

THE URBANA FREE LIBRARY

Financial Statements

For the Year Ended June 30, 2013

THE URBANA FREE LIBRARY
Financial Statements
For the Year Ended June 30, 2013

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BRAY, DRAKE, LILES & RICHARDSON LLP
Certified Public Accountants

KARL E. DRAKE, CPA
CURTIS D. LILES, CPA
R. NEIL RICHARDSON, CPA

1606 N. Willow View Road, Suite 1E
Urbana, Illinois 61802-7446

Phone 217/337-0004
Fax 217/337-5822

JAMES F. BRAY (RETIRED)

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The Urbana Free Library
Urbana, Illinois

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, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Basis for Adverse Opinion

As discussed in Note 1, the financial statements present only the Urbana Free Library fund, a special revenue fund of the City of Urbana, Illinois. Accounting principles generally accepted in the United States of America require that the City of Urbana, Illinois' financial statements present the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Urbana, Illinois.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly, the financial position of City of Urbana, Illinois as of June 30, 2013, or the changes in financial position or cash flows thereof for the year then ended.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Urbana Free Library of the City of Urbana, Illinois, as of June 30, 2013, and the changes in financial position thereof and the respective budgetary comparisons of the Urbana Free Library general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 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.

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

**Board of Trustees
The Urbana Free Library
Urbana, Illinois**

Other Information

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

Bray, Drake, Liles & Richardson LLP
BRAY, DRAKE, LILES & RICHARDSON LLP
Urbana, Illinois
October 28, 2013

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, 2013.

FINANCIAL HIGHLIGHTS:

- At June 30, 2013, unreserved fund balance for the general fund was \$1,552,888, or 41% of the total general fund expenditures (44% last year). This amount is \$74,004 less than at the end of last year. Of this amount, \$1,406,839 was undesignated, an decrease of \$74,505 from last year.
- The assets of the Library exceeded liabilities at June 30, 2013, by \$12,336,116. Of this amount \$2,558,255 is unrestricted (\$2,646,992 last year) and may be used to meet the government's ongoing operations.
- The Library's total net position decreased by \$43,653 (\$17,769 decrease last year).
- At June 30, 2013, the Library's governmental funds reported combined fund balances of \$2,155,799 (an increase of \$47,623 over last year), of which \$1,601,535 was unreserved (an decrease of \$74,089 from last year).
- The only long-term debt of the Library is \$201,909 in accumulated compensated employee absences, which decreased \$3,030 and \$15,561 in other post employment benefits, which increased \$1,877 during 2013.

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 position presents information on all of the Library's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 the 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, Café 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 and for the foundation fund , which are the only major funds. Data from the other three 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 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>2013</u>	<u>2012</u>
Current and other assets	\$ 2,862,167	\$ 3,130,929
Restricted assets	554,264	432,543
Capital assets	<u>9,213,597</u>	<u>9,300,234</u>
Total assets	<u>\$12,627,591</u>	<u>\$12,863,706</u>
Long-term liabilities	\$ 217,470	\$ 218,623
Other liabilities	<u>77,735</u>	<u>265,314</u>
Total liabilities	<u>\$ 291,475</u>	<u>\$ 483,937</u>
Net position:		
Invested in capital assets	\$ 9,213,597	\$ 9,300,234
Restricted	564,264	432,543
Unrestricted	<u>2,558,255</u>	<u>2,646,992</u>
Total net position	<u>\$12,336,116</u>	<u>\$12,379,769</u>

At the end of the year, the Library is able to report positive balances in all categories of net position. This situation was true for last year as well. There was an decrease in net position of \$43,653. This decrease was made up of a \$86,637 reduction in the investment in capital assets; an increase of \$131,721 in restricted net position and an decrease of \$88,737 in unrestricted net position.

Comparative Statement of Governmental Activities:

	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 228,516	\$ 235,846
Grants and contributions	39,200	38,200
General revenues:		
Property tax	2,956,726	2,976,340
Intergovernmental:		
City Urbana	405,486	400,228
Other	126,034	125,366
Donations/Gifts	127,639	45,839
Interest	6,247	9,040
Total revenues	<u>\$3,889,848</u>	<u>\$ 3,830,859</u>
Expenses:		
Centralized costs	\$782,928	\$718,918
Administration	443,494	433,672
Adult department	801,498	789,412
Children's department	518,844	510,202
Archives department	314,080	322,374
Café department	84,959	82,082
Maintenance	155	37,295
Acquisitions	274,959	264,950
Circulation	702,958	678,928
Publishing costs	3,326	4,495
Grant programs	6,300	6,300
Total expenses	<u>\$3,933,501</u>	<u>\$ 3,848,628</u>
Increase (decrease) in net position	(43,653)	(17,769)
Beginning net position	<u>12,379,769</u>	<u>12,397,538</u>
Ending net position	<u>\$12,336,116</u>	<u>\$12,379,769</u>

As noted the decrease in net position was \$43,653. Last year there was an decrease of \$17,769. Total revenues increased \$29,898 or +1.5%. This increase was due to an decrease of \$19,614 in property tax (2.5% increase), an increase in donations and gifts of \$81,800, and a increase in intergovernmental-City of Urbana of \$5,258. All other revenues decreased \$2,125. Total expenses increased \$84,873 (2.2%). This cost increase was mainly due to an increase in the costs of employee insurance of \$21,975 (10.5%), an increase in equipment purchases of \$16,974, and an increase in the costs of building maintenance of \$23,573. Other costs increased \$22,351 (+0.7%).

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 2013 for the general fund decreased \$74,004 (4.5%).

GENERAL FUND BUDGETARY HIGHLIGHTS: Revenues were \$177,782 below budgeted estimates (mainly due to property tax being \$79,912 below estimates). This was due to the removal of approximately 15% of the assessed value the property taxes are levied on from the exemption of Carle Hospital under a new state law. There were no supplementary budget appropriations during the year.

CAPITAL ASSETS:

The Library's investment in capital assets as of June 30, 2013, was \$9,213,597 (net of accumulated depreciation), a decrease of \$86,637. This investment in capital assets includes land, buildings and improvements, and equipment. Major capital asset events during the year were:

- Equipment additions during year totaled \$112,996, of which the most significant purchase was a new door security system which cost \$47,170.
- Depreciation expense of \$199,635 was charged

Comparative Statement of Capital Assets (net of depreciation):

	<u>2013</u>	<u>2012</u>
Land	\$ 480,732	\$ 480,732
Building and Improvements	8,397,496	8,493,583
Equipment	<u>335,369</u>	<u>325,919</u>
Total Net Capital Assets	<u>\$9,213,597</u>	<u>\$9,300,234</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 80% of the revenues in the general fund. Future property tax revenues will be impacted by 2 factors:
 - 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 averaged 7% annual growth over a 10 year period. However, for the last 2 years, assessed value has decreased 3.5%. 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 rate similar or slightly higher than 2011 and 2012 for the next 2 years since the process of

determining assessed value trails actual economic real estate activity by 2 years. It has been the policy of the City of Urbana to increase the tax rate in order to provide a property tax increase similar to inflationary cost increases.

- A new state law was approved in 2013 that liberalized the level of community charity that hospitals were required to provide to be exempt from property tax. Carle Hospital applied for exemption under this new standard and their request was approved. This removed approximately 15% of assessed valuation from local property tax rolls. The impact to the Library was a reduction in 2013 property taxes extended of \$83,197. It is uncertain whether and how the City of Urbana will replace this lost property tax. If not replaced, then the Library will be forced to reduce their expenditures by an appropriate amount.
- The general fund budget for next year increased 2.2%, as the Library Board expects to match expenditure levels to slight revenue increases, but this amount may be affected by the possible impact of the Carle Hospital property tax reduction.
- For next year, the management of the Library has the following initiatives:
 1. To continue to develop a new long-term strategic plan.
 2. To develop a plan for addressing competing space needs in the building.
 3. To manage the appointment of a new Director of the Library.

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 Position
June 30, 2013

ASSETS:

Cash and Cash Equivalents:

On Hand	\$ 516
Checking	18,585
Savings	1,223,693
Illinois Public Treasurer's Pool	26,200

Receivables:

Property Tax	1,548,932
Due from State of Illinois	15,150
Due from City of Urbana	26,654

Restricted Assets:

Cash and Cash Equivalents:

Checking	10,714
Savings	193,876
Goldman Sachs Govt. Money Market	228,730
Certificates of Deposit	120,799
Interest Receivable	145

Capital Assets:

Land	480,732
Other Capital Assets (net of accumulated depreciation):	
Buildings and Improvements	8,397,496
Equipment	335,369

Total Assets	12,627,591
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LIABILITIES:

Accounts Payable	13,284
Unearned Revenues	12,250
Accrued Salaries and Taxes	48,471

Non-Current Liabilities:

Other Post Employment Benefits	15,561
Accumulated Compensated Absences	201,909

Total Liabilities	291,475
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NET POSITION:

Invested in Capital Assets, net of related debt	9,213,597
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Restricted for:

Foundation Programs	359,674
Library Materials	204,590

Unrestricted	2,558,255
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Total Net Position	\$ 12,336,116
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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, 2013

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Functions/Programs:				
Governmental Activities:				
Centralized Costs	\$ 782,928	\$ 32,816	\$ -	\$ (750,112)
Administration	443,494	15,621	-	(427,873)
Adult Department	801,498	37,503	-	(763,995)
Children's Department	518,844	22,985	9,400	(486,459)
Archives Department	314,080	12,818	23,500	(277,762)
Cafe Department	84,959	69,034	-	(15,925)
Maintenance	155	5	-	(150)
Acquisitions	274,959	9,703	-	(265,256)
Circulation	702,958	24,925	-	(678,033)
Publishing Costs	3,326	3,106	-	(220)
Grant Programs	6,300	-	6,300	-
Total Governmental Activities	<u>\$3,933,501</u>	<u>\$ 228,516</u>	<u>\$ 39,200</u>	<u>(3,665,785)</u>
General Revenues:				
Real Property Tax				2,956,726
Intergovernmental:				
Corporate Personal Property Replacement Tax				83,643
Federal LSTA Grant (State Aid)				42,391
City of Urbana				405,486
Donations/Gifts				127,639
Interest				6,247
Total General Revenues				<u>3,622,132</u>
Change in Net Position				(43,653)
Net Position, Beg. Year				12,379,769
Net Position, End Year				<u>\$ 12,336,116</u>

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

THE URBANA FREE LIBRARY
Balance Sheet-Governmental Funds
June 30, 2013

ASSETS	General Fund	Foundation Fund	Other Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents:				
On Hand	\$ 516	\$ -	\$ -	\$ 516
Checking	16,726	-	1,859	18,585
Savings	1,174,541	-	49,152	1,223,693
Illinois Public Treasurer's Pool	25,728	-	472	26,200
Receivables:				
Property Tax	1,548,932	-	-	1,548,932
Due from the State of Illinois	15,150	-	-	15,150
Due from the City of Urbana	26,654	-	-	26,654
Due from Other Funds	1,800	-	-	1,800
Restricted Assets:				
Cash and Cash Equivalents:				
Checking	-	-	10,714	10,714
Savings	-	-	193,876	193,876
Goldman Sachs Govt. Money Market	-	228,730	-	228,730
Certificates of Deposit	-	120,799	-	120,799
Interest Receivable	-	145	-	145
Total Assets	\$2,810,047	\$ 349,674	\$ 256,073	\$ 3,415,794
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 12,649	\$ -	\$ 635	\$ 13,284
Accrued Salaries and Taxes	48,471	-	-	48,471
Unearned Revenues	1,196,039	-	401	1,196,440
Due to Other Funds	-	-	1,800	1,800
Total Liabilities	1,257,159	-	2,836	1,259,995
Fund Balances:				
Reserved for:				
Foundation Programs	-	349,674	-	349,674
Library Materials	-	-	204,590	204,590
Unreserved, Reported in:				
General Fund:				
Designated for Future Employee Separation Benefits	146,049	-	-	146,049
Undesignated	1,406,839	-	-	1,406,839
Special Revenue Funds	-	-	48,647	48,647
Total Fund Balance	1,552,888	349,674	253,237	2,155,799
Total Liabilities and Fund Balance	\$2,810,047	\$ 349,674	\$ 256,073	\$ 3,415,794

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 Position in the Statement of Net Position
June 30, 2013

Total fund balances, governmental funds	\$ 2,155,799
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	9,213,597
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	(213,453)
A portion of property taxes recognized in the statement of activities does not provide current financial resources and are reported in the funds as unearned revenue	<u>1,180,173</u>
Net position of governmental activities	<u>\$ 12,336,116</u>

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

THE URBANA FREE LIBRARY

Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the Year Ended June 30, 2013

	General Fund	Foundation Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Real Property Tax	\$ 2,962,518	\$ -	\$ -	\$ 2,962,518
Intergovernmental:				
Corporate Personal Property				
Replacement Tax	83,643	0	-	83,643
Grant, Champaign County	23,500	0	-	23,500
Federal LSTA Grant (State Aic	42,391	0	-	42,391
City of Urbana	405,486	-	-	405,486
Grant, Urbana School District	9,400	0	-	9,400
Grants	-	-	6,300	6,300
Book Fines	84,356	0	-	84,356
Lost and Damage Fees	12,355	0	-	12,355
Interloan Fees	4,639	0	-	4,639
Copier Fees	19,429	0	-	19,429
Non-resident User Fees	17,013	0	-	17,013
Café Sales	62,471	0	-	62,471
Donations	-	116,891	10,748	127,639
Interest	4,806	786	655	6,247
Sale of Books and Materials	-	-	28,253	28,253
Total Revenues	3,732,007	117,677	45,956	3,895,640
Expenditures:				
Centralized Costs	882,046	13,879	-	895,925
Administration	426,466	-	-	426,466
Adult Department	702,657	-	16,151	718,808
Children's Department	473,237	-	2,350	475,587
Archives Department	299,571	-	-	299,571
Cafe Department	76,513	-	-	76,513
Maintenance	155	-	-	155
Acquisitions	264,894	-	-	264,894
Circulation	680,472	-	-	680,472
Publishing Costs	-	-	3,326	3,326
Grant Programs	-	-	6,300	6,300
Total Expenditures	3,806,011	13,879	28,127	3,848,017
Excess of Revenues Over (Under) Expenditures	(74,004)	103,798	17,829	47,623
Other Financing Sources (Uses):				
Operating Transfers In	-	-	4,150	4,150
Operating Transfers Out	-	(4,150)	-	(4,150)
Total Other Financing Sources (Uses)	-	(4,150)	4,150	-
Net Changes in Fund Balance	(74,004)	99,648	21,979	47,623
Fund Balance, Beg. of Year	1,626,892	250,026	231,258	2,108,176
Fund Balance, End of Year	\$ 1,552,888	\$ 349,674	\$ 253,237	\$ 2,155,799

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 Position in the Statement of Activities**

For the Year Ended June 30, 2013

Net change in fund balances-governmental funds	\$	47,623
Amounts reported for governmental activities in the statement of activities are different because:		
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		(5,792)
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.		112,997
This is the amount of depreciation that was not reported in the funds.		(199,634)
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 amounts incurred exceeded amounts paid.		1,153
Change in net position of governmental activities	\$	(43,653)

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, 2013

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Favorable (Unfavorable)
Revenues:				
Real Property Tax	\$ 3,042,430	\$ 3,042,430	\$ 2,962,518	\$ (79,912)
Intergovernmental:				
Corporate Personal Property				
Replacement Tax	84,000	84,000	83,643	(357)
Grant, Champaign County	22,500	23,500	23,500	-
Federal LSTA Grant (State Aid)	42,302	42,302	42,391	89
City of Urbana	484,325	484,325	405,486	(78,839)
Grant, Urbana School District	-	-	9,400	9,400
Book Fines	78,810	83,810	84,356	546
Lost & Damaged Fees	14,100	12,100	12,355	255
Interloan Fees	5,620	5,620	4,639	(981)
Copier Fees	17,680	17,680	19,429	1,749
Non-resident User Fees	22,600	18,600	17,013	(1,587)
Café Sales	87,122	87,122	62,471	(24,651)
Interest	8,300	8,300	4,806	(3,494)
Total Revenues	3,909,789	3,909,789	3,732,007	(177,782)
Expenditures:				
Current:				
Centralized Costs	848,487	848,487	882,046	(33,559)
Administration	434,157	434,157	426,466	7,691
Adult Department	711,516	711,516	702,657	8,859
Children's Department	478,768	478,768	473,237	5,531
Archives Department	317,968	317,968	299,571	18,397
Cafe Department	90,740	90,740	76,513	14,227
Maintenance	41,906	41,905	155	41,750
Acquisitions	290,836	290,836	264,894	25,942
Circulation	695,411	695,411	680,472	14,939
Total Expenditures	3,909,789	3,909,788	3,806,011	103,777
Excess of Revenues Over (Under) Expenditures	\$ -	\$ 1	\$ (74,004)	\$ (74,005)

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, 2013

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 position and the statement of changes in net position) 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, 2013

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 two major governmental funds, 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, and the Foundation Fund, which 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. Other non-major governmental funds are:

- 1) The Publications Special Revenue Fund is used to account for receipts and costs of publications and other items for sale.
- 2) The Grant Special Revenue Fund is used to account for receipts and costs related to federal, state or private grant awards.
- 3) 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.

D. Restricted Net Position:

Assets that are not available to finance general operations of the Library are reported as restricted in the government wide Statement of Net Position 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	\$ --	\$ 10,714	\$ 10,714
Savings	--	193,876	193,876
Govt. Funds Money Market	228,730	--	228,730
Certificates of Deposit	120,799	--	120,799
Interest Receivable	145	--	145
Total Restricted Net Assets	<u>\$349,674</u>	<u>\$204,590</u>	<u>\$554,264</u>

THE URBANA FREE LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2013

E. Estimates:

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

Note 2 - Deposits and Investments:

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, 2013 was \$120,799 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 (\$228,730 at June 30, 2013) and the Library's investment in the Illinois Public Treasurer's Investment Pool (\$472 at June 30, 2013). 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, 2013 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

THE URBANA FREE LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2013

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, 2013, all amounts were insured or covered by collateral held by the pledging financial institution.

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:

THE URBANA FREE LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2013

	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/13</u>
Land	\$ 480,732	\$ --	\$ --	\$ 480,732
Building and Improvements	\$10,112,211	\$ 52,530	\$ (12,897)	\$10,151,844
Less Accum. Depreciation	<u>(1,618,628)</u>	<u>(148,617)</u>	<u>12,897</u>	<u>(1,754,348)</u>
Subtotal	<u>\$8,493,583</u>	<u>\$(96,087)</u>	<u>\$ --</u>	<u>\$ 8,397,496</u>
Equipment	\$ 630,975	\$ 60,466	\$ (130,368)	\$561,073
Less Accum. Depreciation	<u>(305,056)</u>	<u>(51,016)</u>	<u>130,368</u>	<u>(225,704)</u>
Subtotal	<u>\$ 325,919</u>	<u>\$ 9,450</u>	<u>\$ --</u>	<u>\$ 335,369</u>
Total Capital Assets	\$11,223,918	\$ 112,996	\$(143,265)	\$11,193,649
Less Accum. Depreciation	<u>(1,923,684)</u>	<u>(199,633)</u>	<u>143,265</u>	<u>(1,980,052)</u>
Total, Net Capital Assets	<u>\$ 9,300,234</u>	<u>\$(86,637)</u>	<u>\$ --</u>	<u>\$ 9,213,597</u>

Depreciation expense was charged to functions/programs as follows:

Administration	\$17,221
Adult Department	82,894
Children's Department	43,444
Archives Department	14,627
Cafe	8,468
Acquisitions	10,172
Circulation	<u>22,807</u>
Total	<u>\$199,633</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

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Notes to Financial Statements
For the Year Ended June 30, 2013

Fund will be used to liquidate these liabilities. Accumulated compensated employee absence activity for the year follows:

Balance, Beginning of Year	\$204,939
Retired	(125,873)
Additions	<u>122,843</u>
Balance, End of Year	<u>\$ 201,909</u>

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 GASB Statement No. 45, the Library accrues the implied actuarial amount owed less any amounts actually paid. At June 30, 2013, this amount was \$15,561. During the year, \$4,240 was contributed and \$6,117 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. 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, 2013

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 \$383,867 in 2013 (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:

In 2013, the Library paid 8 payments totaling \$8,360 for certain noncancellable leases for office equipment. After these payments were made, the library took ownership of the machines. No new lease agreements have been entered into in 2013.

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 \$12,436 to the City in 2013 for data processing services. It is anticipated that the Library will continue to pay this cost in the future.
- 2) The City has agreed to pay the Library the approximate difference in the amount of the property tax levied and the actual property tax collected each year in order to keep the Library cash flows equal to the property tax levy. This amount approximates 40% of the difference between the current levy and the previous levy (because 40% of the taxes are deferred). In 2013, a payment of \$21,619 was remitted from the library to the City.

Note 12 – State Aid and Other Grants:

The Library was awarded \$42,391 in 2013 from the State of Illinois as financial aid. Current state law provides this annual grant, based on population. This grant was funded from a federal Library Services and Technology grant. It is anticipated that this grant award will be continued in the future at similar amounts.

The Library received a grant of \$24,500 grant in 2013 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, 2013

received each year covers the period from January 1 to December 31. Thus, one-half of the award (\$12,500) is reported as deferred revenue at June 30, 2013. It is anticipated that this grant award will be continued in the future at similar amounts.

The Library was awarded a grant from the Urbana School District in the amount of \$9,400 in 2013. 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. It is anticipated that no further payments will be received under this grant award.

The Library received a grant from the State of Illinois Historical Records Advisory Board in the amount of \$1,691 in 2013. This grant was to reimburse the library for improvements in the storage system for historical records. At June 30, 2013, the Library had been paid and spent the full amount of the grant. The library also received a private grant from the Association for Library Services for Children in 2013 in the amount of \$5,000. This grant was to promote various cultures and languages in the library. In 2013, the Library received the \$5,000 payment and spent \$4,599, leaving \$401 as deferred revenue to 2014. It is uncertain if these grant programs will be continued in the future.

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 reported as restricted net position 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 (\$146,049) has been designated by the Library to pay for future employee separation benefits. During the year, this amount was increased \$501 by a transfer from undesignated fund balance. This designation is not a legal restriction or legal 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, 2013

ASSETS	Publications	Grant	Trust Fund	Total
Cash and Cash Equivalents:				
Checking	\$ 1,849	\$ 10	\$ -	\$ 1,859
Savings	46,961	2,191	-	49,152
Illinois Public Treasurer's Pool	472	-	-	472
Restricted Assets:				
Cash and Cash Equivalents:				
Checking	-	-	10,714	10,714
Savings	-	-	193,876	193,876
Total Assets	\$ 49,282	\$ 2,201	\$ 204,590	\$ 256,073
 LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 635	\$ -	-	\$ 635
Unearned Revenues	-	401	-	401
Due to Other Funds	-	1,800	-	1,800
Total Liabilities	635	2,201	-	2,836
Fund Balance:				
Reserved for Library Materials	-	-	204,590	204,590
Unreserved	48,647	-	-	48,647
Total Fund Balance	48,647	-	204,590	253,237
Total Liabilities and Fund Balance	\$ 49,282	\$ 2,201	\$ 204,590	\$ 256,073

THE URBANA FREE LIBRARY

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

For the Year Ended June 30, 2013

	Publications	Grant	Trust Fund	Total
REVENUES:				
Intergovernmental-Grants	\$ -	\$ 6,300	\$ -	\$ 6,300
Donations	-	-	10,748	10,748
Interest	127	-	528	655
Sale of Books and Materials	3,105	-	25,148	28,253
Total Revenues	3,232	6,300	36,424	45,956
EXPENDITURES:				
Adult Department	-	-	16,151	16,151
Children's Department	-	-	2,350	2,350
Publishing Costs	3,326	-	-	3,326
Grant Programs	-	6,300	-	6,300
Total Expenditures	3,326	6,300	18,501	28,127
Excess of Revenues Over (Under) Expenditures	(94)	-	17,923	17,829
Other Financing Sources (Uses): Transfers In	-	-	4,150	4,150
Net Changes in Fund Balance	(94)	-	22,073	21,979
Fund Balance, Beginning of the Year	48,741	-	182,517	231,258
Fund Balance, End of the Year	\$ 48,647	\$ -	\$ 204,590	\$ 253,237