental Funds
Balance Sheet to Net Assets in the Statement of Net Assets
June 30, 2011

Total fund balances, governmental funds	\$ 2,079,508
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	9,316,350
Long-term liabilities (compensated absences and other post employment benefits) are not due and payable in the current period and are not reported in the funds	(161,223)
A portion of property taxes recognized in the statement of activities does not provide current financial resources and are reported in the funds as deferred revenue	<u>1,162,903</u>
Net assets of governmental activities	<u><u>\$ 12,397,538</u></u>

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

Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Real Property Tax	\$ 2,925,081	\$ -	\$ 2,925,081
Intergovernmental:			
Corporate Personal Property			
Replacement Tax	90,647	-	90,647
Grant, Champaign County	23,000	-	23,000
State Aid-Public Libraries	41,496	-	41,496
City of Urbana	335,144	-	335,144
Grant, Urbana School District	22,560	-	22,560
Grants	-	5,000	5,000
Book Fines	73,802	-	73,802
Lost and Damage Fees	14,337	-	14,337
Interloan Fees	5,826	-	5,826
Copier Fees	17,750	-	17,750
Non-resident User Fees	23,190	-	23,190
Donations	-	45,419	45,419
Interest	6,115	2,944	9,059
Sale of Books and Materials	-	25,816	25,816
Total Revenues	<u>3,578,948</u>	<u>79,179</u>	<u>3,658,127</u>
Expenditures:			
Centralized Costs	705,302	4,238	709,540
Administration	383,894	-	383,894
Adult Department	695,714	41,751	737,465
Children's Department	441,730	1,371	443,101
Archives Department	279,576	-	279,576
Maintenance	45,878	-	45,878
Acquisitions	232,286	-	232,286
Circulation	600,968	-	600,968
Publishing Costs	-	1,172	1,172
Grant Programs	-	5,000	5,000
Total Expenditures	<u>3,385,348</u>	<u>53,532</u>	<u>3,438,880</u>
Excess of Revenues Over (Under) Expenditures	193,600	25,647	219,247
Fund Balance, Beg. of Year	<u>1,442,089</u>	<u>418,172</u>	<u>1,860,261</u>
Fund Balance, End of Year	<u>\$ 1,635,689</u>	<u>\$ 443,819</u>	<u>\$ 2,079,508</u>

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

THE URBANA FREE LIBRARY

Reconciliation of the Net Changes in Fund Balance in the Statement of
Revenues, Expenditures, and Changes in Fund Balance, Governmental Funds
to the Changes in Net Assets in the Statement of Activities

For the Year Ended June 30, 2011

Net change in fund balances-governmental funds	\$	219,247
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>A portion of property taxes recognized in the statement of activities does not provide current financial resources and is not recognized as revenue in the funds</p>		
		(20,400)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays in the current period that was reported as an expenditure in the funds.</p>		
		11,226
<p>This is the amount of depreciation that was not reported in the funds.</p>		
		(179,038)
<p>In the statement of activities, accumulated compensated absences and other post employment benefits are measured by the amounts incurred during the year. In the governmental funds, expenditures for these items are measured by the amounts actually paid. This is the amount by which payments exceeded the amounts incurred.</p>		
		31,321
Change in net assets of governmental activities	\$	62,356

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

THE URBANA FREE LIBRARY

Statement of Revenues and Expenditures
Budget and Actual (GAAP) - General Fund

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		Actual	Variance With
	Original	Final		Final Budget
				(Unfavorable)
Revenues:				
Real Property Tax	\$ 2,935,200	\$ 2,935,200	\$ 2,925,081	\$ (10,119)
Intergovernmental:				
Corporate Personal Property				
Replacement Tax	73,160	73,160	90,647	17,487
Grant, Champaign County	23,500	23,500	23,000	(500)
State Aid-Public Libraries	41,406	41,406	41,496	90
City of Urbana	341,040	341,040	335,144	(5,896)
Grant, Urbana School District	34,500	34,500	22,560	(11,940)
Book Fines	69,810	69,810	73,802	3,992
Lost & Damaged Fees	14,100	14,100	14,337	237
Interloan Fees	7,620	7,620	5,826	(1,794)
Copier Fees	13,680	13,680	17,750	4,070
Non-resident User Fees	23,600	23,600	23,190	(410)
Interest	12,300	12,300	6,115	(6,185)
Total Revenues	<u>3,589,916</u>	<u>3,589,916</u>	<u>3,578,948</u>	<u>(10,968)</u>
Expenditures:				
Current:				
Centralized Costs	827,599	827,599	705,302	122,297
Administration	395,783	395,783	383,894	11,889
Adult Department	712,599	712,599	695,714	16,885
Children's Department	448,095	448,095	441,730	6,365
Archives Department	285,550	285,550	279,576	5,974
Maintenance	57,560	57,560	45,878	11,682
Acquisitions	253,237	253,237	232,286	20,951
Circulation	618,132	618,132	600,968	17,164
Total Expenditures	<u>3,598,555</u>	<u>3,598,555</u>	<u>3,385,348</u>	<u>213,207</u>
Excess of Revenues Over				
(Under) Expenditures	<u>\$ (8,639)</u>	<u>\$ (8,639)</u>	<u>\$ 193,600</u>	<u>\$ 202,239</u>

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

THE URBANA FREE LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 1 – Summary of Significant Accounting Policies:

- A. The Urbana Free Library, founded in 1874, provides a broad range of basic library services, including adult and children departments, and archives. A nine-member Board of Directors administers operations for the Library. These directors are appointed by the Mayor and confirmed by the City Council of the City of Urbana to three year staggered terms. The Library Board is responsible for budgetary matters and day-to-day operational policies. The City Council of the City of Urbana is the authority for levying the annual property tax. The Urbana Free Library is also included in the annual financial report of the City of Urbana, according to the criteria specified in governmental accounting standards.
- B. The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all activities of the Library. The effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who directly benefit from services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.
- B. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered available if they are collected within 60 days of year-end. Expenditures are recorded when a liability is incurred, as under accrual accounting, except that expenditures related to compensated absences are recorded only when payment is due.

THE URBANA FREE LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2011

C. The accounts of the Library are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The Urbana Free Library reports one major governmental fund, the General Fund, which is the primary operating fund of the Library and accounts for all financial resources except those required to be accounted for in another fund. Other non-major governmental funds are:

- 1) The Foundation Fund is used to account for private donations for the Library. A foundation has been created to accept donations and its activities are those reported in this Fund.
- 2) The Publications Special Revenue Fund is used to account for receipts and costs of publications and other items for sale.
- 3) The Grant Special Revenue Fund is used to account for receipts and costs related to federal, state or private grant awards.
- 4) The Library Trust Fund is used to account for donations that are restricted to purchase library books and materials. These donations are usually in the form of a memorial to individuals.

E. Restricted Net Assets:

Assets that are not available to finance general operations of the Library are reported as restricted in the government wide Statement of Net Assets financial statement. The Library's policy is to apply restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The Library is reporting the following amounts of net restricted assets:

	Foundation Programs	Library Materials	Total
Checking	\$ --	\$ 9,316	\$ 9,316
Savings	--	157,544	157,544
II. Public Treasurer's Pool	--	118	118
Govt. Funds Money Market	108,853	--	108,853
Certificates of Deposit	121,918	--	121,918
Interest Receivable	254	--	254
Total Restricted Net Assets	<u>\$231,025</u>	<u>\$166,978</u>	<u>\$398,003</u>

THE URBANA FREE LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 2 - Deposits and Investments:

The Library considers cash on hand, checking, savings, and investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents. If the Library has any excess cash during the year, its policy is to purchase certificates of deposit. The only investments owned by the Library at June 30, 2011 was \$121,918 in certificates of deposit purchased through the Foundation.

Interest Rate Risk: The Library has no real exposure to interest rate risk due to declines in the fair values of investments.

Credit Risk: The Library is authorized by Illinois statutes to invest in obligations of the U. S. Treasury and its agencies, non-negotiable certificates of deposit, obligations of the State of Illinois and its political subdivisions, savings accounts, credit union shares, commercial paper noted within the three highest classifications by at least two standard rating agencies, and the Illinois Public Treasurer's Investment Pool. The only exposure to any credit risk is the Library's investment in the Goldman Sachs Government Money Market by the Foundation (\$108,853 at June 30, 2011) and the Library's investment in the Illinois Public Treasurer's Investment Pool (\$8,104 at June 30, 2011). The Library believes that the amount invested in the Goldman Sachs Government Money Market, while not guaranteed, pose no significant credit risk in that this fund is rated AAA by both Standard and Poors and Moody's Investment Services. The Library believes that the amount invested in the Illinois Public Treasurer's Investment Pool carries no credit risk in that while these amounts are not guaranteed, they are fully collateralized by high quality instruments such as U.S. Treasury obligations and the pool has been rated AAAM by Standard and Poors.

Concentration of Credit Risk: Since the only investments at June 30, 2011 are in federally insured certificates of deposit, the Library does not have any exposure to any concentration of credit risk.

Custodial Credit Risk for Deposits: is the risk that in the event of a bank failure, the Library's deposits may not be returned. Deposits in federally insured banks and savings and loans are insured in an amount equal to \$250,000. It is the policy of the Library that deposits above insured limits will be secured by the institution pledging securities in fair value amounts at least to cover uninsured amounts with a third party institution. At June 30, 2011, all amounts were insured or covered by collateral held by the pledging financial institution.

THE URBANA FREE LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 3 - Property Tax:

The City Council of the City of Urbana passes the annual tax levy for the Urbana Free Library on or before the 2nd Tuesday in December. The taxes are extended by the Champaign County Clerk against the equalized assessed valuation as of January 1st of the calendar year that the levy ordinance was enacted. Property tax bills are due and payable in two installments, the first half about June 1st and the balance about September 1st. The Champaign County Treasurer within a short time remits receipts after collection. No amount has been provided for delinquent taxes, since in past years, the amount has averaged less than one percent per year. The full amount of the property tax levy passed in December is accrued in the same fiscal year in the government-wide financial statements. The amount of property tax recognized in the governmental funds in the current year is that amount which is available to finance current operations, which is estimated to be 60% of the levy. Therefore, in governmental funds, 40% of the levy is deferred.

Note 4 – Capital Assets:

Capital assets, which include property, land, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. These assets are recorded at historical cost or estimated historical cost if actual is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Assets are depreciated using the straight line method over the following estimated useful lives: buildings 75 years, office furniture 10-25 years, and equipment 5-7 years. Land is not depreciated. Construction in Progress is not depreciated until the asset is placed in service. Capital asset activity for the year follows:

	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/11</u>
Land	\$ 480,732	\$ --	\$ --	\$ 480,732
Building and Improvements	\$10,100,985	\$ 11,226	\$ --	\$10,112,211
Less Accum. Depreciation	<u>(1,327,509)</u>	<u>(145,207)</u>	--	<u>(1,472,716)</u>
Subtotal	<u>\$8,773,476</u>	<u>\$(133,981)</u>	<u>\$ --</u>	<u>\$ 8,639,495</u>

THE URBANA FREE LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2011

	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/11</u>
Equipment	\$ 470,588	\$ --	\$ (10,977)	\$459,611
Less Accum. Depreciation	<u>(240,634)</u>	<u>(33,831)</u>	<u>10,977</u>	<u>(263,488)</u>
Subtotal	<u>\$ 229,954</u>	<u>\$ (33,831)</u>	<u>\$ -- -</u>	<u>\$ 196,123</u>
Total Capital Assets	\$11,052,305	\$ 11,226	\$ (10,977)	\$11,052,554
Less Accum. Depreciation	<u>(1,568,143)</u>	<u>(179,038)</u>	<u>10,977</u>	<u>(1,735,204)</u>
Total, Net Capital Assets	<u>\$ 9,484,162</u>	<u>\$ (167,812)</u>	<u>\$ --</u>	<u>\$ 9,316,350</u>

Depreciation expense was charged to functions/programs as follows:

Administration	\$11,080
Adult Department	91,367
Children's Department	35,667
Archives Department	11,757
Maintenance	3,581
Acquisitions	9,092
Circulation	<u>16,494</u>
Total	<u>\$179,038</u>

Note 5 – Accumulated Compensated Employee Absences:

Library employees are granted vacation and sick pay in various amounts. Sick leave and vacation benefits may be accumulated; however, upon death or retirement, employees are eligible to receive only a portion of accumulated time. Amounts for compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, as a result of the employee leaving employment. The General Fund will be used to liquidate these liabilities. Accumulated compensated employee absence activity for the year follows:

Balance, Beginning of Year	\$192,544
Retired	(83,450)
Additions	<u>45,287</u>
Balance, End of Year	<u>\$ 154,381</u>

THE URBANA FREE LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 6 – Other Post Employment Benefits

The Library provides limited health insurance benefits to retired employees (employees are allowed to remain on the library's health insurance plan but must pay 100% of the cost). In accordance with BASB Statement No. 45, the Library accrues the implied actuarial amount owed less any amounts actually paid. At June 30, 2011, this amount was \$6,842. During the year, \$2,059 was contributed and \$8,901 was added.

Note 7 - Budgetary Information:

Prior to July 1 of each year, the Library Board submits a budget for the general fund to the City of Urbana City Council in order to request the annual tax levy for the following year. The City of Urbana then adopts this tax levy appropriation request as part of the annual city appropriation ordinance. Budgets are adopted for the special revenue funds for internal management purposes only. Since budgets for the special revenue funds are not used to control expenditures, only a comparison of budgetary to actual is presented for the general fund. Budgetary control of the individual trust funds is provided by the agreements between the Library and the donor concerning authorized uses of the funds. There were no supplementary budget appropriations during the year. There were transfers of budget amounts between various departments that did not increase the overall total library budget. This budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

Encumbrances - The Library does not utilize encumbrance accounting, which provides for commitments of expenditures to be a reserve of fund balance at year-end. Appropriations, which are not spent at year-end lapse, may be acted upon as a supplemental appropriation.

Note 8 – Home Rule Unit:

The City of Urbana is a Home Rule Unit under provisions of the Illinois Constitution. As a home rule community, no statutory limit exists on the issuance of debt or the levying of property taxes upon real estate.

THE URBANA FREE LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 9 – Pension and Retirement Fund Commitments:

The City of Urbana (on behalf of the Library) pays all required employer contributions to the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government units in Illinois. Information concerning the plan description and funding status is included in the Comprehensive Annual Financial Report of the City of Urbana. The value of these payments is \$335,144 in 2011 (amounts include payments for social security and Medicare) . This amount is included in these financial statements allocated among the functional expenses and the payment from the City is reported as intergovernmental revenue.

Note 10 – Lease Commitments:

The Library has entered into a noncancellable lease for certain office equipment. The amounts paid under this lease agreement during 2011 was \$31,755. There are 19 future minimum lease payments left under this lease (\$20,805) at June 30, 2011 .

Note 11 – Related Party Transactions:

In addition to IMRF employer payments described above, the Urbana Free Library and City of Urbana have entered into various other related party transactions. The most significant transactions are listed below:

- 1) The Library paid \$11,552 to the City in 2011 for data processing services. It is anticipated that the Library will continue to pay this cost in the future.
- 2) The Library paid the City the approximate difference in the amount of the property tax levied and the actual property tax collected in order to keep the Library cash flows equal to the property tax levy. This amount was \$11,437 in 2011. This amount approximates 40% of the difference between the current levy and the previous levy (because 40% of the taxes are deferred).

Note 12 – State Aid and Other Grants:

The Library was awarded \$41,496 in 2011 from the State of Illinois as financial aid. Current state law provides this annual grant, based on population.

The Library received a grant of \$22,500 in 2011 from Champaign County to reimburse the Library for costs of operating the Archives Department. The grant

THE URBANA FREE LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2011

received each year covers the period from January 1 to December 31. Thus, one-half of the award (\$11,250) is reported as deferred revenue at June 30, 2011.

The Library was awarded a grant from the Urbana School District in the amount of \$22,560 in 2010. This grant reimbursed the Library for costs of library services for students living in University of Illinois sponsored housing quarters and was part of a larger grant paid to the School District from the University of Illinois.

The Library received a grant from the State of Illinois through the Urbana School District for reimbursement of costs for instructional services to participants in the American History Teacher's Collaborative. At June 30, 2010, the Library had been advanced \$10,700 from this grant. In 2011, the Library received \$600 and spent \$5,000. Thus, the remaining amount of \$6,300 was deferred at June 30, 2011. The School District has reapplied for a continuation of this grant, but notice of award has not yet been received.

It is anticipated that the state aid and county archives grants will continue at approximate similar amounts. The Library has been informed by the University of Illinois of their intention to reduce this grant to \$11,280 in 2012 and \$0 in 2013.

Note 13 – Fund Equity:

Fund equity balances that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose are restricted net assets in the government-wide financial statements and reserved fund balances in the fund financial statements. The fund balance of the Library Materials Trust Fund was donated by private individuals for memorial purchases of library materials. The fund balance of the Foundations Fund was donated for future Foundation approved programs which might include future library building improvements. Thus, these fund balances are reserved for these purposes. A portion of the fund balance in the general fund (\$111,093) has been designated by the Library to pay for future employee separation benefits. This designation is not a legal restriction or designation.

Note 14 - Risk Management:

The Library is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters for which the Library carries commercial insurance. No claims have ever exceeded the amount of insurance coverage.

THE URBANA FREE LIBRARY
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2011

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>Foundation</u>	<u>Publications</u>	<u>Grant</u>	<u>Trust Fund</u>	
ASSETS					
Cash and Cash Equivalents:					
Checking	\$ -	\$ 1,902	\$ 10	\$ -	\$ 1,912
Savings	-	43,299	6,290	-	49,589
Illinois Public Treasurer's Pool	-	750	-	-	750
Restricted Assets:					
Cash and Cash Equivalents:					
Checking	-	-	-	9,316	9,316
Savings	-	-	-	157,544	157,544
Illinois Public Treasurer's Pool	-	-	-	118	118
Goldman Sachs Govt. Money Market	108,853	-	-	-	108,853
Certificates of Deposit	121,918	-	-	-	121,918
Interest Receivable	254	-	-	-	254
Total Assets	\$ 231,025	\$ 45,951	\$ 6,300	\$ 166,978	\$ 450,254
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ -	\$ 135	\$ -	\$ -	\$ 135
Deferred Revenues	-	-	6,300	-	6,300
Total Liabilities	-	135	6,300	-	6,435
Fund Balance:					
Reserved for Foundation Programs	231,025	-	-	-	231,025
Reserved for Library Materials	-	-	-	166,978	166,978
Unreserved	-	45,816	-	-	45,816
Total Fund Balance	231,025	45,816	-	166,978	443,819
Total Liabilities and Fund Balance	\$ 231,025	\$ 45,951	\$ 6,300	\$ 166,978	\$ 450,254

THE URBANA FREE LIBRARY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

For the Year Ended June 30, 2011

Special Revenue Funds

	Foundation	Publications	Grant	Trust Fund	Total
REVENUES:					
Intergovernmental-Grants	\$ -	\$ -	\$ 5,000	\$ -	\$ 5,000
Donations	29,967	-	-	15,452	45,419
Interest	1,749	267	-	928	2,944
Sale of Books and Materials	-	1,753	-	24,063	25,816
Total Revenues	31,716	2,020	5,000	40,443	79,179
EXPENDITURES:					
Centralized Costs	4,113	-	-	125	4,238
Adult Department	-	-	-	41,751	41,751
Children's Department	-	-	-	1,371	1,371
Publishing Costs	-	1,172	-	-	1,172
Grant Programs	-	-	5,000	-	5,000
Total Expenditures	4,113	1,172	5,000	43,247	53,532
Excess of Revenues Over (Under) Expenditures	27,603	848	-	(2,804)	25,647
Other Financing Sources (Uses):					
Transfers In	-	-	-	-	-
Transfers Out	(15,162)	-	-	15,162	-
Total Other Financing Sources (Use)	(15,162)	-	-	15,162	-
Net Changes in Fund Balance	12,441	848	-	12,358	25,647
Fund Balance, Beginning of the Year	218,584	44,968	-	154,620	418,172
Fund Balance, End of the Year	\$ 231,025	\$ 45,816	\$ -	\$ 166,978	\$ 443,819