

**THE URBANA FREE LIBRARY**

Financial Statements

For the Year Ended June 30, 2009

THE URBANA FREE LIBRARY  
Statements  
For the Year Ended June 30, 2009

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report	" 1
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet, Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Assets	12
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues and Expenditures, Budget and Actual (GAAP Basis) - General Fund	15
Notes to Financial Statements	17-25
Combining Statements:	
Combining Balance Sheet, Nonmajor Governmental Funds	27
Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Nonmajor Governmental Funds	28

BRAY, DRAKE, LILES & RICHARDSON LLP  
Certified Public Accountants

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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 P. BRAY, CPA (RETIRED)

October 22, 2009

Board of Trustees  
The Urbana Free Library  
Urbana, Illinois

Independent Auditor's Report

We have audited the accompanying financial statements of the Urbana Free Library, a special revenue fund of the City of Urbana, Illinois, as of and for the year ended June 30, 2009, as listed in the table of contents under "Basic Financial Statements". These financial statements are the responsibility of the management of the City of Urbana and the Urbana Free Library. Our responsibility is to express an opinion on these financial statements based on our audit.

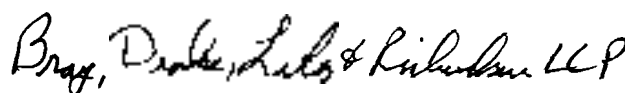
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements present only the Urbana Free Library fund of the City of Urbana, Illinois, and do not purport to, and do not, present fairly the financial position of the City of Urbana, Illinois, as of June 30, 2009, and the changes in its financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Urbana Free Library, a special revenue fund of the City of Urbana, Illinois, as of June 30, 2009, and the changes in its financial position thereof and the respective budgetary comparisons for the Urbana Free Library general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 to 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Urbana Free Library, a special revenue fund of the City of Urbana, Illinois. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements of the Urbana Free Library, a special revenue fund of the City of Urbana, Illinois, taken as a whole.



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## 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, 2009.

### FINANCIAL HIGHLIGHTS:

- At June 30, 2009, unreserved and undesignated fund balance for the general fund was \$1,299,491, or 38% of the total general fund expenditures (44% last year). This amount is \$28,591 more than at the end of last year.
- The assets of the Library exceeded liabilities at June 30, 2009, by \$12,308,250. Of this amount \$2,326,548 is unrestricted (\$2,287,578 last year) and may be used to meet the government's ongoing operations.
- The Library's total net assets decreased by \$38,246 (\$134,844 increase last year).
- At June 30, 2009, the Library's governmental funds reported combined fund balances of \$1,766,400 (an increase of \$33,060 over last year), of which \$1,387,526 was unreserved (an increase of \$27,830 from last year).
- The only long-term debt of the Library is \$187,165 in accumulated compensated employee absences, which increased \$84,196 due to the establishment of a new employee retirement benefit.

### OVERVIEW OF THE FINANCIAL STATEMENTS:

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

1. Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Urbana Free Library's finances, in a manner similar to a private-sector business. The government wide financial statements can be found on pages 9 and 10 of this report.
  - The statement of net assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a

useful indicator of whether the financial position of the Library is improving or deteriorating.

- The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period.
- Government-wide financial statements distinguish functions of the Library that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Library include Centralized Costs, Administration, Adult Department, Children's Department, Archives Department, Maintenance, Acquisitions, Circulation, Publishing Costs, and Grant Programs. The Library has no business-type activities.

## 2. Fund Financial Statements.

- A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. All of the funds of the Library can be categorized as governmental funds.
- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating the Library's near-term financing requirements.
- Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.
- The Library maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is the only major fund. Data from the

other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report.

- The Library adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.
  - The fund financial statements can be found on pages 11-15 of this report.
3. Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-23 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 24 and 25 of this report.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS:

##### Comparative Statement of Net Assets:

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 2,714,057	\$ 2,530,313
Restricted assets	378,874	373,644
Capital assets	9,602,828	9,685,274
Total assets	<u>\$12,695,759</u>	<u>\$12,589,231</u>
Long-term liabilities	\$ 187,165	\$ 102,969
Other liabilities	200,344	139,766
Total liabilities	<u>\$ 387,509</u>	<u>\$ 242,735</u>
Net assets:		
Invested in capital assets	\$ 9,602,828	\$ 9,685,274
Restricted	378,874	373,644
Unrestricted	2,326,548	2,287,578
Total net assets	<u>\$12,308,250</u>	<u>\$12,346,496</u>

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

There was an decrease in net assets of \$38,246: \$82,446 was a reduction in investment in capital assets; restricted net assets increased \$5,230; and \$38,970 was added to unrestricted net assets.

## Comparative Statement of Governmental Activities:

	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 157,480	\$ 164,285
Grants and contributions	71,603	78,275
General revenues:		
Property tax	2,808,160	2,567,421
Intergovernmental:		
City Urbana	384,783	392,883
Other	111,961	108,138
Donations	39,457	78,923
Other	24,155	42,550
Total revenues	<u>\$3,597,599</u>	<u>\$ 3,432,475</u>
Expenses:		
Centralized costs	\$723,322	665,983
Administration	389,949	352,986
Adult department	845,328	768,581
Children's department	485,912	432,830
Archives department	294,086	250,065
Maintenance	59,387	56,291
Acquisitions	237,232	201,439
Circulation	584,831	540,638
Publishing costs	3,695	2,805
Grant programs	12,103	26,275
Total expenses	<u>\$3,635,845</u>	<u>\$ 3,297,631</u>
Increase in net assets	(38,246)	134,844
Beginning net assets	12,346,496	12,211,652
Ending net assets	<u>\$12,308,250</u>	<u>\$12,346,496</u>

As noted the decrease in net assets was \$38,246. This decrease is \$172,890 less than last year's increase. Total revenues increased \$165,124 or 4.8%. This increase was mainly due to an increase of \$240,739 in property tax and an decrease of \$57,861 in donations and other revenues. Total expenses increased \$338,214 or 10%. This cost increase was similar in most categories, mainly due to increased costs due to the larger library building constructed in the past 3 years and increased service demands.

**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 2009 for the general fund increased \$28,591 (0.8% of total general fund expenditures).



GENERAL FUND BUDGETARY HIGHLIGHTS: There was one supplementary budget appropriation of \$39,504 during the year, used to pay for certain non-recurring costs of a library patron survey, a payment for an employee retirement program, and equipment. This additional appropriation was funded from fund balance.

CAPITAL ASSETS:

The Library's investment in capital assets as of June 30, 2009, was \$9,602,828 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment. Capital asset events during the year were:

- New equipment purchased during year \$31,533
- Building improvements during year \$58,165
- Depreciation expense of \$172,144

Comparative Statement of Capital Assets (net of depreciation):

	<u>2009</u>	<u>2008</u>
Land	\$ 480,732	\$ 480,732
Building and Improvements	8,908,361	8,993,393
Equipment	<u>213,735</u>	<u>211,149</u>
Total Net Capital Assets	<u>\$9,602,828</u>	<u>\$9,685,274</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 81 % of the revenues in the general fund budget. The future financial stability of the Library is very dependent upon the continued stability of the local real estate market. Assessed valuation has averaged 7.7% annual growth over the last five years and 6.8% over the last 10 years. The City of Urbana has been very aggressive in encouraging new business development and new housing construction. These actions along with inflationary increases in property values have been the primary reasons for this growth. Management expects growth in assessed value to decrease to approximately 50% of this past growth over the next few years. Next year's assessed valuation is estimated to increase 3.2%, reflecting the lower values in property.
- The general fund budget for next year increased 4.8%, reflecting adjustments for cost increases in utilities and personnel.
- For next year, the management of the Library has the following initiatives:

1. To review and plan for any potential future service changes in response to a survey of library users.
2. Continue planned improvements in library services due to advancements in technology and the library's internet website.
3. Adopt a financial plan that identifies financing and implementation costs due to a staff wage and benefit review.

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

THE URBANA FREE LIBRARY  
Statement of Net Assets  
June 30,2009

ASSETS:

Cash and Cash Equivalents:

On Hand	\$ 516
Checking	39,235
Savings	1,185,009
Illinois Public Treasurer's Pool	6,752

Receivables:

Property Tax	1,420,057
Due from State of Illinois	62,488

Restricted Assets:

Cash and Cash Equivalents:

Checking	9,303
Savings	141,254
Northern Institutional Govt. Money Market	228,262
Interest Receivable	55

Capital Assets:

Land	480,732
Other Capital Assets (net of accumulated depreciation):	
Buildings and Improvements	8,908,361
Equipment	213,735

Total Assets	12,695,759
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LIABILITIES:

Accounts Payable	36,264
Due to the City of Urbana	23,163
Deferred Revenues	37,433
Accrued Salaries and Taxes	103,484
Non-Current Liability:	
Accumulated Compensated Absences	187,165
Total Liabilities	387,509

NET ASSETS:

Invested in Capital Assets, net of related debt	9,602,828
Restricted for:	
Building Improvements	228,317
Library Materials	150,557
Unrestricted	2,326,548
Total Net Assets	\$ 12,308,250

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

THE URBANA FREE LIBRARY  
Statement of Activities  
For the Year Ended June 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Functions/Programs:				
Governmental Activities:				
Centralized Costs	\$ 723,322			
Administration	389,949			
Adult Department	845,328			
Children's Department	485,912			
Archives Department	294,086			
Maintenance	59,387			
Acquisitions	237,232			
Circulation	584,831			
Publishing Costs	3,695			
Grant Programs	<u>12,103</u>			
Total Governmental Activities	<u>\$3,635,845</u>			
General Revenues:				
Real Property Tax				2,808,160
Intergovernmental:				
Corporate Personal Property				
Replacement Tax				62,904
State Aid-Public Libraries				49,057
City of Urbana				384,783
Donations				39,457
Interest				<u>24,155</u>
Total General Revenues				<u>3,368,516</u>
Change in Net Assets				(38,246)
Net Assets, Beg. Year				<u>12,346,496</u>
Net Assets, End Year				<u>\$ 12,308,250</u>

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

THE URBANA FREE LIBRARY  
Balance Sheet-Governmental Funds  
June 30, 2009

ASSETS	General	Other Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents:			
On Hand	\$ 516	\$	\$ 516
Checking	17,212	22,023	39,235
Savings	1,133,083	51,926	1,185,009
Illinois Public Treasurer's Pool	6,722	30	6,752
Receivables:			
Property Tax	1,420,057		1,420,057
Due from the State of Illinois	62,488		62,488
Restricted Assets:			
Cash and Cash Equivalents:			
Checking		9,303	9,303
Savings		141,254	141,254
Northern Institutional Govt. Money Market		228,262	228,262
Interest Receivable		55	55
Total Assets	<u>\$2,640,078</u>	<u>\$ 452,853</u>	<u>\$ 3,092,931</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 36,125	\$ 139	\$ 36,264
Accrued Salaries and Taxes	103,484		103,484
Due to City of Urbana	23,163		23,163
Deferred Revenues	1,138,689	24,931	1,163,620
Total Liabilities	<u>1,301,461</u>	<u>25,070</u>	<u>1,326,531</u>
Fund Balances:			
Reserved for:			
Building Expansion		228,317	228,317
Library Materials		150,557	150,557
Unreserved, Reported in:			
General Fund:			
Designated for Future Employee Separation Benefits	39,126		39,126
Undesignated	1,299,491		1,299,491
Special Revenue Funds		48,909	48,909
Total Fund Balance	<u>1,338,617</u>	<u>427,783</u>	<u>1,766,400</u>
Total Liabilities and Fund Balance	<u>\$2,640,078</u>	<u>\$ 452,853</u>	<u>\$ 3,092,931</u>

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

## THE URBANA FREE LIBRARY

Reconciliation of the Fund Balance in Governmental Funds  
Balance Sheet to Net Assets in the Statement of Net Assets  
June 30, 2009

Total fund balances, governmental funds	\$ 1,766,400
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	9,602,828
Long-term liabilities (compensated absences) are not due and payable in the current period and are not reported in the funds	(187,165)
A portion of property taxes recognized in the statement of activities does not provide current financial resources and are reported in the funds as deferred revenue	<u>1,126,187</u>
Net assets of governmental activities	\$ <u>12,308,250</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 30,2009

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Real Property Tax	\$ 2,712,824	\$	\$ 2,712,824
<b>Intergovernmental:</b>			
Corporate Personal Property			
Replacement Tax	62,904		62,904
Grant, Champaign County	25,000		25,000
State Aid-Public Libraries	49,057		49,057
City of Urbana	384,783		384,783
Grant, Urbana School District	34,500		34,500
Grant. State		12,103	12,103
Book Fines	75,766		75,766
Lost and Damage Fees	12,015		12,015
Interloan Fees	7,616		7,616
Equipment Rental Fees	14,945		14,945
Non-resident User Fees	23,524		23,524
Donations		39,457	39,457
Interest	18,808	5,347	24,155
Sale of Books and Materials		23,614	23,614
<b>Total Revenues</b>	<b>3,421,742</b>	<b>80,521</b>	<b>3,502,263</b>
<b>Expenditures:</b>			
Centralized Costs	792,383	20,637	813,020
Administration	365,660		365,660
Adult Department	718,512	20,980	739,492
Children's Department	420,374	17,825	438,199
Archives Department	272,606	812	273,418
Maintenance	53,928		53,928
Acquisitions	220,634		220,634
Circulation	549,054		549,054
Publishing Costs		3,695	3,695
Grant Programs		12,103	12,103
<b>Total Expenditures</b>	<b>3,393,151</b>	<b>76,052</b>	<b>3,469,203</b>
<b>Excess of Revenues Over     (Under) Expenditures</b>	<b>28,591</b>	<b>4,469</b>	<b>33,060</b>
Fund Balance, Beg. of Year	1,310,026	423,314	1,733,340
Fund Balance, End of Year	<u>\$ 1,338,617</u>	<u>\$ 427,783</u>	<u>\$ 1,766,400</u>

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

THE URBANA FREE LIBRARY

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

For the Year Ended June 30, 2009

Net change in fund balances-governmental funds	\$	33,060
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		
		95,336
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.		
		89,698
This is the amount of depreciation that was not reported in the funds.		
		(172,144)
In the statement of activities, accumulated compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures for these items are measured by the amounts actually paid. This is the amount by which accumulated compensated absences paid exceeded the amounts earned.		
		<u>(84,196)</u>
Change in net assets of governmental activities	\$	<u>(38,246)</u>

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, 2009

	Budgeted Amounts			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues:</b>				
Real Property Tax	\$ 2,815,472	\$ 2,815,472	\$ 2,712,824	\$ (102,648)
Intergovernmental:				
Corporate Personal Property				
Replacement Tax	62,904	62,904	62,904	
Grant, Champaign County	25,000	25,000	25,000	
State Aid-Public Libraries	45,234	45,234	49,057	3,823
City of Urbana	310,960	310,960	384,783	73,823
Grant, Urbana School District	34,500	34,500	34,500	
Book Fines	82,000	82,000	75,766	(6,234)
Lost & Damaged Fees	11,500	11,500	12,015	515
Interloan Fees	4,500	10,000	7,616	(2,384)
Equipment Rental Fees	17,000	17,000	14,945	(2,055)
Non-resident User Fees	22,000	22,000	23,524	1,524
Interest	25,500	20,000	18,808	(1,192)
<b>Total Revenues</b>	<b>3,456,570</b>	<b>3,456,570</b>	<b>3,421,742</b>	<b>(34,828)</b>
<b>Expenditures:</b>				
Current:				
Centralized Costs	810,859	855,049	792,383	62,666
Administration	327,801	367,529	365,660	1,869
Adult Department	719,034	718,980	718,512	468
Children's Department	427,121	423,974	420,374	3,600
Archives Department	282,682	280,967	272,606	8,361
Maintenance	64,903	55,474	53,928	1,546
Acquisitions	233,267	223,882	220,634	3,248
Circulation	590,903	570,219	549,054	21,165
<b>Total Expenditures</b>	<b>3,456,570</b>	<b>3,496,074</b>	<b>3,393,151</b>	<b>102,923</b>
<b>Excess of Revenues Over</b> <b>(Under) Expenditures</b>	<b>\$ -</b>	<b>\$ (39,504)</b>	<b>\$ 28,591</b>	<b>\$ 68,095</b>

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



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## THE URBANA FREE LIBRARY

## Notes to Financial Statements

For the Year Ended June 30, 2009

Note 1 - Summary of Significant Accounting Policies:

- A. The Urbana Free Library, founded in 1874, provides a broad range of basic library services, including adult and children departments, and archives. A nine-member Board of Directors administers operations for the Library. These directors are appointed by the Mayor and confirmed by the City Council of the City of Urbana to three year staggered terms. The Library Board is responsible for budgetary matters and day-to-day operational policies. The City Council of the City of Urbana is the authority for levying the annual property tax. The Urbana Free Library is also included in the annual financial report of the City of Urbana, according to the criteria specified in governmental accounting standards.
- B. The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all activities of the Library. The effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who directly benefit from services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.
- C. 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 30,2009

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

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

E. Restricted Net Assets:

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

	Building Expansion	Library Materials	<u>Total</u>
Checking	\$	\$ 9,303	\$ 9,303
Savings		141,254	141,254
Busey Trust Money Market	228,262		228,262
Interest Receivable	<u>55</u>		<u>55</u>
Total Restricted Net Assets	<u>\$228.317</u>	<u>\$150.557</u>	<u>\$378.874</u>

## THE URBANA FREE LIBRARY

## Notes to Financial Statements

For the Year Ended June 30, 2009

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 with maturities of less than 3 months. The Library had no investments at June 30, 2009. Because, the Library's policy is to only invest in these 3 month certificates of deposits, its investment policy does not specifically address any exposure to credit risk or custodial credit risk.

Interest Rate Risk: The Library has no 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 Northern Institutional Government Money Market (\$228,262 at June 30, 2009) and the Library's investment in the Illinois Public Treasurer's Investment Pool (\$6,752 at June 30, 2009). The Library believes that the amount invested in the Northern Institutional 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 there are no investments at June 30, 2009, the Library does not have any exposure to any concentration of credit risk.

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

THE URBANA FREE LIBRARY

Notes to Financial Statements

For the Year Ended June 30, 2009

institution. At June 30, 2009, 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 2<sup>nd</sup> Tuesday in December. The taxes are extended by the Champaign County Clerk against the equalized assessed valuation as of January 1<sup>st</sup> 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 1<sup>st</sup> and the balance about September 1<sup>st</sup>. 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:

	Balance <u>06/30108</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30109</u>
Land	\$ 480.732	\$ _____	\$ _____	\$ 480,732

## THE URBANA FREE LIBRARY

## Notes to Financial Statements

For the Year Ended June 30, 2009

	Balance <u>06/30/08</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/09</u>
Building and Improvements	\$10,033,050	\$ 58,165	\$	\$10,091,215
Less Accum. Depreciation	(1,039,657)	(143,197)		(1,182,854)
Subtotal	<u>\$ 8,993,393</u>	<u>\$ (85,032)</u>	<u>\$ --</u>	<u>\$ 8,908,361</u>
Equipment	\$ 417,082	\$ 31,533	\$ (24,896)	\$423,719
Less Accum. Depreciation	(205,933)	(28,947)	24,896	(209,984)
Subtotal	<u>\$ 211,149</u>	<u>\$ 2,586</u>	<u>\$</u>	<u>\$ 213,735</u>
Total Capital Assets	\$10,930,864	\$ 89,698	\$ (24,896)	\$10,995,666
Less Accum. Depreciation	(1,245,590)	(172,144)	24,896	(1,392,838)
Total, Net Capital Assets	<u>\$ 9,685,274</u>	<u>\$ (82,446)</u>	<u>\$</u>	<u>\$ 9,602,828</u>

Depreciation expense was charged to functions/programs as follows:

Administration	\$10,618
Adult Department	88,600
Children's Department	34,687
Archives Department	11,197
Maintenance	3,443
Acquisitions	8,349
Circulation	15,250
Total	<u>\$172,144</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

THE URBANA FREE LIBRARY

Notes to Financial Statements

For the Year Ended June 30, 2009

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

Balance, Beginning of Year	\$102,969
Retired	56,241
Additions	<u>140,437</u>
Balance, End of Year	<u>\$187,165</u>

Note 6 - 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 was one supplementary budget appropriation of \$39,504 during the year, used for non-recurring costs of a library user survey, HVAC equipment, and an employee retirement health savings contribution. This additional appropriation was funded from fund balance. In addition, there were transfers of budget amounts between various departments that did not increase the overall total library budget. This budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

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

Note 7 - 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 30,2009

Note 8 - 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 \$293,607 in 2009 (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 9 - Lease Commitments:

The Library has entered into a noncancellable lease for certain office equipment. The amounts paid under this lease agreement during 2009 was \$13,884. There are no future minimum lease payments left under this lease at June 30, 2009.

Note 10 - 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 \$10,680 to the City in 2009 for data processing services. It is anticipated that the Library will continue to pay this cost in the future.
- 2) The City paid the Library the approximate difference in the amount of the property tax levied and the actual property tax collected to assist the Library in keeping their cash flows equal to the property tax levy. This amount was \$91,176 in 2009. This amount approximates 40% of the difference between the current levy and the previous levy (because 40% of the taxes are deferred).

Note 11 - State Aid and Other Grants:

The Library was awarded \$49,057 in 2009 from the State of Illinois as financial aid. Current state law provides this annual grant, based on population. This amount is shown as Due from the State of Illinois, and was received shortly after year end.

## THE URBANA FREE LIBRARY

## Notes to Financial Statements

For the Year Ended June 30, 2009

The Library received a grant of \$25,000 grant in 2009 from Champaign County to reimburse the Library for costs of operating the Archives Department. The grant 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, 2009.

The Library was awarded a grant from the Urbana School District in the amount of \$34,500 in 2009. 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 the University of Illinois.

The Library received a grant from the State of Illinois through the Urbana School District for reimbursement of costs for instructional services to participants in the American History Teacher's Collaborative. At June 30, 2008, the Library had been advanced \$6,200 from this grant. In 2009, the Library received \$4,400 and spent \$300. Thus, the remaining amount of \$10,300 was deferred at June 30, 2009. This grant has been renewed by the U.S. Dept. of Education for another two years and the Library will continue as a partner through 2010.

The Library received a grant from the State of Illinois through the Champaign Public Library for reimbursement of costs of the Heroes reading program. At June 30, 2008, the Library had spent \$6,142 from this grant. In 2009, the Library received a payment for the \$6,142.

The Library received a grant in 2009 the State of Illinois for reimbursement of costs for library technology improvements. The Library in 2009 received \$19,934 and spent \$7,258 under this grant. Thus, the remaining amount of \$12,676 was deferred at June 30, 2009.

The Library received 2 other grants in 2009 from the State of Illinois for reimbursement of costs for library music and catalogue purchases. The Library in 2009, received \$6,500 and spent \$4,545 under these grants. Thus, the remaining balance of \$1,955 was deferred at June 30, 2009.

It is anticipated that the state aid, county archives and the school district grant that is part of the larger University of Illinois grant will continue in the future.

## THE URBANA FREE LIBRARY

## Notes to Financial Statements

For the Year Ended June 30, 2009

Note 12 - Fund Equity:

Fund equity balances that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose are restricted net assets in the government-wide financial statements and reserved fund balances in the fund financial statements. The fund balance of the Library Materials Trust Fund was donated by private individuals for memorial purchases of library materials. The fund balance of the Foundations Fund was donated for future library building improvements. Thus, these fund balances are reserved for these purposes. A portion of the fund balance in the general fund (\$39,126) has been designated by the Library to pay for future employee separation benefits. This designation is not a legal restriction or designation.

Note 13 - 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.



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## THE URBANA FREE LIBRARY

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

Special Revenue Funds

<b>ASSETS</b>	Foundation	Publications	Grant	Trust Fund	Total
<b>Cash and Cash Equivalents:</b>					
Checking	\$	\$ 2,031	\$ 19,992	\$	\$ 22,023
Savings		46,987	4,939		51,926
Illinois Public Treasurer's Pool		30			30
<b>Restricted Assets:</b>					
<b>Cash and Cash Equivalents:</b>					
Checking				9,303	9,303
Savings				141,254	141,254
Northern Institutional Govt. Money MarkE	228,262				228,262
Interest Receivable	55				55
 Total Assets	 <u>\$ 228,317</u>	 <u>\$ 49,048</u>	 <u>\$ 24,931</u>	 <u>\$ 150,557</u>	 <u>\$452,853</u>
 <b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts Payable	\$	\$ 139	\$	\$	\$ 139
Deferred Revenues			24,931		24,931
 Total Liabilities		 <u>139</u>	 <u>24,931</u>		 <u>25,070</u>
 <b>Fund Balance:</b>					
Reserved for Building Expansion	228,317				228,317
Reserved for Library Materials				150,557	150,557
Unreserved		48,909			48,909
 Total Fund Balance	 <u>228,317</u>	 <u>48,909</u>		 <u>150,557</u>	 <u>427,783</u>
 Total Liabilities and Fund Balance	 <u>\$ 228,317</u>	 <u>\$ 49,048</u>	 <u>\$ 24,931</u>	 <u>\$ 150,557</u>	 <u>\$452,853</u>

## THE URBANA FREE LIBRARY

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

For the Year Ended June 30,2009

	Special Revenue Funds				Total
	Foundation	Publications	Grant	Trust Fund	
<b>REVENUES:</b>					
Intergovernmental:					
Grants, State	\$	\$	12,103	\$	\$ 12,103
Donations	15,265			24,192	39,457
Interest	2,742	619		1,986	5,347
Sale of Books and Materials		2,315		21,299	23,614
Total Revenues	18,007	2,934	12,103	47,477	80,521
<b>EXPENDITURES:</b>					
Centralized Costs	8,230			12,407	20,637
Adult Department				20,980	20,980
Children's Department				17,825	17,825
Archives Department				812	812
Publishing Costs		3,695			3,695
Grant Programs			12,103		12,103
Total Expenditures	8,230	3,695	12,103	52,024	76,052
Excess of Revenues Over (Under) Expenditures	9,777	(761)		(4,547)	4,469
Other Financing Sources (Uses):					
Transfers In					
Transfers Out	(2,325)	-		2,325	
Total Other Financing Sources (Use)	(2,325)			2,325	
Net Changes in Fund Balance	7,452	(761)		(2,222)	4,469
Fund Balance, Beginning of the Year	220,865	49,670		152,779	423,314
Fund Balance, End of the Year	\$ 228,317	\$ 48,909	\$	\$ 150,557	\$ 427,783