

URBANA FREE LIBRARY
A COMPONENT UNIT OF THE CITY OF URBANA, ILLINOIS

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2018

URBANA FREE LIBRARY

TABLE OF CONTENTS As of and for the Year Ended June 30, 2018

	<u>Page(s)</u>
Independent Auditors' Report	i - ii
Required Supplementary Information	
Management's Discussion and Analysis	1 - 13
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15 - 16
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Index to Notes to Financial Statements	21
Notes to Financial Statements	22 - 41
Required Supplementary Information	
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	42
Retiree Health Insurance Plan - Schedule of Library's Proportionate Share of the Total OPEB Liability	43
Notes to Required Supplementary Information	44
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	46

INDEPENDENT AUDITORS' REPORT

To the Library Board
Urbana Free Library
Urbana, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Urbana Free Library, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Urbana Free Library's basic 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 Urbana Free Library'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 Urbana Free Library'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.

To the Library Board
Urbana Free Library

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Urbana Free Library as of June 30, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the Urbana Free Library adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Net position has been restated as of June 30, 2017 as a result. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents 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.

Supplementary 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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
December 19, 2018

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2018 (Unaudited)

The discussion and analysis of Urbana Free Library's (the "Library") financial performance provides an overall review of the Library's financial activities for the year ended June 30, 2018. The management of the Library encourages readers to consider the information presented herein in conjunction with the basic financial statements to enhance their understanding of the Library's financial performance. Certain comparative information between the current year and the prior is required to be presented in the Management's Discussion and Analysis (the "MD&A").

Financial Highlights

- The assets of the Library exceeded its liabilities/deferred inflows of resources at the close of the most recent fiscal year by \$11,165,491 (net position). Of this amount \$1,753,493 is unrestricted and may be used to meet the government's ongoing obligation to citizens and creditors.
- In total, net position decreased by \$52,459 after the impacts of restatement for GASB Statement No. 75.
- As of the close of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$2,534,775, an increase of \$78,293 in comparison with the prior year. Approximately \$1,968,940 is available for spending at the government's discretion (unassigned fund balance).
- General revenues accounted for \$3,353,177 in revenue or 93% of all governmental revenues. Program specific revenues in the form of charges for services and fees and grants accounted for \$262,174 or 7% of total governmental revenues of \$3,615,351.
- The Library had \$3,667,810 in expenses related to government activities. However, only \$262,174 of these expenses were offset by program specific charges and grants.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,984,674, or 57% of the total General Fund expenditures. Funds for the 11-year accrual, for Building, Capital Expense, and the Health Savings Plan payout which the Library is obligated to pay are included here. Since most of the Library's revenue is property taxes and since most of the property taxes for one fiscal year come in during June, the last month of the fiscal year, it is imperative for the Library to have a healthy fund balance for cash flow purposes.
- In addition, according to the Library's Five-Year Financial Plan, FY2014-FY2018, capital investments in the air handler, boiler, front porch and windows, could cost hundreds of thousands of dollars, for which the Library should have an adequate fund balance.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended June 30, 2018

(Unaudited)

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The basic financial statements are comprised of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business, and are reported using the accrual basis of accounting and economic resources measurement focus.

The statement of net position presents information on all of the Library's assets/deferred outflows of resources and liabilities/deferred inflows of resources, 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 fiscal year being reported. 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 future fiscal periods.

The government-wide financial statements can be divided into two types of activities: governmental and business type. Governmental activities present the functions of the Library that are principally supported by taxes and intergovernmental revenues. The Library's governmental activities include library operational services. The Library has no business type activities.

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-related legal requirements. All of the funds of the Library can be divided into one category: governmental funds.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2018 (Unaudited)

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements and are reported using the modified accrual basis of accounting and current financial resources measurement focus. The governmental fund statements provide a detailed short-term view of the Library's general government operations and the basic services it provides. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources; as well as, on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a 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 presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains 2 major 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 Trust Fund, which are considered to be major funds. Data from the remaining 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 schedules elsewhere in this report. The Library adopts an annual budget for the General Fund listed above. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Notes to basic financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Library's Illinois Municipal Retirement Fund; as well as, budget to actual comparisons of the funds for which a budget has been adopted. Supplementary schedules include combining and individual fund schedules of all non-major funds.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2018 (Unaudited)

Government-Wide Financial Analysis

Table 1 Condensed Statements of Net Position (in actual dollars)			
	<i>Governmental Activities</i>		
	<i>2018</i>	<i>2017*</i>	<i>Change</i>
Assets			
Current and other assets	\$ 3,935,552	\$ 3,846,667	2.3%
Capital assets	8,855,451	9,023,601	(1.9)%
Total assets	12,791,003	12,870,268	(0.6)%
Liabilities			
Long-term liabilities	224,735	224,304	0.2%
Other liabilities	116,777	146,585	(20.3)%
Total liabilities	341,512	370,889	(7.9)%
Deferred Inflows of Resources			
Property taxes levied for a future period	1,284,000	1,243,600	3.2%
Total deferred inflows of resources	1,284,000	1,243,600	3.2%
Net position			
Net investment in capital assets	8,855,451	9,023,601	(1.9)%
Restricted	556,547	544,850	2.1%
Unrestricted	1,753,493	1,687,328	3.9%
Total net position	\$ 11,165,491	\$ 11,255,779	(0.8)%

* Prior year information has not been updated for the effects of restatement due to the implementation of GASB Statement No. 75.

Normal Impacts

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net results of activities – which will impact (increase/decrease) current assets and unrestricted net position.

Borrowing for capital – which will increase current assets and long-term debt.

Spending borrowed proceeds on new capital – which will: (a) reduce current assets and increase capital assets; and, (b) increase capital assets and long-term debt, which will not change the net investment in capital assets.

Spending of non-borrowed current assets on new capital – which will: (a) reduce current assets and increase capital assets; and, (b) will reduce unrestricted net position and increase the net investment in capital assets.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2018 (Unaudited)

Principal payment on debt – which will: (a) reduce current assets and reduce long-term debt; and, (b) reduce unrestricted net position and increase the net investment in capital assets.

Reduction of capital assets through depreciation – which will reduce capital assets and net investment in capital assets.

Current Year Impacts

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, total net position decreased by \$90,288 (\$52,459 after the impact of restatement for GASB Statement No. 75) from \$11,255,779 to \$11,165,491. The Library's total assets equal \$12,791,003. The Library's total liabilities/deferred inflows of resources equal \$1,625,512.

A portion of the net position of the governmental activities is restricted for trusts. The unrestricted balance of \$1,753,493 may be used to meet the ongoing Library obligations to their citizens and creditors. All net position categories show positive balances at year end.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018
(Unaudited)

Table 2
Condensed Statements of Activities
(in actual dollars)

	<i>Governmental Activities</i>		
	2018	2017*	Change
Revenues			
Charges for services	\$ 216,254	\$ 194,664	11.1%
Operating grants and contributions	45,920	345,920	-86.7%
Capital grants and contributions	-	113,630	-100.0%
Property taxes	3,156,935	3,059,263	3.2%
Intergovernmental	77,150	253,027	-69.5%
Other general revenues	<u>119,092</u>	<u>85,608</u>	39.1%
Total revenues	<u>3,615,351</u>	<u>4,052,112</u>	-10.8%
Expenses			
Centralized costs	384,627	879,899	-56.3%
Information technology	109,216	-	
Development and promotion	69,655	-	
Administration	363,297	421,494	-13.8%
Adult department	1,149,677	1,039,036	10.6%
Children's department	143,494	132,536	8.3%
Archives department	283,116	266,774	6.1%
Cafe department	82,140	81,832	0.4%
Acquisitions	221,766	161,818	37.0%
Circulation	408,410	591,310	-30.9%
Maintenance	452,412	75	603,116.0%
Publishing costs	<u>-</u>	<u>1,917</u>	-100.0%
Total expenses	<u>3,667,810</u>	<u>3,576,691</u>	2.5%
Change in net position	(52,459)	475,421	-111.0%
Net position, beginning of year (as restated)	<u>11,217,950</u>	<u>10,780,358</u>	4.1%
Net position, end of year	<u>\$ 11,165,491</u>	<u>\$ 11,255,779</u>	-0.8%

* Prior year information has not been updated for the effects of restatement due to the implementation of GASB Statement No. 75.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2018 (Unaudited)

Normal Impacts

There are eight basic (normal) impacts that will affect the comparability of the revenues and expenses on the Statement of Activities summary presentation.

Revenues

Economic condition – which can reflect a declining, stable or growing economic environment, and has substantial impact on state sales, replacement and hotel/motel tax revenue; as well as, public spending habits for building permits, elective user fees, and volumes of consumption.

Increase/decrease in Library approved rates – while certain tax rates are set by statute, the Library has significant authority to impose and periodically increase/decrease rates.

Changing patterns in intergovernmental and grant revenue (both recurring and non-recurring) – certain recurring revenues (state shared revenues, etc.) may experience significant changes periodically while non-recurring grants are less predictable and often distorting in their impact on year to year comparisons.

Market impacts on investment income – the Library's investments may be affected by market conditions causing investment income to increase/decrease.

Expenses

Introduction of new programs – within the functional expense categories (centralized costs, administration, adult department, etc.), individual programs may be added or deleted to meet changing community needs.

Change in authorized personnel – changes in service demand may cause the Library to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent the largest operating cost of the Library.

Salary increases (annual adjustments and merit) – the ability to attract and retain human and intellectual resources requires the Library to strive to approach a competitive salary range position in the marketplace.

Inflation – while overall inflation appears to be reasonably modest, the Library is a major consumer of certain commodities such as supplies. Some functions may experience unusual commodity specific increases.

Current Year Impacts

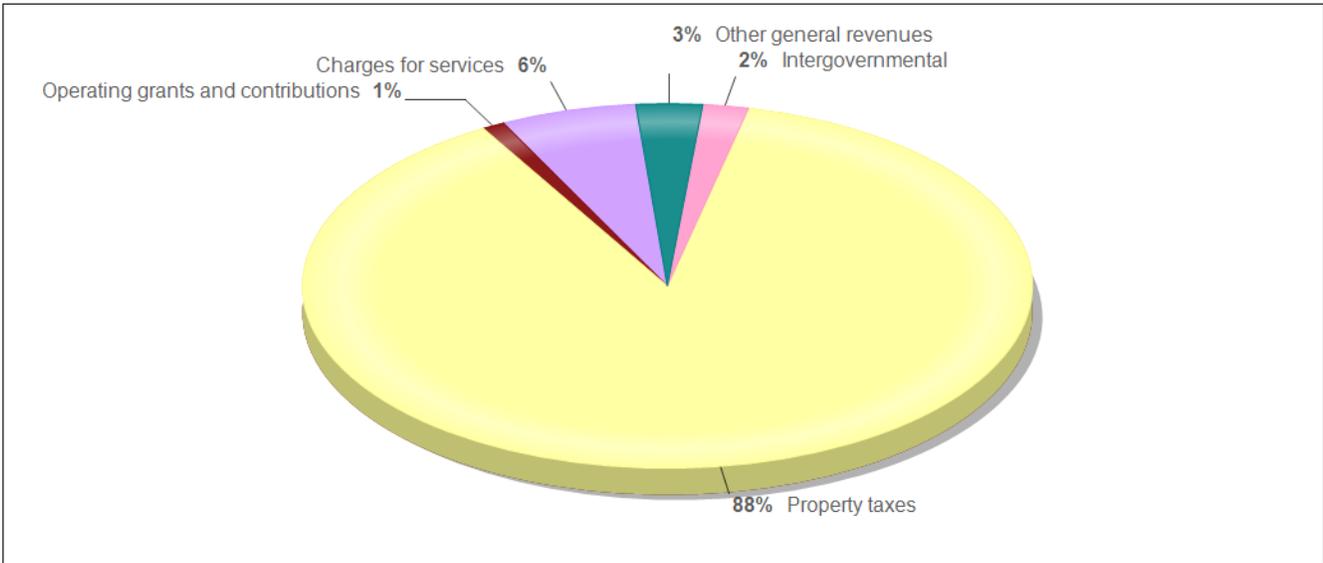
Budgeted property tax revenue increased approximately \$129,000 but almost \$16,000 of that was not all received. Payments to retirees for their RHS payouts were taken from the RHS Plan Fund Balance. The Library completed the work on boiler replacement, using funds from the City of Urbana which had been saved in our fund balance. Work was not completed on expensive capital projects will be completed in FY19 The Library will be reimbursed for some of these funds by The Urbana Free Library Foundation after the expenses have occurred; other expenses will come from the Library's fund balance.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018
(Unaudited)

Governmental Activities

Governmental Revenues by Source



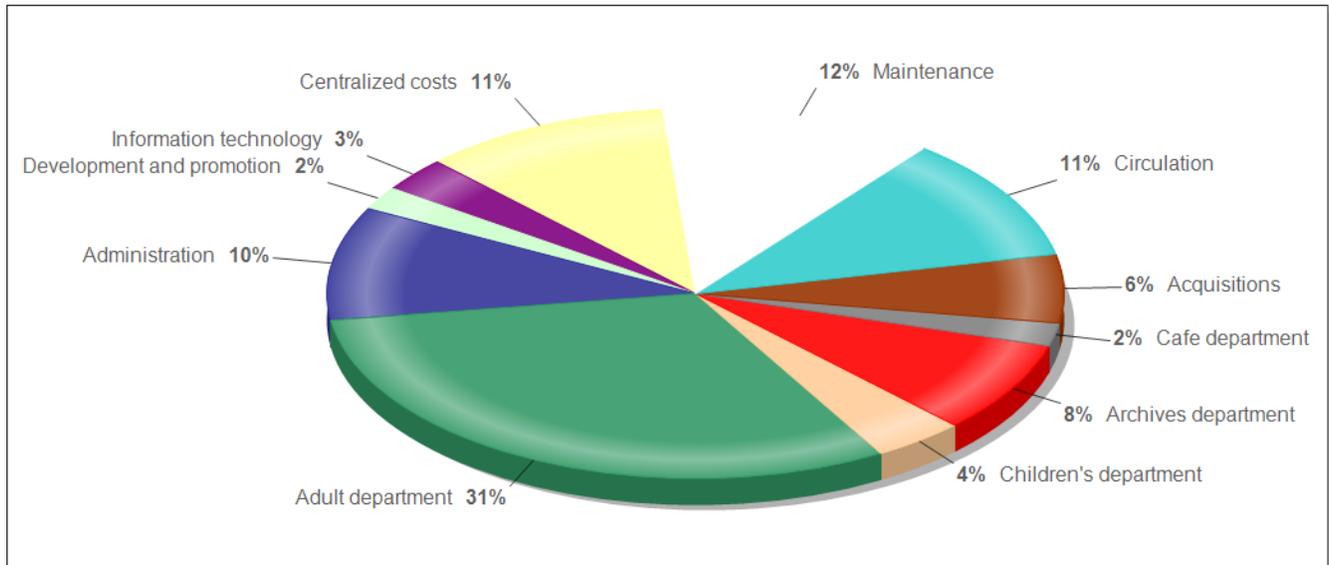
Revenues

Due to the State's budget crisis, no State Per Capita funding was received for FY18, but we did receive \$32,028 for FY17 in May 2018. Property tax revenue was down a little bit from what was budgeted. Café revenue increased, which is a positive trend. Revenue in Donations looks down, but as was mentioned before, the projects which the Foundation has committed to fund were not completed this fiscal year.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018
(Unaudited)

Governmental Expenses by Function



Expenses

With Munis implementation, a new Chart of Accounts was created, and funds were consolidated or delineated differently. "Apples to Apples" comparisons between FY17, FY18, and FY19 will be difficult, due to the transition to Munis 'mid FY18. Nonetheless, overall expense percentages remained almost the same in most areas. The main differences are seen in Centralized Costs with creation of IT, Facilities, and Development & Promotion organizational budget codes. For example, the IT department budget was given its own organization code instead of being a subset of Administration for staffing and other costs were removed from Centralized Costs to IT. Facilities and Development & Promotion also were given their own organization codes and some of their funding came from Centralized costs, as well. In addition, some staff retired or separated from the Library, and their positions have been filled in different ways. For example, the Circulation line decreased because the wages for the Associate Director who also directs Circulation came entirely from Administration this year as opposed to being split in FY17 between Circulation and Administration. One Associate Director retired and her position is not being replaced with someone in Administration, so this will further decrease the Administration budget line in FY19.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2018 (Unaudited)

Financial Analysis of the Library's Funds

There was a small decrease to the Fund Balance in RHS Plan transfers for some of the employees who separated from the Library. The Library will continue to proactively set aside funds for extensive building and IT capital expenses in a fund which was created by the Board in June 2018, as well as funds for RHS separation payouts. There are huge capital expenditures in the Library's future. At the end of FY18, a section of the 1918 porch collapsed unexpectedly, and the Foundation is paying for it to be repaired in FY19. The Library set aside the revenue from the City for HVAC and for the hiring of the development director, which were not completed in FY17 to be used in FY18. The boiler was replaced, and the Development Director will be hired in FY19. Other capital expenditures, including the replacement of the chiller, will be funded by the Foundation and the Library (furnace in the Webber building).

General Fund Budgetary Highlights

General Fund revenues of \$3,574,117 were below budget by \$496,132. Expenditures were \$653,028 below budget.

Capital Assets

By the end of 2018, the Library had compiled a total investment of \$11,881,182 (\$8,855,451 net of accumulated depreciation) in a broad range of capital assets including land, buildings, and equipment. Total depreciation expense for the year was \$204,891. More detailed information about capital assets can be found in Note III.C of the basic financial statements.

Table 3			
Capital Assets (net of depreciation)			
(in actual dollars)			
	<i>Governmental Activities</i>		
	<i>2018</i>	<i>2017</i>	<i>Change</i>
Land	\$ 594,362	\$ 594,362	
Buildings and improvements	8,085,512	8,175,636	-1.1%
Equipment	175,577	224,623	-21.8%
Construction in progress	<u>-</u>	<u>28,980</u>	-100.0%
Total	<u>\$ 8,855,451</u>	<u>\$ 9,023,601</u>	-1.9%

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2018 (Unaudited)

Factors Bearing on the Library's Future

Funding for the Per Capita Grants is still up in the air. In FY16, the Library received approximately \$20,000 less than the Illinois Secretary of State's Office told us was our budget. In FY17, we received no State Per Capita Grant at all, which was a decrease of just under \$26,000. We received the FY17 Per Capita Grant at the end of FY18. Perhaps in FY19 we will receive the grants for both FY18 and FY19, but there is no guarantee.

Large capital expenses remain a concern. Not addressed in the FY19 budget are aging infrastructure, including windows in the historic 1918 section of the building; and air handler have been identified in the Financial Plan FY2014-2018 as having the potential to cost hundreds of thousands of dollars to replace/repair. The carpeting throughout the building is wearing, and the paint needs to be refreshed. Saving for capital improvements has begun, and the Library Foundation is fundraising, as well. In addition, an equipment replacement fund for long term, large expenses that cannot be met by the annual budget allocation was added to the FY17 budget in response to a FY2016-FY2018 Technology Plan recommendation. In FY18, the Board approved a Special Reserve Fund and plan, as allowed for libraries in state statute.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2018 (Unaudited)

The Library has hired a Development Director in FY19 and will work with the Foundation, Friends of The Urbana Free Library, and other donors in an even more proactive way. Without our devoted supporters, the Library would not be able to provide the level of service it currently does.

Factors bearing on the City of Urbana impact the Library. The Library is one of four purposes for which the City levies taxes. The other three are Police and Fire pensions, and "corporate purposes" (the General Operating Fund). As the City is impacted by different forces, the Library expects impacts, as well. From the City's Audit Report, here are factors bearing on the City's future:

"The City continues to work to respond constructively to financial challenges. Those challenges include both declining State-shared revenues and a loss in property tax revenue due to the 2012 State law that grants property exemptions to local hospitals. While significant challenges remain, the City took an important step with approval of a new funding policy for police and fire pensions. With the 2018 tax levy, the City will begin a five-year transition to a higher level of funding designed to fully fund these pensions within twenty years. The City will continue to make difficult decisions to address a structural deficit in the General Operating Fund, and will explore funding options for infrastructure maintenance.

The State's ongoing budget crisis has directly affected the City with imposition of a 2% "collection fee" on Home Rule sales tax revenue and changes in income tax distributions. The collection fee on Home Rule sales tax was reduced to 1.5% for FY2019, but the diversion of revenue continues. A one-time acceleration of income tax payments was designed to offset the 10% reduction in income tax distributions in fiscal year 2018, but a reduction of 5% is still in place for FY2019.

The impact of the U.S. Supreme Court decision in *South Dakota v. Wayfair Inc.* remains to be determined. This will increase the local government share of use tax revenues, but no Home Rule sales tax will be collected on those transactions.

While the City has maintained its \$1.355 property tax rate, other taxing bodies have increased rates to the point where the City's total tax rate is 15% higher than the neighboring City of Champaign. This gap is reduced from the 28% differential for the 2016 tax levy due in part to costs for school construction projects in Champaign. This puts the City at a competitive disadvantage and is not sustainable. The City and other taxing districts continue to deal with fallout from the 2012 State law that grants hospitals tax relief. Because the local hospitals made up about 11% of the City's EAV, the result was a shift in the tax burden to other taxpayers.

Any reductions in State funding for the University of Illinois, which is a significant driver for the local economy and the City's largest employer, would also have a significant impact on the City. Depending on the magnitude of reductions, there could be wide ranging impacts on the local economy, affecting sales taxes and other City revenues.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018
(Unaudited)

The City will continue to develop a financial forecast annually to ensure that we can identify and use appropriate strategies to ensure long-term financial sustainability.”

Requests for Information

This financial report is designed to provide the Library's citizens, taxpayers, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report, need additional financial information, or would like a copy of the financial statements for the Urbana Free Library, contact the Business Office:

Celeste Choate
Urbana Free Library
210 W. Green Street
Urbana, Illinois 61801

URBANA FREE LIBRARY

STATEMENT OF NET POSITION As of June 30, 2018

	Governmental Activities	Component Unit
ASSETS		
Cash and investments	\$ 1,830,003	\$ 441,437
Receivables		
Property taxes	1,509,255	-
Accrued interest	-	145
Due from State of Illinois	13,095	-
Prepaid items	9,288	-
Restricted assets		
Cash and investments	573,911	-
Capital Assets		
Land	594,362	-
Other capital assets, net of depreciation	8,261,089	-
Total Assets	12,791,003	441,582
LIABILITIES		
Accounts payable	11,080	-
Accrued salaries	63,293	-
Unearned grant revenue	42,404	-
Noncurrent Liabilities		
Due within one year	161,942	-
Due in more than one year	62,793	-
Total Liabilities	341,512	-
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for future periods	1,284,000	-
Total Deferred Inflows of Resources	1,284,000	-
NET POSITION		
Net investment in capital assets	8,855,451	-
Restricted for		
Trust	556,547	-
Unrestricted	1,753,493	441,582
TOTAL NET POSITION	\$ 11,165,491	\$ 441,582

See accompanying notes to financial statements.

URBANA FREE LIBRARY

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2018

<u>Functions/Programs</u>	Program Revenues		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government			
Governmental Activities			
Centralized costs	\$ 384,627	\$ 16,485	\$ -
Information technology	109,216	4,744	-
Development and promotion	69,655	3,026	-
Administration	363,297	15,782	-
Adult department	1,149,677	49,943	-
Children's department	143,494	6,234	-
Archives department	283,116	12,299	45,920
Cafe department	82,140	60,712	-
Acquisitions	221,766	9,634	-
Circulation	408,410	17,742	-
Maintenance	452,412	19,653	-
Total Governmental Activities	<u>\$ 3,667,810</u>	<u>\$ 216,254</u>	<u>\$ 45,920</u>
Component Unit			
Library Foundation	<u>\$ 20,078</u>	<u>\$ -</u>	<u>\$ 87,015</u>
		General Revenues	
		Taxes	
		Property taxes	
		Intergovernmental	
		Corporate personal property replacement tax	
		Donations and gifts	
		Investment income	
		Miscellaneous	
		Total General Revenues	
		Change in net position	
		NET POSITION - Beginning of Year (as restated)	
		NET POSITION - END OF YEAR	

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position	
Primary Government	Component Unit

Governmental Activities	Library Foundation
----------------------------	-----------------------

\$ (368,142)	\$ -
(104,472)	-
(66,629)	-
(347,515)	-
(1,099,734)	-
(137,260)	-
(224,897)	-
(21,428)	-
(212,132)	-
(390,668)	-
(432,759)	-
<u>\$ (3,405,636)</u>	<u>\$ -</u>

-	66,937
---	--------

3,156,935	-
-----------	---

77,150	-
49,214	-
5,295	4,504
<u>64,583</u>	<u>-</u>

<u>3,353,177</u>	<u>4,504</u>
------------------	--------------

(52,459)	71,441
----------	--------

<u>11,217,950</u>	<u>370,141</u>
-------------------	----------------

<u>\$ 11,165,491</u>	<u>\$ 441,582</u>
----------------------	-------------------

See accompanying notes to financial statements.

URBANA FREE LIBRARY

BALANCE SHEET GOVERNMENTAL FUNDS As of June 30, 2018

	General	Trust	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and investments	\$ 1,830,003	\$ -	\$ -	\$ 1,830,003
Restricted cash and investments	-	573,911	-	573,911
Receivables				
Property taxes	1,509,255	-	-	1,509,255
Due from the State of Illinois	13,095	-	-	13,095
Prepaid items	9,288	-	-	9,288
Due from other funds	31,415	-	-	31,415
TOTAL ASSETS	\$ 3,393,056	\$ 573,911	\$ -	\$ 3,966,967
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 9,397	\$ 1,683	\$ -	\$ 11,080
Accrued salaries and taxes	63,293	-	-	63,293
Due to other funds	-	15,681	15,734	31,415
Unearned grant revenue	42,404	-	-	42,404
Total Liabilities	115,094	17,364	15,734	148,192
Deferred Inflows of Resources				
Taxes levied for future periods	1,284,000	-	-	1,284,000
Total Deferred Inflows of Resources	1,284,000	-	-	1,284,000
Fund Balances (Deficit)				
Nonspendable for prepaid expenditures	9,288	-	-	9,288
Restricted for trust	-	556,547	-	556,547
Unassigned	1,984,674	-	(15,734)	1,968,940
Total Fund Balances (deficit)	1,993,962	556,547	(15,734)	2,534,775
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,393,056	\$ 573,911	\$ -	\$ 3,966,967

See accompanying notes to financial statements.

URBANA FREE LIBRARY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of June 30, 2018

Total Fund Balances - Governmental Funds	\$ 2,534,775
--	--------------

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note III C.	8,855,451
--	-----------

Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.

Compensated absences	(161,942)
Total OPEB liability	<u>(62,793)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 11,165,491</u>
--	-----------------------------

URBANA FREE LIBRARY

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

For the Year Ended June 30, 2018

	General	Trust	Nonmajor Governmental Funds	Totals
REVENUES				
Property taxes	\$ 3,156,935	\$ -	\$ -	\$ 3,156,935
Intergovernmental	155,477	-	-	155,477
Book fines	123,135	-	-	123,135
Cafe sales	60,712	-	-	60,712
Donations	9,782	39,432	-	49,214
Interest	3,493	1,802	-	5,295
Miscellaneous	<u>64,583</u>	-	-	<u>64,583</u>
Total Revenues	<u>3,574,117</u>	<u>41,234</u>	<u>-</u>	<u>3,615,351</u>
EXPENDITURES				
Current				
Centralized costs	346,518	-	-	346,518
Administration	340,178	12,306	-	352,484
Adult department	1,070,547	8,969	-	1,079,516
Children's department	93,342	5,564	-	98,906
Archives department	270,304	2,698	-	273,002
Cafe department	74,321	-	-	74,321
Maintenance	452,412	-	-	452,412
Acquisitions	215,174	-	-	215,174
Circulation	393,008	-	-	393,008
Information technology	177,885	-	-	177,885
Development and promotion	<u>73,832</u>	-	-	<u>73,832</u>
Total Expenditures	<u>3,507,521</u>	<u>29,537</u>	<u>-</u>	<u>3,537,058</u>
OTHER FINANCING USES				
Transfers in	50,772	-	-	50,772
Transfers out	<u>-</u>	<u>-</u>	<u>(50,772)</u>	<u>(50,772)</u>
Total Other Financing Uses	<u>50,772</u>	<u>-</u>	<u>(50,772)</u>	<u>-</u>
Net Change in Fund Balances	117,368	11,697	(50,772)	78,293
FUND BALANCES - Beginning of Year	<u>1,876,594</u>	<u>544,850</u>	<u>35,038</u>	<u>2,456,482</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 1,993,962</u>	<u>\$ 556,547</u>	<u>\$ (15,734)</u>	<u>\$ 2,534,775</u>

See accompanying notes to financial statements.

URBANA FREE LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$	78,293
--	----	--------

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	36,741
Depreciation is reported in the government-wide financial statements	(204,891)

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	42,532
Total OPEB liability	<u>(5,134)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(52,459)</u>
--	-----------	------------------------

URBANA FREE LIBRARY

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE	<u>Page</u>
I Summary of Significant Accounting Policies	22
A. Reporting Entity	22
B. Government-Wide and Fund Financial Statements	23
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	25
D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	26
1. Deposits and Investments	26
2. Receivables	27
3. Prepaid Items	28
4. Restricted Assets	28
5. Capital Assets	28
6. Compensated Absences	29
7. Long-Term Obligations	29
8. Deferred Inflows of Resources	29
9. Equity Classifications	30
II Stewardship, Compliance, and Accountability	31
A. Deficit Balances	31
III Detailed Notes on All Funds	32
A. Deposits and Investments	32
B. Receivables	33
C. Capital Assets	34
D. Interfund Receivables/Payables and Transfers	35
E. Long-Term Obligations	36
F. Restatement of Net Position	36
G. Component Unit	37
IV Other Information	38
A. Employees' Retirement System	38
B. Risk Management	39
C. Commitments and Contingencies	39
D. Other Postemployment Benefits	39
E. Effect of New Accounting Standards on Current-Period Financial Statements	41

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Urbana Free Library (the Library) was founded in 1874 and provides a broad range of library services, including adult and children's departments and The Champaign County Historical Archives. The Board of Trustees of The Urbana Free Library is responsible for the overall operations and service of the Library, including budget, policy, and planning. Trustees are appointed by the Mayor and are confirmed by the City Council. All Trustees serve 3-year alternating terms. The City Council of the City of Urbana is the authority for levying the annual property tax. The Library is a discretely presented component unit of the City of Urbana, Illinois (the City) pursuant to GASB Statement No. 61, since the City is financially accountable for the Library. In prior years, the Library was presented as a special revenue fund of the City.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the Library. The reporting entity for the Library consists of the primary government and its component unit. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Library Foundation

The government-wide financial statements include the Library Foundation (Foundation) as a component unit. The Foundation is a legally separate organization. The economic resources received and held by the Foundation are entirely for the direct benefit of the Urbana Free Library. See Note III.G. As a component unit, the Foundation's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2018. The Foundation does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In June 2015, the GASB issued statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This standard was implemented July 1, 2017.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Library does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures/expenses.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

Funds are organized as major funds or nonmajor funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Library or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund that met the 10% test is at least 5% of the corresponding total for all governmental funds combined.
- c. In addition, any other governmental fund that the Library believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Library reports the following major governmental funds:

General Fund - accounts for the Library's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
Trust Fund - used to account for and report grants and local revenues legally restricted or committed for specific purposes in support of the Library.

The Library reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Publication Fund
Buildings Fund

Grant Fund

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Intergovernmental aids and grants are recognized as revenues in the period the Library is entitled the resources and the amounts are available. Amounts owed to the Library which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and interest. Other general revenues such as fines and forfeitures, library fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

All Financial Statements

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

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

Illinois Statutes authorize the Library to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool.

The Library has adopted investment policies. That policy follows the state statute for allowable investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk that the Library has a high percentage of its investments invested in one type of investment.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits with financial institutions is the risk that in the event of the failure of the counterparty to the investment, the Library will not be able to recover the value of its investments that are in possession of an outside party. The Library's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, at an amount not less than 110% of the fair market value of the funds secured, with the collateral held by an independent third party custodian, in the name of the Library.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Custodial Credit Risk - Investments

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated to the general fund. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, the price for which the investments could be sold.

See Note III. A. for further information.

2. Receivables

Property taxes for levy year 2017 attaches as an enforceable lien on January 1, 2017, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). The 2018 tax levy, which attached as an enforceable lien on the property as of January 1, 2018, has not been recorded as a receivable as of June 30, 2018, as the tax has not yet been levied by the Library and will not be levied until December 2018, and therefore, the levy is not measurable at June 30, 2018.

Tax bills for levy year 2017 are prepared by Champaign County and issued on or about May 1, 2018 and August 1, 2018, and are payable in two installments, on or about June 1, 2018 and September 1, 2018 or within 30 days of the tax bills being issued.

The county collects such taxes and remits them periodically. The 2017 property tax levy is recognized as a receivable and deferred inflows in fiscal 2018, net the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At June 30, 2018, the property taxes receivable and related deferred inflows consisted of the estimated amount collectible from the 2017 levy.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Interfund loans are reported as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant 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 2 years. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	75 Years
Office furniture	10 - 25 Years
Equipment	5 - 7 Years

Fund Financial Statements

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

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

6. *Compensated Absences*

Library employees are granted vacation pay and sick leave in various amounts. Sick leave and vacation benefits may be accumulated to maximums designated by Library policy. Additionally, at separation, 20% of the employee's accumulated and unused sick leave will be contributed to the employee's retirement health savings account. Such amounts are accrued when incurred in the government-wide statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In prior years, the General Fund has been used to liquidate the accumulated absences for governmental funds.

Payments for vacation will be made at rates in effect when the benefits are used. Accumulated vacation liabilities at June 30, 2018, are determined on the basis of current salary rates and include salary related payments.

7. *Long-Term Obligations*

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of accrued compensated absences and other postemployment benefits.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts is reported as an other financing source and payments of principal and interest are reported as expenditures.

8. *Deferred Inflows of Resources*

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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

Fund Statements

Governmental fund equity is classified as fund balance and displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Library Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Library Board that originally created the commitment.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Fund Statements (cont.)

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The Board may take official action to assign amounts. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The Library considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Library would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of June 30, 2018, the following individual fund held a deficit balance:

Fund	Amount
Building	\$ (15,734)

This fund deficit will be funded with future rental revenues.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The Library's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 2,291,168	\$ 2,356,173	Custodial credit risk - deposits
Illinois Funds	112,230	112,230	Credit risk
Petty cash	516	-	N/A
 Total Deposits and Investments	 \$ 2,403,914	 \$ 2,468,403	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 1,830,003		
Restricted cash and investments	573,911		
 Total Deposits and Investments	 \$ 2,403,914		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Library's deposits may not be returned to the Library.

The Library does not have any deposits exposed to custodial credit risk.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Library does not have any investments exposed to custodial credit risk.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of June 30, 2018, the Library's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>
Illinois Funds	AAAm

See Note I.D.1. for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 594,362	\$ -	\$ -	\$ 594,362
Construction in progress	28,980	36,741	65,721	-
Total Capital Assets Not Being Depreciated	623,342	36,741	65,721	594,362
Capital assets being depreciated				
Buildings and Improvements	10,551,983	65,721	-	10,617,704
Equipment	669,116	-	-	669,116
Total Capital Assets Being Depreciated	11,221,099	65,721	-	11,286,820
Total Capital Assets	11,844,441	102,462	65,721	11,881,182
Less: Accumulated depreciation for				
Buildings and Improvements	2,376,347	155,845	-	2,532,192
Equipment	444,493	49,046	-	493,539
Total Accumulated Depreciation	2,820,840	204,891	-	3,025,731
Net Capital Assets Being Depreciated	8,400,259	(139,170)	-	8,261,089
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 9,023,601	\$ (102,429)	\$ 65,721	\$ 8,855,451

Depreciation expense was charged to functions as follows:

Governmental Activities	
Administration	\$ 17,675
Adult department	85,077
Children's department	44,588
Archives department	15,012
Cafe department	8,691
Acquisitions	10,440
Circulation	23,408
Total Governmental Activities Depreciation Expense	\$ 204,891

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General	Trust	\$ 15,681
General	Building (Nonmajor Governmental)	15,734
Total - Fund Financial Statements		31,415
Less: Government-wide eliminations		(31,415)
Total Internal Balances - Government-Wide Statement of Net Position		\$ -

All amounts are due within one year.

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount
General	Nonmajor Governmental	\$ 50,772
Total - Fund Financial Statements		50,772
Less: Fund eliminations		(50,772)
Total Transfers - Government-Wide Statement of Activities		\$ -

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Other Liabilities					
Compensated absences	\$ 204,474	\$ 56,986	\$ 99,518	\$ 161,942	\$ 161,942
Total OPEB liability	<u>57,659</u>	<u>6,384</u>	<u>1,250</u>	<u>62,793</u>	<u>-</u>
Total Other Liabilities	<u>262,133</u>	<u>63,370</u>	<u>100,768</u>	<u>224,735</u>	<u>161,942</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 262,133</u>	<u>\$ 63,370</u>	<u>\$ 100,768</u>	<u>\$ 224,735</u>	<u>\$ 161,942</u>

Compensated absences and the total OPEB liability are paid out of the General Fund.

F. RESTATEMENT OF NET POSITION

Governmental Activities	
Net Position - June 30, 2017 (as reported)	\$ 11,255,779
Add: OPEB obligation reported at June 30, 2017	19,830
Less: Total OPEB liability at June 30, 2017	<u>(57,659)</u>
Net Position - June 30, 2017 (as restated)	<u>\$ 11,217,950</u>

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. COMPONENT UNIT

LIBRARY FOUNDATION

This report contains the Library Foundation (Foundation), which is included as a component unit.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The Foundation follows the full accrual basis of accounting and the flow of financial resources measurement focus.

b. Deposits and Investments

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Deposits	<u>\$ 441,437</u>	<u>\$ 441,437</u>	Custodial credit risk - deposits

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Foundation's deposits may not be returned to the Foundation.

The Foundation does not have any deposits exposed to custodial credit risk.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Foundation does not have any investments exposed to custodial credit risk.

See Note I.D.1. for further information on deposit and investment policies.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Plan Descriptions

The Library participates in one defined benefit pension plan, the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer public employee retirement system. The benefits, benefits levels, employee contributions and employer contributions for the plan are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. IMRF does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Illinois Municipal Retirement Fund

The City's defined benefit pension plan, Illinois Municipal Retirement (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook Illinois 60523.

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Public Act 96-0889 created a second tier for IMRF's Regular Plan. Effective January 1, 2011, IMRF assigns a benefit tier to a member when he or she is enrolled in IMRF. The tier is determined by the member's first IMRF participation date. If the member first participated in IMRF before January 1, 2011, they participate in *Regular Tier 1*. If the member first participated in IMRF on or after January 1, 2011, they participate in *Regular Tier 2*.

For *Regular Tier 1*, pension benefits vest after eight years of service. Participating members who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to $1\frac{2}{3}\%$ of their final rate (average of the highest 48 consecutive months earnings during the last 10 years) of earnings for each year of credited service up to 15 years and 2% for each year thereafter. For *Regular Tier 2*, pension benefits vest after ten years of service. Participating members who retire at or after age 67 with 10 years of service, or age 62 with 35 years of service are entitled to an annual retirement benefit as described above. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The Library's contribution rate for 2017 was 11.86% of annual covered payroll. For 2017, the annual required contribution rate was 11.86%. The Library's contributions were paid by the City on behalf of the Library.

The employees of the Library are pooled with the employees of the City of Urbana for purposes of the actuarial valuation. Therefore, the amount of accumulated retirement liability and normal costs related specifically to Library personnel is not available. As the City of Urbana pays the employer contribution for eligible Library employees, the net pension liability resides with the City. As such, a net pension liability is not recorded by the Library.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, or 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.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the Library is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Library attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Library's financial position or results of operations.

D. OTHER POSTEMPLOYMENT BENEFITS

The Library provides postemployment health insurance benefits for retired employees through a cost-sharing defined benefit plan administered by the City.

Plan description. The Library provides postemployment health insurance benefits for retired employees through a cost-sharing defined benefit plan administered by the City. The Library's cost-sharing defined benefit OPEB plan, the Retiree Health Insurance Plan, provides group health insurance plan coverage to activate employees and retirees (or other qualified terminated employees) at blended premium rates. The plan is funded on a pay-as-you-go basis and no assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Contributions and benefits provided. The Library provides continued health insurance coverage at the active employee rate to all eligible employees in accordance with ILCS, which creates an OPEB for retirees, commonly referred to as an implicit rate subsidy. To be eligible for benefits, an employee must qualify for retirement under the City and Library's retirement plans. For Library employees, upon a retiree reaching 65 years of age, Medicare becomes the primary insurer and the retiree is no longer eligible to participate in the plan. Retired employees are required to pay 100% of the premiums for such coverage.

Total OPEB Liability. At June 30, 2018, the Library reported a liability for its proportionate share of the total OPEB liability of \$62,793. The liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2016. The Library's proportion of the total OPEB liability was based on the Library's share of OPEB cost, as determined by the independent actuary, for the measurement year ended June 30, 2018. At June 30, 2018, the Library's proportion was 1.71%.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Health care participation rate	30% participation with 50% electing spouse coverage
Healthcare cost trend rates	Initial rate of 8.75%, grading down to the ultimate trend rate of 4.00% in 2073
Retirees' share of benefit-related costs	100%

The discount rate was based on the June 28, 2018 Bond Buyer 20-Bond Index, as published by the Federal Reserve..

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study conducted by the independent actuary.

Discount Rate. At June 30, 2018, the discount rate used to measure the total OPEB liability was a blended rate of 3.87%, which was a change from the June 30, 2017 rate of 3.58%. Since the plan is financed on a pay-as-you-go basis, the discount rate is based on the 20-year general obligation bond index.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Library, as well as what the Library's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 72,551	\$ 62,793	\$ 54,786

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Library, as well as what the Library's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.75 percent decreasing to 3.00 percent) or 1-percentage-point higher (9.75 percent decreasing to 5.00 percent) than the current healthcare cost trend rates:

	1% Decrease (7.75% Decreasing to 3.00%)	Healthcare Cost Trend Rates (8.75% Decreasing to 4.00%)	1% Increase (9.75% Decreasing to 5.00%)
Total OPEB liability	\$ 50,652	\$ 62,793	\$ 78,834

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB. For the year ended June 30, 2018, the Library recognized OPEB expense of \$5,134. At June 30, 2018, the Library did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 86, *Certain Debt Extinguishment Issues*
- Statement No. 87, *Leases*
- Statement No. 88, *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

URBANA FREE LIBRARY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2018

	Original and Final Budget	Actual
REVENUES		
Property taxes	\$ 3,162,553	\$ 3,156,935
Replacement Tax	78,195	77,150
Grant, Champaign County	36,520	45,920
Federal LSTA Grant (State Aid)	31,000	32,028
Grant, Urbana School District	9,400	-
Contribution revenue	364,815	379
Book fines	118,252	123,135
Cafe sales	50,000	60,712
Interest	2,400	3,493
Miscellaneous	33,600	64,583
Donations	<u>183,514</u>	<u>9,782</u>
Total Revenues	<u>4,070,249</u>	<u>3,574,117</u>
EXPENDITURES		
Current:		
Centralized costs	867,139	346,518
Administration	582,321	340,178
Adult department	1,096,110	1,070,547
Children's department	87,800	93,342
Archives department	273,727	270,304
Cafe department	69,944	74,321
Maintenance	583,455	452,412
Acquisitions	226,851	215,174
Circulation	373,202	393,008
Information technology	-	177,885
Development and promotion	<u>-</u>	<u>73,832</u>
Total Expenditures	<u>4,160,549</u>	<u>3,507,521</u>
OTHER FINANCING SOURCES		
Transfers in	<u>-</u>	<u>50,772</u>
Total Other Financing Sources	<u>-</u>	<u>50,772</u>
Net Change in Fund Balance	<u>\$ (90,300)</u>	117,368
FUND BALANCE - Beginning of Year		<u>1,876,594</u>
FUND BALANCE - END OF YEAR		<u>\$ 1,993,962</u>

See independent auditors' report and accompanying notes to required supplementary information.

URBANA FREE LIBRARY
RETIREE HEALTH INSURANCE PLAN
 SCHEDULE OF LIBRARY'S PROPORTIONATE SHARE
 OF THE TOTAL OPEB LIABILITY
 Most Recent Fiscal Year

	2018
Library's proportion of the total OPEB liability	1.71%
Library's proportionate share of the total OPEB liability	\$ 62,793
Covered-employee payroll	\$ 373,100
Library's proportionate share of the total OPEB liability as a percentage of covered payroll	16.83%
Plan fiduciary net position as a percentage of the total pension liability	0.00%

Notes to Schedule:

The Library implemented GASB 68 in fiscal year 2018. Information for fiscal years prior to 2018 is not applicable.

Key Assumptions:

Long-term expected rate of return	0.00%
Municipal bond index	3.87%
Single equivalent discount rate	3.87%
Inflation rate	2.50%
Healthcare cost trend rates - initial	8.75%
Healthcare cost trend rates - ultimate	4.00%
Mortality	RP-2000 Tables

See independent auditors' report and accompanying notes to required supplementary information.

URBANA FREE LIBRARY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2018

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budget amounts are as originally adopted by the Board of Trustees. General Fund annual appropriations lapse at fiscal year end.

Prior to June 30, the Library Executive Director submits to the Library Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage of an ordinance at the City level.

The Library is authorized to change budgeted amounts within any fund; however, revision must be approved by two-thirds of the members of the Library Board. No revisions can be made increasing the budget unless funding is available for the purpose of the revision. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The appropriated budget is prepared by fund, function, and department. The Library is authorized to transfer budget amounts between departments within any fund; however, the Library Board must approve revisions that alter the total expenditures of any fund.

Budgets were not proposed for the Trust Fund, Buildings Fund, Publications Fund, and Grant Fund.

URBANA FREE LIBRARY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of June 30, 2018

	<u>Building</u>	<u>Publications</u>	<u>Grant</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
TOTAL ASSETS	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ 15,734	\$ -	\$ -	\$ 15,734
Total Liabilities	<u>15,734</u>	<u>-</u>	<u>-</u>	<u>15,734</u>
Fund Balances (Deficit)				
Unassigned	<u>(15,734)</u>	<u>-</u>	<u>-</u>	<u>(15,734)</u>
Total Fund Balances (deficit)	<u>(15,734)</u>	<u>-</u>	<u>-</u>	<u>(15,734)</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>

URBANA FREE LIBRARY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	Building	Publications	Grant	Total Nonmajor Governmental Funds
REVENUES				
Total Revenues	-	-	-	-
EXPENDITURES				
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING USES				
Transfers out	-	(50,522)	(250)	(50,772)
Total Other Financing Uses	-	(50,522)	(250)	(50,772)
Net Change in Fund Balances	-	(50,522)	(250)	(50,772)
FUND BALANCES (DEFICIT) - Beginning of Year	(15,734)	50,522	250	35,038
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (15,734)	\$ -	\$ -	\$ (15,734)