

THE URBANA FREE LIBRARY

Audit Report

For the Years Ended June 30, 1996 and 1995



THE URBANA FREE LIBRARY

Audit Report

For the Year Ended June 30, 1996

THE URBANA FREE LIBRARY

Audit Report

For the Year Ended June 30, 1996

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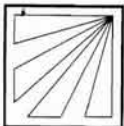
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**Clifton
Gunderson L.L.C.**
Certified Public Accountants & Consultants

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Board of Trustees
The Urbana Free Library
Urbana, Illinois

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of The Urbana Free Library, a special revenue fund of the City of Urbana, as of and for the year ended June 30, 1996, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the financial statements present only one special revenue fund of the City of Urbana and are not intended to present fairly the financial position and results of operations of the City in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Urbana Free Library, a special revenue fund of the City of Urbana, as of June 30, 1996, and the results of that fund's operations for the year then ended in conformity with generally accepted accounting principles.

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

Clifton Gunderson L.L.C.

Champaign, Illinois
August 30, 1996

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URBANA FREE LIBRARY

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Combined Balance Sheet
All Fund Types and Account Groups

June 30, 1996

ASSETS	Governmental Fund Types		Fiduciary	Account Groups		Totals	
	General	Special Revenue	Trust And Agency	General Fixed Assets	General Long-term Debt	(Memorandum Only)	
						1996	1995
Cash:							
On Hand	\$516	\$ --	\$ --	\$ --	\$ --	\$516	\$516
Checking	455,508	51,256	81,731	--	--	588,495	670,361
Savings	--	--	1,510	--	--	1,510	--
Receivables:							
Property Tax	607,307	--	--	--	--	607,307	572,838
Due From Other Governments	10,368	9,921	--	--	--	20,289	9,546
Due From Other Funds	3,352	--	3,970	--	--	7,322	3,970
Fixed Assets	--	--	--	3,111,719	--	3,111,719	3,007,145
Amount to be Provided for Debt Retirement	--	--	--	--	60,039	60,039	51,224
Total Assets	\$1,077,051	\$61,177	\$87,211	\$3,111,719	\$60,039	\$4,397,197	\$4,315,600
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts Payable	\$4,476	\$21,974	\$ --	\$ --	\$ --	\$26,450	\$4,525
Deferred Revenues	670,547	--	--	--	--	670,547	641,898
Accrued Salaries and Taxes	41,349	1,794	--	--	--	43,143	39,566
Due to City of Urbana	--	--	--	--	--	--	2,700
Due to Other Funds	--	7,322	--	--	--	7,322	3,970
Accumulated Compensated Absences	--	--	--	--	60,039	60,039	51,224
Total Liabilities	716,372	31,090	--	--	60,039	807,501	743,883
Fund Equity:							
Investment in General Fixed Assets	--	--	--	3,111,719	--	3,111,719	3,007,145
Fund Balance:							
Reserved for Memorial Purchases	--	--	37,577	--	--	37,577	35,308
Reserved for Building Expansion	--	--	49,634	--	--	49,634	42,320
Unreserved	360,679	30,087	--	--	--	390,766	486,944
Total Fund Balance	360,679	30,087	87,211	--	--	477,977	564,572
Total Fund Equity	360,679	30,087	87,211	3,111,719	--	3,589,696	3,571,717
Total Liabilities and Fund Equity	\$1,077,051	\$61,177	\$87,211	\$3,111,719	\$60,039	\$4,397,197	\$4,315,600

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

Combined Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Fund

For the Year Ended June 30, 1996

	Governmental Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)		
	General	Special Revenue	Expendable Trust	1996	1995
Revenues:					
Real Property Tax	\$1,271,050	\$ --	\$ --	\$1,271,050	\$1,232,185
Intergovernmental:					
Corporate Personal Property					
Replacement Tax	52,128	--	--	52,128	49,058
Grant, Champaign County	9,800	--	--	9,800	9,800
State Aid-Public Libraries	45,479	--	--	45,479	45,479
Grant, City of Urbana	--	49,300	--	49,300	49,100
Grant, Federal	--	32,332	--	32,332	3,183
Grant, Urbana School District	30,000	--	--	30,000	30,000
Book Fines	71,648	--	--	71,648	69,925
Equipment Rental Fees	27,535	--	--	27,535	19,514
Donations	--	--	12,075	12,075	35,742
Interest	11,877	2,613	2,682	17,172	17,090
Sale of Books and Materials	--	8,604	9,872	18,476	23,993
Non-resident User Fees	14,150	--	--	14,150	18,122
Total Revenues	1,533,667	92,849	24,629	1,651,145	1,603,191
Expenditures:					
Centralized Costs	370,690	62,674	15,046	448,410	393,197
Administration	105,396	42,083	--	147,479	144,424
Adult Department	355,860	--	--	355,860	332,495
Children's Department	183,350	--	--	183,350	174,390
Archives Department	114,544	--	--	114,544	109,294
Maintenance	56,195	--	--	56,195	52,790
Acquisitions	115,645	--	--	115,645	113,569
Circulation	276,233	--	--	276,233	261,375
Publishing Costs	--	7,692	--	7,692	4,002
Library Materials	--	27,332	--	27,332	3,183
Champaign Share,					
Federal Subgrantee	--	5,000	--	5,000	--
Total Expenditures	1,577,913	144,781	15,046	1,737,740	1,588,719
Excess of Revenues Over					
(Under) Expenditures	(44,246)	(51,932)	9,583	(86,595)	14,472
Fund Balance, Beginning of Year	404,925	82,019	77,628	564,572	550,100
Fund Balance, End of Year	\$360,679	\$30,087	\$87,211	\$477,977	\$564,572

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

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

For the Year Ended June 30, 1996

	Budget	Actual	Variance Favorable (Unfavorable)
	-----	-----	-----
Revenues:			
Real Property Tax	\$1,331,326	\$1,271,050	(\$60,276)
Intergovernmental:			
Corporate Personal Property			
Replacement Tax	51,500	52,128	628
Grant, Champaign County	9,800	9,800	--
State Aid-Public Libraries	45,430	45,479	49
Grant, Urbana School District	30,000	30,000	--
Book Fines	73,000	71,648	(1,352)
Equipment Rental	27,501	27,535	34
Interest	12,000	11,877	(123)
Non-resident User Fees	16,500	14,150	(2,350)
	-----	-----	-----
Total Revenues	1,597,057	1,533,667	(63,390)
	-----	-----	-----
Expenditures:			
Current:			
Centralized Costs	384,400	370,690	13,710
Administration	105,524	105,396	128
Adult Department	355,316	355,860	(544)
Children's Department	184,422	183,350	1,072
Archives Department	115,683	114,544	1,139
Maintenance	57,104	56,195	909
Acquisitions	115,936	115,645	291
Circulation	278,672	276,233	2,439
	-----	-----	-----
Total Expenditures	1,597,057	1,577,913	19,144
	-----	-----	-----
Excess of Revenues Over (Under) Expenditures	\$ --	(\$44,246)	(\$44,246)
	=====	=====	=====

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

Notes to Financial Statements

June 30, 1996

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, archives, and municipal documents. Operations for the Library are administered by a nine-member Board of Directors. 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, library policies, and day-to-day operational matters. The City Council of the City of Urbana has the authority for levying the annual property tax. Thus, The Urbana Free Library is also included in the annual report of the City of Urbana, according to the criteria specified in governmental accounting standards.
- B. The accounts of the Library are organized on the basis of funds and account groups, 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 various funds of The Urbana Free Library are:

GOVERNMENT FUNDS:

- 1) General Fund - the general operating fund of the Library is used to account for all financial resources except those required to be accounted for in another fund.
- 2) Special Revenue Funds - used to account for receipts that are restricted to expenditures for

Notes to Financial Statements

June 30, 1996

specified purposes. The individual special revenue funds are:

- a) Building - used to account for acquisition of property for future expansion and major structural repairs and remodeling to current facilities.
- b) Publications - used to account for receipts and costs of publications and other items for sale.
- c) Grant - used to account for receipts and costs related to federal grant awards. (See Note 9)
- d) Documents - used to account for receipts and costs associated with the operation of the municipal document center.

FIDUCIARY FUND:

- 1) Trust and Agency - the only fiduciary fund is the Trust Fund. It is used to account for a variety of donations to purchase memorial books and materials and future library building expansion. Subsequent to year-end, a foundation has been created to accept donations for future building expansion.

C. Fixed Assets and Long-Term Liabilities:

- 1) Fixed assets in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in funds. No depreciation has been provided for. All fixed assets are valued at historical cost or estimated historical cost if actual is not available.

Notes to Financial Statements

June 30, 1996

Donated fixed assets are valued at their estimated fair value on the date donated.

- 2) Long-term liabilities are reported in the General Long-Term Debt Account Group, rather than in the funds.
- D. The financial statements of The Urbana Free Library are prepared on the modified accrual basis of accounting. Accordingly, revenues are recognized in the period in which they become available and objectively measurable as net current assets. The recognition of property taxes is more fully described in Note 2. Expenditures are recognized in the accounting period in which they are incurred except for unmatured principal and interest on general long-term debt, which is recognized when due.
- E. 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 these budgets 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. This budget is adopted on a basis different from generally accepted accounting principles (GAAP) in two ways:
1. Approximately one-half of the recognition of the current year's property tax levy is deferred under GAAP to next year. In the budget, the full amount of the current levy is recognized.

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Notes to Financial Statements

June 30, 1996

2. Certain accounts payable are not provided for in the budget.

Adjustments necessary to convert the results of operations and fund equity at the end of the year on the budget basis to the GAAP basis are as follows:

Actual net income (loss), budgetary basis	(\$ 15,956)
To adjust property tax revenues recognized	(28,694)
To adjust expenditures for accounts payable, reported under GAAP	404
Actual net income (loss), GAAP basis	<u>(\$ 44,246)</u>

- F. Investments are stated at cost, which approximates market. 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. All investments during the year were in bank certificates of deposit. Amounts of the certificates of deposit, above federal government deposit insurance agency levels, are 100% collateralized by U. S. government securities held by the bank's agent, in the name of the Urbana Free Library.

Notes to Financial Statements

June 30, 1996

- G. Accumulated Vacation and Sick Leave - 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. Governmental and expendable trust funds record as an expenditure the amount accrued during the year that would normally be liquidated with expendable available financial resources. Under criteria specified in Statement 16 of the Governmental Accounting Standards Board, the current portion of the liability is the amount left unpaid at the end of the reporting period that normally would be liquidated with expendable available financial resources. The remainder of the liability should be reported in the General Long-Term Debt Account Group. Since it is impossible to determine what amount, if any, will be liquidated next year, the total amount of compensated employee absences (\$60,039) is reported in the General Long-Term Debt Account Groups as a noncurrent liability.
- H. The total columns on the combined statements are presented only to help the reader analyze the financial data. This data does not include all necessary interfund eliminations. For this reason, they are captioned "Memorandum Only".
- I. 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 and may be acted upon as a supplemental appropriation.

Note 2 - Property Tax:

The City Council of the City of Urbana passes the annual tax levy for the Urbana Free Library on or before December 1. The

Notes to Financial Statements

June 30, 1996

taxes are extended by the Champaign County Clerk against the equalized assessed valuation as of January 1, 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 and the balance about September 1. Receipts are remitted by the Champaign County Treasurer within a short time after collection. The amount of property tax recognized as revenue in the current period is that amount which is available to finance current operations (N.C.G.A. Interpretation 3). Therefore, one-half of the tax levy has been deferred. No amount has been provided for delinquent taxes, since in past years, the amount has averaged less than one percent per year.

Note 3 - 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.

Note 4 - Changes in General Fixed Assets:

	Balance <u>06/30/95</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/96</u>
Land	\$ 119,914	\$ --	\$ --	\$ 119,914
Building and Improvements	1,427,881	70,442	--	1,498,323
Equipment	<u>1,459,350</u>	<u>34,132</u>	<u>--</u>	<u>1,493,482</u>
Total	<u>\$3,007,145</u>	<u>\$ 104,574</u>	<u>\$ --</u>	<u>\$3,111,719</u>

Note 5 - Pension and Retirement Fund Commitments:

The City of Urbana (on behalf of the Library) pays all required 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

Notes to Financial Statements

June 30, 1996

for 2,844 local government units. 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 \$154,152 in 1996 and \$150,928 in 1995 (amounts include payments for social security and medicare).

Note 6 - Lease Commitments:

The Library has entered into various short-term operating leases, all of which are cancelable by either party within 60 days. Amounts paid under these lease agreements during 1996 were immaterial.

Note 7 - Related Party Transactions:

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

- 1) The City paid the Library a \$49,300 grant toward the municipal documents center in 1996, and \$47,600 in 1995. It is anticipated that the City will continue to award the Library this grant.
- 2) The City paid the Library's share of auditing costs for 1996 and 1995. This amount was approximately \$4,000 each year. No provisions for this amount has been made in these statements.
- 3) The Library paid \$6,968 to the City in 1996 and \$6,748 in 1995 for data processing services.

Note 8 - Due From Other Governments:

Following is a breakdown of amounts due from other governments:

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Notes to Financial Statements

June 30, 1996

	<u>June 30</u>	
	<u>1996</u>	<u>1995</u>
State - corporate personal property replacement tax	\$10,086	\$ 9,546
City of Urbana - employer's share of retirement costs	282	--
Federal - grant receivable	<u>9,921</u>	<u>--</u>
	<u>\$20,289</u>	<u>\$ 9,546</u>

Note 9 - State Aid and Other Grants:

The Library received \$45,479 in 1996 and 1995 from the State of Illinois as financial aid. Current state law provides this annual grant, based on population.

The Library received a grant of \$9,800 in 1996 and in 1995 from Champaign County to reimburse the Library for costs of operating the Archives Department. The grant received in 1996 covers the period from January 1, 1996, to January 1, 1997. Thus, \$4,900 of the 1996 grant award and \$4,900 of the 1995 grant award (total \$9,800) was recognized in 1996 and \$4,900 of the 1996 grant award is deferred until 1997 and reported as deferred revenue.

The Library benefited from two state grants using federal library services and construction award funds. The first grant provided funds to enhance the genealogy/local history collection. This award was for a total amount of \$10,000 with \$5,000 being spent at the Urbana Library and \$5,000 at the Champaign Library, Urbana acting as fiscal agent. The second grant provided funds to increase library contact with families classified as "at risk". Champaign acted as fiscal agent for this grant, with Urbana receiving \$22,332 reimbursement from Champaign under the program.

Notes to Financial Statements

June 30, 1996

In 1996, a total of \$32,222 was recognized in revenue and costs in the Grant Special Revenue Fund.

The Library was awarded a grant from the Urbana School District in the amount of \$30,000 in 1996 and in 1995. This grant reimbursed the Library for costs of library services for students living in University of Illinois sponsored housing quarters and was part of a larger grant paid to the School District from the University.

It is anticipated that the state aid, county archives and School District grants will continue in the future.

Note 10 - Fund Balance Reserve:

The Fund Balance of the Library's Trust and Agency Fund was donated by private individuals for memorial purchases of library materials and for future library building expansion. Thus, the amount of fund balance (\$37,577 for memorial purchases and \$49,634 for library building expansion at June 30, 1996) is reserved for these purposes.

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Special Revenue Funds
Combining Balance Sheet

June 30, 1996

ASSETS	Building	Publications	Grant	Documents Project	Total
-----	-----	-----	-----	-----	-----
Cash-Checking	\$21,314	\$19,882	\$ --	\$10,060	\$51,256
Receivables:					
Due from Other Governments	--	--	9,921	--	9,921
	-----	-----	-----	-----	-----
Total Assets	\$21,314	\$19,882	\$9,921	\$10,060	\$61,177
	=====	=====	=====	=====	=====
LIABILITIES AND FUND BALANCE					

Liabilities:					
Accounts Payable	19,102	\$273	\$2,599	\$ --	\$21,974
Accrued Salaries and Taxes	--	--	--	1,794	1,794
Due to Other Funds	--	--	7,322	--	7,322
	-----	-----	-----	-----	-----
Total Liabilities	19,102	273	9,921	1,794	31,090
Fund Balance:					
Unreserved	2,212	19,609	--	8,266	30,087
	-----	-----	-----	-----	-----
Total Liabilities and Fund Balance	\$21,314	\$19,882	\$9,921	\$10,060	\$61,177
	=====	=====	=====	=====	=====

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

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Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance

For the Year Ended June 30, 1996

	Building	Publications	Grant	Documents Project	Total
Revenues:	-----	-----	-----	-----	-----
Intergovernmental:					
Grant, City of Urbana	\$ --	\$ --	\$ --	\$49,300	\$49,300
Grants, Federal	--	--	32,332	--	32,332
Interest	2,066	319	--	228	2,613
Sale of Books and Materials	--	8,538	--	66	8,604
	-----	-----	-----	-----	-----
Total Revenues	2,066	8,857	32,332	49,594	92,849
	-----	-----	-----	-----	-----
Expenditures:					
Centralized Costs	57,302	--	--	5,372	62,674
Administration	--	--	--	42,083	42,083
Publishing Costs	--	7,692	--	--	7,692
Library Materials	--	--	27,332	--	27,332
Champaign Share, Federal Subgrantee	--	--	5,000	--	5,000
	-----	-----	-----	-----	-----
Total Expenditures	57,302	7,692	32,332	47,455	144,781
	-----	-----	-----	-----	-----
Excess of Revenues Over (Under) Expenditures	(55,236)	1,165	--	2,139	(51,932)
Fund Balance, Beginning of the Year	57,448	18,444	--	6,127	82,019
	-----	-----	-----	-----	-----
Fund Balance, End of the Year	\$2,212	\$19,609	\$ --	\$8,266	\$30,087
	=====	=====	=====	=====	=====

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