

THE URBANA FREE LIBRARY

Audit Report

For the Year Ended June 30, 1997 and 1996



THE URBANA FREE LIBRARY

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September 17, 1997

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, 1997, 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. The financial statements of The Urbana Free Library as of June 30, 1996, were audited by other auditors whose report, dated August 30, 1996, expressed an unqualified opinion on those statements.

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, 1997, 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.

Bray, Drake, Guthrie & Richardson LLP
BRAY, DRAKE, GUTHRIE & RICHARDSON LLP

URBANA FREE LIBRARY

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1997 and 1996
(Page 1 of 2)

	Governmental Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
<u>ASSETS</u>							
	General	Special Revenue	Trust And Agency	General Fixed Assets	General Long-term Debt	1997	1996
Cash and Cash Equivalents:							
On Hand	\$516	\$ --	\$ --	\$ --	\$ --	\$516	\$516
Checking	532,247	35,930	51,497	--	--	619,674	588,495
Savings	--	--	6,292	--	--	6,292	1,510
Investments	--	--	30,000	--	--	30,000	--
Receivables:							
Property Tax	571,094	--	--	--	--	571,094	607,307
Due From Other Governments	14,367	2,432	--	--	--	16,799	20,289
Due From Other Funds	--	--	3,970	--	--	3,970	7,322
Fixed Assets	--	--	--	3,169,167	--	3,169,167	3,111,719
Amount to be Provided for							
Debt Retirement	--	--	--	--	51,052	51,052	60,039
Total Assets	<u>\$1,118,224</u>	<u>\$38,362</u>	<u>\$91,759</u>	<u>\$3,169,167</u>	<u>\$51,052</u>	<u>\$4,468,564</u>	<u>\$4,397,197</u>

(continued)

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Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1997 and 1996
(Page 2 of 2)

	Governmental Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Trust And Agency	General Fixed Assets	General Long-term Debt	1997	1996
<u>LIABILITIES AND FUND EQUITY</u>							
Liabilities:							
Accounts Payable	\$9,858	\$319	\$ --	\$ --	\$ --	\$10,177	\$26,450
Deferred Revenues	697,201	--	--	--	--	697,201	670,547
Accrued Salaries and Taxes	49,649	1,892	--	--	--	51,541	43,143
Due to Other Funds	1,538	2,432	--	--	--	3,970	7,322
Accumulated Compensated Absences	--	--	--	--	51,052	51,052	60,039
Total Liabilities	758,246	4,643	--	--	51,052	813,941	807,501
Fund Equity:							
Investment in General Fixed Assets	--	--	--	3,169,167	--	3,169,167	3,111,719
Fund Balance:							
Reserved for Building Expansion	--	--	36,292	--	--	36,292	42,281
Reserved for Material Purchases	--	--	55,467	--	--	55,467	44,930
Unreserved	359,978	33,719	--	--	--	393,697	390,766
Total Fund Balance	359,978	33,719	91,759	--	--	485,456	477,977
Total Fund Equity	359,978	33,719	91,759	3,169,167	--	3,654,623	3,589,696
Total Liabilities and Fund Equity	\$1,118,224	\$38,362	\$91,759	\$3,169,167	\$51,052	\$4,468,564	\$4,397,197

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

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Combined Statement of Revenues,
Expenditures and Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 1997 and 1996

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Expendable Trust	1997	1996
Revenues:					
Real Property Tax	\$1,353,311	\$ --	\$ --	\$1,353,311	\$1,271,050
Intergovernmental:					
Corporate Personal Property					
Replacement Tax	56,556	--	--	56,556	52,128
Grant, Champaign County	9,800	--	--	9,800	9,800
State Aid-Public Libraries	45,479	--	--	45,479	45,479
Grant, City of Urbana	--	50,800	--	50,800	49,300
Grant, Federal	--	5,032	--	5,032	32,332
Grant, Urbana School District	30,000	--	--	30,000	30,000
Book Fines	72,661	--	--	72,661	71,648
Equipment Rental Fees	20,654	--	--	20,654	27,535
Donations	--	--	10,789	10,789	12,075
Interest	12,482	1,056	3,607	17,145	17,172
Sale of Books and Materials	6,369	8,344	11,530	26,243	18,476
Non-resident User Fees	16,699	--	--	16,699	14,150
Miscellaneous	--	3,333	--	3,333	--
Total Revenues	1,624,011	68,565	25,926	1,718,502	1,651,145
Expenditures:					
Centralized Costs	371,009	7,223	--	378,232	448,410
Administration	120,849	43,263	--	164,112	147,479
Adult Department	368,999	--	--	368,999	355,860
Children's Department	194,642	--	--	194,642	183,350
Archives Department	119,735	--	--	119,735	114,544
Maintenance	59,588	--	--	59,588	56,195
Acquisitions	99,713	--	--	99,713	115,645
Circulation	290,177	--	--	290,177	276,233
Publishing Costs	--	9,415	--	9,415	7,692
Library Materials	--	5,032	21,378	26,410	32,332
Total Expenditures	1,624,712	64,933	21,378	1,711,023	1,737,740
Excess of Revenues Over (Under) Expenditures	(701)	3,632	4,548	7,479	(86,595)
Fund Balance, Beginning of Year	360,679	30,087	87,211	477,977	564,572
Fund Balance, End of Year	\$359,978	\$33,719	\$91,759	\$485,456	\$477,977

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, 1997

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Real Property Tax	\$ 1,384,579	\$ 1,416,177	\$ 31,598
Intergovernmental:			
Corporate Personal Property			
Replacement Tax	51,000	56,556	5,556
Grant, Champaign County	9,800	9,800	--
State Aid-Public Libraries	45,479	45,479	--
Grant, Urbana School District	30,000	30,000	--
Book Fines	71,546	72,661	1,115
Equipment Rental	21,000	20,654	(346)
Interest	12,000	12,482	482
Sale of Books and Materials	5,955	6,369	414
Non-resident User Fees	15,000	16,699	1,699
Total Revenues	1,646,359	1,686,877	40,518
Expenditures:			
Current:			
Centralized Costs	381,807	365,278	16,529
Administration	121,215	120,849	366
Adult Department	373,875	369,964	3,911
Children's Department	195,789	194,151	1,638
Archives Department	119,818	119,610	208
Maintenance	60,988	59,588	1,400
Acquisitions	100,962	99,713	1,249
Circulation	291,905	290,177	1,728
Total Expenditures	1,646,359	1,619,330	27,029
Excess of Revenues Over (Under) Expenditures	\$ --	\$ 67,547	\$ 67,547

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

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Notes to Financial Statements

For the Year Ended June 30, 1997

Note 1 - Summary of Significant Accounting Policies:

- A. The Urbana Free Library, funded 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 is 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 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.

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Notes to Financial Statements

For the Year Ended June 30, 1997

- c) Grant - used to account for receipts and costs related to a federal grant award. (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 Funds - used to account for assets held by the Library as an agent for individuals. The individual trust agency funds are:
 - a) Building Foundation Trust - used to account for donations that are restricted to construction of a future Library building expansion. A foundation has been created to accept these donations.
 - b) Library Materials Trust - 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.

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. 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 Accounts 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

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Notes to Financial Statements

For the Year Ended June 30, 1997

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 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. 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.
 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, budgetary basis	\$ 67,547
To adjust property tax revenues recognized	(62,866)
To adjust expenditures for accounts payable, reported under GAAP	<u>(5,382)</u>
Actual net income (loss), GAAP basis	<u>(\$ 701)</u>

- F. Cash and Cash Equivalents - The Library considers cash on hand, checking, savings, and investments with original maturities of three months

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Notes to Financial Statements

For the Year Ended June 30, 1997

or less from the date of acquisition to be cash and cash equivalents. At June 30, 1997, the only investment was a certificate of deposit that was classified as a cash equivalent.

- G. 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.

Deposits - At year end, the carrying amount of the Library's deposits was \$655,966 and the bank balance was \$681,156. Of the bank balance, \$136,292 was covered by general depository insurance and \$506,526 was covered by collateral held by the City's agent in the City's name.

Investments - The Library's only investment is categorized below to give an indication of risk assumed:

Category 1 - Insured or registered, or securities held by the City of the City's agent in the City's name.

- H. 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.

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Notes to Financial Statements

For the Year Ended June 30, 1997

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 (\$51,052) is reported in the General Long-Term Debt Account Groups as a non-current liability.

- I. 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".
- J. 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 1st. The taxes are extended by the Champaign County Clerk against the equalized assessed valuation as of January 1st of the calendar year that the levy ordinance was enacted. Property tax bills are due and payable in two installments, the first half about June 1st and the balance about September 1st. 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.

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Notes to Financial Statements

For the Year Ended June 30, 1997

Note 4 - Changes in General Fixed Assets:

	Balance <u>06/30/96</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/97</u>
Land	\$ 119,914	\$ --	\$ --	\$ 119,914
Building and Improvements	1,498,323	21,287	--	1,519,611
Equipment	<u>1,493,482</u>	<u>36,160</u>	<u>--</u>	<u>1,529,642</u>
Total	<u>\$3,111,719</u>	<u>\$ 57,447</u>	<u>\$ --</u>	<u>\$3,169,167</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 for 2,679 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 \$160,164 in 1997 and \$154,152 in 1996 (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 1997 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 \$50,800 grant toward the municipal documents center in 1997, and \$49,300 in 1996. It is anticipated that the City will continue to award the Library this grant.

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Notes to Financial Statements

For the Year Ended June 30, 1997

- 2) The City paid the Library's share of auditing costs for 1997 and 1996. This amount was approximately \$4,000 each year. No provisions for this amount have been made in these statements.
- 3) The Library paid \$6,968 to the City in 1997 and 1996 for data processing services.

Note 8 - Due From Other Governments:

Following is a breakdown of amounts due from other governments:

	June 30	
	1997	1996
State - corporate personal property replacement tax	\$11,209	\$10,086
City of Urbana - employer's share of retirement costs	3,158	282
Federal - grant receivable	<u>2,432</u>	<u>9,921</u>
	<u>\$16,799</u>	<u>\$20,289</u>

Note 9 - State Aid and Other Grants:

The Library received \$45,479 in 1997 and 1996 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 1997 and 1996 from Champaign County to reimburse the Library for costs of operating the Archives Department. The grant received in 1997 covers the period from January 1, 1997, to January 1, 1998. Thus, \$4,900 of the 1997 grant award and \$4,900 of the 1996 grant award (total \$9,800) was recognized in 1997 and \$4,900 of the 1997 grant award is deferred until 1998 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 increase library contact with families classified as "at risk". Champaign acted as fiscal agent for this grant, with Urbana receiving \$2,600 reimbursement from Champaign under the program. The second grant

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Notes to Financial Statements

For the Year Ended June 30, 1997

was to reimburse the Library for the purchase of computer equipment. The total award was for \$2,432. At June 30, 1997, the Library had purchased \$2,432 of eligible computer equipment.

In 1997, a total of \$5,032 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 1997 and 1996. 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 balances of the Library's Trust and Agency Funds were donated by private individuals for memorial purchases of library materials and for future library building expansion. Thus, the amount of fund balance (\$55,467 for memorial purchases and \$36,292 for library building expansion at June 30, 1997) is reserved for these purposes.

Special Revenue Funds
Combining Balance Sheet
June 30, 1997

	Building	Publications	Grant	Documents Project	Total
<u>ASSETS</u>					
Cash-Checking	\$3,545	\$19,344	\$ --	\$13,041	\$35,930
Receivables:					
Due from Other Governments	--	--	2,432	--	2,432
Total Assets	<u>\$3,545</u>	<u>\$19,344</u>	<u>\$2,432</u>	<u>\$13,041</u>	<u>\$38,362</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ --	\$319	\$ --	\$ --	\$319
Accrued Salaries and Taxes	--	--	--	1,892	1,892
Due to Other Funds	--	--	2,432	--	2,432
Total Liabilities	--	319	2,432	1,892	4,643
Fund Balance:					
Unreserved	3,545	19,025	--	11,149	33,719
Total Liabilities and Fund Balance	<u>\$3,545</u>	<u>\$19,344</u>	<u>\$ --</u>	<u>\$13,041</u>	<u>\$38,362</u>

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

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

For the Year Ended June 30, 1997

	Building	Publications	Grant	Documents Project	Total
Revenues:					
Intergovernmental:					
Contribution, City of Urbana	\$ --	\$ --	\$ --	\$50,800	\$50,800
Grants, Federal	--	--	5,032	--	5,032
Interest	186	487	--	383	1,056
Sale of Books and Materials	--	8,344	--	--	8,344
Miscellaneous	3,333	--	--	--	3,333
Total Revenues	3,519	8,831	5,032	51,183	68,565
Expenditures:					
Centralized Costs	2,186	--	--	5,037	7,223
Administration	--	--	--	43,263	43,263
Publishing Costs	--	9,415	--	--	9,415
Library Materials	--	--	5,032	--	5,032
Total Expenditures	2,186	9,415	5,032	48,300	64,933
Excess of Revenues Over (Under) Expenditures	1,333	(584)	--	2,883	3,632
Fund Balance, Beginning of the Year	2,212	19,609	--	8,266	30,087
Fund Balance, End of the Year	\$3,545	\$19,025	\$ --	\$11,149	\$33,719

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

Trust and Agency Funds
Combining Balance Sheet

June 30, 1997

	Building Foundation Trust	Library Materials Trust	Total
<u>ASSETS</u>			
Cash and Cash Equivalents:			
Checking	\$ --	\$51,497	\$51,497
Savings	6,292	--	6,292
Investments	30,000	--	30,000
Due From Other Funds	--	3,970	3,970
Total Assets	<u>\$36,292</u>	<u>\$55,467</u>	<u>\$91,759</u>

LIABILITIES AND FUND BALANCE

Fund Balance:			
Reserved for Building Expansion	\$36,292	\$ --	\$36,292
Reserved for Material Purchases	--	55,467	55,467
Total Fund Balance	<u>36,292</u>	<u>55,467</u>	<u>91,759</u>
Total Liabilities and Fund Balance	<u>\$36,292</u>	<u>\$55,467</u>	<u>\$91,759</u>

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

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Trust and Agency Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance

For the Year Ended June 30, 1997

	Building Foundation Trust	Library Materials Trust	Total
Revenues:			
Donations	\$164	\$10,625	\$10,789
Interest	1,612	1,995	3,607
Sale of Books and Materials	--	11,530	11,530
Total Revenues	1,776	24,150	25,926
Expenditures:			
Library Materials	--	21,378	21,378
Excess of Revenues Over (Under) Expenditures	1,776	2,772	4,548
Other Financing Sources (Uses): Operating Transfers In (Out)	33,006	(33,006)	0
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	34,782	(30,234)	4,548
Fund Balance, Beginning of the Year	1,510	85,701	87,211
Fund Balance, End of the Year	\$36,292	\$55,467	\$91,759

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