

THE URBANA FREE LIBRARY

Audit Report

For the Years Ended June 30, 2001 and 2000



THE URBANA FREE LIBRARY

Financial Statements

For the Year Ended June 30, 2001

THE URBANA FREE LIBRARY

Financial Statements

For the Year Ended June 30, 2001

TABLE OF CONTENTS

Page No.

Independent Auditor's Report1

Management's Discussion and Analysis..... 2-7

Basic Financial Statements:

Government Wide Financial Statements:

Statement of Net Assets8

Statement of Activities.....9

Fund Financial Statements:

Balance Sheet, Governmental Funds10

Reconciliation of the Fund Balance in Governmental Funds,
Balance Sheet to Net Assets in the Statement of Net Assets11

Combined Statement of Revenues, Expenditures, and Changes in
Fund Balances, Governmental Funds12

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 Activities13

Statement of Revenues and Expenditures, Budget and Actual
(Non-GAAP) - General Fund.....14

Notes to Financial Statements..... 15-23

Combining Statements:

Combining Balance Sheet, Nonmajor Governmental Funds24

Combining Statement of Revenues, Expenditures and Changes in
Fund Balances, Nonmajor Governmental Funds25

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September 20, 2001

Board of Trustees
The Urbana Free Library
Urbana, Illinois

Independent Auditor's Report

We have audited the accompanying basic 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, 2001, as listed in the table of contents under "Basic Financial Statements". These basic financial statements are the responsibility of the City of Urbana's management. Our responsibility is to express an opinion on these basic 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 described more fully in Note 1, these basic financial statements present only one special revenue fund of the City of Urbana, Illinois, and are not intended to present fairly the financial position and results of operations of the City of Urbana in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to in the first paragraph 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, 2001, and the results of that fund's operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Urbana Free Library adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis For State and Local Governments*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2000. This results in a change to the Urbana Free Library's method of accounting for certain nonexchange revenues and a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 2 to 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic 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 basic financial statements of The Urbana Free Library, a special revenue fund of the City of Urbana, Illinois. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements of The Urbana Free Library, a special revenue fund of the City of Urbana, Illinois, and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements of The Urbana Free Library, a special revenue fund of the City of Urbana, Illinois, taken as a whole.


BRAY, DRAKE, GUTHRIE & RICHARDSON LLP

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

THE URBANA FREE LIBRARY

2

Management's Discussion and Analysis

For the Year Ended June 30, 2001

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, 2001.

Financial Highlights:

- At June 30, 2001, unreserved fund balance for the general fund was \$352,210, or 18% of the total general fund expenditures. This amount is \$3,641 less than at the end of last year.
- The assets of the Library exceeded liabilities at June 30, 2001, by \$3,514,938. Of this amount \$1,171,424 is unrestricted and may be used to meet the government's ongoing operations.
- The Library's total net assets increased by \$443,119.
- At June 30, 2001, the Library's governmental funds reported combined fund balances of \$1,348,207, of which \$403,154 was unreserved. This was an increase of \$465,791 and \$7,423 respectively, over last year.
- The only long-term debt of the Library is \$80,820 in accumulated compensated employee absences, which increased \$5,385 or 7%.

Overview of the Financial Statements:

This discussion and analysis are 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 8 and 9 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.

Management's Discussion and Analysis

For the Year Ended June 30, 2001

- 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, Grant Programs, and Documents Center. 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 six 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

THE URBANA FREE LIBRARY

4

Management's Discussion and Analysis

For the Year Ended June 30, 2001

and the building fund, both of which are considered to be major funds. 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 10-14 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 15-23 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>2001</u>	<u>2000</u>
Current and other assets	\$1,294,485	\$1,250,019
Restricted assets	945,053	486,685
Capital assets	<u>1,398,461</u>	<u>1,452,630</u>
Total assets	\$3,637,999	\$3,189,334
Long-term liabilities	80,820	75,435
Other liabilities	<u>42,241</u>	<u>42,080</u>
Total liabilities	\$ 123,061	\$ 117,515
Net assets:		
Invested in capital assets	1,398,461	1,452,630
Restricted	945,053	486,685
Unrestricted	<u>1,171,424</u>	<u>1,132,504</u>
Total net assets	\$3,514,938	\$3,071,819

THE URBANA FREE LIBRARY

5

Management's Discussion and Analysis

For the Year Ended June 30, 2001

Comparative Statement of Governmental Activities:

	<u>2001</u>	<u>2000</u>
Revenues:		
Program revenues:		
Charges for services	\$ 16,830	\$ 21,755
Grants and contributions	189,104	129,942
General revenues:		
Property tax	1,699,760	1,624,093
Intergovernmental	142,324	142,272
Donations	442,470	82,392
Other	<u>171,167</u>	<u>146,483</u>
Total revenues	\$2,661,655	\$2,146,937
Expenses:		
Centralized costs	\$ 474,922	\$ 425,285
Administration	147,542	147,355
Adult department	459,346	443,444
Children's department	247,631	235,858
Archives department	152,967	144,747
Maintenance	72,009	68,477
Acquisitions	169,835	150,121
Circulation	354,055	344,882
Publishing costs	2,082	6,257
Grant programs	81,222	43,441
Documents center	<u>56,925</u>	<u>55,514</u>
Total expenses	\$2,218,536	\$2,065,381
Increase in net assets	\$ 443,119	\$ 81,556
Beginning net assets	<u>3,071,819</u>	<u>2,990,263</u>
Ending net assets	<u>\$3,514,938</u>	<u>\$3,071,819</u>

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 2001 for the general fund remained approximately the same as at 2000.

THE URBANA FREE LIBRARY

6

Management's Discussion and Analysis

For the Year Ended June 30, 2001

General Fund Budgetary Highlights:

Differences between the original budget and the final amended budget were minor and involved transfers in spending authority made between different functions. The total budget for the general fund remained the same as originally approved.

Capital Assets:

The Library's investment in capital assets as of June 30, 2001, was \$1,398,461 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment. Capital asset events during the year were:

- Purchase of library video equipment \$5,045
- Depreciation expense of \$59,214

Comparative Statement of Capital Assets (net of depreciation):

	<u>2001</u>	<u>2000</u>
Land	\$ 405,509	\$ 405,509
Building and Improvements	886,496	906,081
Equipment	<u>106,456</u>	<u>141,040</u>
Total Net Capital Assets	\$1,398,461	\$1,452,630

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 85% of the revenues in the general fund. The future financial stability of the Library is very dependent upon the continued stability of the local real estate market. Assessed valuation has averaged 6.3% annual growth over the last four years and 4.6% over the last 10 years. The City of Urbana has been very aggressive in encouraging new business development, encouraging new housing construction, and annexing properties into the city limits. These actions have been the primary reason for this 6.3% growth. We believe the future of the local real estate market remains strong, although growth in assessed value may more closely resemble the 10-year average in the future.

THE URBANA FREE LIBRARY

7

Management's Discussion and Analysis

For the Year Ended June 30, 2001

- The general fund budget for next year increased 7%, as an additional full-time librarian was added. Because assessed value of property is expected to increase 5%, the tax rate increased 2%.
- The major initiative of the Library for the near future is the construction of a significant addition to the library building that will approximately double the space of the library. This addition will enable the Library to continue to provide quality modern library services to the citizens of the City of Urbana in the future. The estimated total project cost is \$6.85 million. The City of Urbana will contribute \$4.5 million from cash that has been saved for this purpose, \$350,000 has been obtained from a State grant, and the balance of \$2 million will be raised from private donations. These donations are reported in the Building Fund in this report. At the date of the issuance of this report private donations and pledges have accumulated to the amount of approximately \$1.7 million. Ground breaking is planned for the spring of 2002 with completion in the fall of 2004.

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, 201 S. Race Street, Urbana, 61801.

URBANA FREE LIBRARY

Statement of Net Assets

June 30, 2001

ASSETS:

Cash and Cash Equivalents:

On Hand	\$ 516
Checking	19,117
Savings	598,765

Receivables:

Property Tax	654,452
Due From Other Governments	21,635

Restricted Assets:

Cash and Cash Equivalents:

Checking	8,814
Savings	47,436
Busey Trust Money Market	885,997
Interest Receivable	2,806

Capital Assets (net of accumulated depreciation):

Land	405,509
Buildings and Improvements	886,496
Equipment	106,456

Total Assets	\$ 3,637,999
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LIABILITIES:

Accounts Payable	\$10,157
Deferred Revenue	4,900
Accrued Salaries and Taxes	27,184

Non-Current Liability:

Accumulated Compensated Absences	80,820
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Total Liabilities	123,061
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NET ASSETS:

Invested in Capital Assets, net of related debt	1,398,461
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Restricted for:

Building Expansion	888,803
Library Materials	56,250

Unrestricted	1,171,424
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Total Net Assets	\$ 3,514,938
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The accompanying notes are an integral part of these financial statements.

URBANA FREE LIBRARY
Statement of Activities
For the Year Ended June 30, 2001

	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs:				
Governmental Activities:				
Centralized Costs	\$ 474,922	\$ -	\$ 30,609	\$ (444,313)
Administration	147,542	-	-	(147,542)
Adult Department	459,346	-	-	(459,346)
Children's Department	247,631	-	-	(247,631)
Archives Department	152,967	-	9,800	(143,167)
Maintenance	72,009	-	-	(72,009)
Acquisitions	169,835	13,475	10,109	(146,251)
Circulation	354,055	-	-	(354,055)
Publishing Costs	2,082	3,355	-	1,273
Grant Programs	81,222	-	81,046	(176)
Documents Center	56,925	-	57,540	615
Total Governmental Activities	2,218,536	16,830	189,104	(2,012,602)
General Revenues:				
Real Property Tax				1,699,760
Intergovernmental:				
Corporate Personal Property				
Replacement Tax				62,904
State Aid-Public Libraries				44,920
Grant, Urbana School District				34,500
Book Fines				73,451
Equipment Rental Fees				18,667
Donations				442,470
Interest				56,677
Sale of Books and Materials				5,970
Non-resident User Fees				15,326
Miscellaneous				1,076
Total General Revenues				2,455,721
Change in Net Assets				443,119
Net Assets, Beg. Year				3,071,819
Net Assets, End Year				\$ 3,514,938

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

URBANA FREE LIBRARY
 Balance Sheet-Governmental Funds
 June 30, 2001

ASSETS	General	Building Foundation	Other Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents:				
On Hand	\$ 516	\$ -	\$ -	\$ 516
Checking	9,540	-	9,577	19,117
Savings	554,867	-	43,898	598,765
Receivables:				
Property Tax	654,452	-	-	654,452
Due From Other Governments	15,772	-	5,863	21,635
Due From Other Funds	7,144	-	-	7,144
Restricted Assets:				
Cash and Cash Equivalents:				
Checking	-	-	8,814	8,814
Savings	-	-	47,436	47,436
Busey Trust Money Market	-	885,997	-	885,997
Interest Receivable	-	2,806	-	2,806
Total Assets	<u>\$ 1,242,291</u>	<u>\$ 888,803</u>	<u>\$ 115,588</u>	<u>\$ 2,246,682</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 9,918	\$ -	\$ 239	\$ 10,157
Deferred Revenues	853,990	-	-	853,990
Accrued Salaries and Taxes	26,173	-	1,011	27,184
Due to Other Funds	-	-	7,144	7,144
Total Liabilities	<u>890,081</u>	<u>-</u>	<u>8,394</u>	<u>898,475</u>
Fund Balances:				
Reserved for:				
Building Expansion	-	888,803	-	888,803
Library Materials	-	-	56,250	56,250
Unreserved, Reported in:				
General Fund	352,210	-	-	352,210
Special Revenue Funds	-	-	50,944	50,944
Total Fund Balance	<u>352,210</u>	<u>888,803</u>	<u>107,194</u>	<u>1,348,207</u>
Total Liabilities and Fund Balance	<u>\$ 1,242,291</u>	<u>\$ 888,803</u>	<u>\$ 115,588</u>	<u>\$ 2,246,682</u>

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

URBANA FREE LIBRARY

Reconciliation of the Fund Balance in Governmental Funds Balance Sheet to Net Assets in the Statement of Net Assets June 30, 2001

Total fund balances, governmental funds	\$ 1,348,207
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	1,398,461
Long-term liabilities (compensated absences) are not due and payable in the current period and are not reported in the funds	(80,820)
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>849,090</u>
Net assets of governmental activities	<u><u>\$ 3,514,938</u></u>

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

URBANA FREE LIBRARY

12

Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2001

	General	Building Foundation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Real Property Tax	\$ 1,662,878	\$ -	\$ -	\$ 1,662,878
Intergovernmental:				
Corporate Personal Property				
Replacement Tax	62,904	-	-	62,904
Grant, Champaign County	9,800	-	-	9,800
State Aid-Public Libraries	44,920	-	-	44,920
City of Urbana	-	-	57,540	57,540
Grant, State	-	-	81,046	81,046
Grant, Urbana School District	34,500	-	-	34,500
Book Fines	73,451	-	-	73,451
Equipment Rental Fees	18,667	-	-	18,667
Donations	-	473,079	10,109	483,188
Interest	19,591	32,800	4,285	56,676
Sale of Books and Materials	5,970	-	16,830	22,800
Non-resident User Fees	15,326	-	-	15,326
Miscellaneous	1,076	-	-	1,076
Total Revenues	<u>1,949,083</u>	<u>505,879</u>	<u>169,810</u>	<u>2,624,772</u>
Expenditures:				
Centralized Costs	449,357	30,609	-	479,966
Administration	143,229	-	-	143,229
Adult Department	437,741	-	-	437,741
Children's Department	236,039	-	-	236,039
Archives Department	146,930	-	-	146,930
Maintenance	70,744	-	-	70,744
Acquisitions	119,055	-	42,807	161,862
Circulation	342,618	-	-	342,618
Publishing Costs	-	-	2,082	2,082
Grant Programs	-	-	81,046	81,046
Documents Center	-	-	56,724	56,724
Total Expenditures	<u>1,945,713</u>	<u>30,609</u>	<u>182,659</u>	<u>2,158,981</u>
Excess of Revenues Over (Under) Expenditures	3,370	475,270	(12,849)	465,791
Fund Balance, Beginning of Year	348,840	413,533	120,043	882,416
Fund Balance, End of Year	<u><u>\$ 352,210</u></u>	<u><u>\$ 888,803</u></u>	<u><u>\$ 107,194</u></u>	<u><u>\$ 1,348,207</u></u>

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

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, 2001

Net change in fund balances-governmental funds	\$ 465,791
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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	36,882
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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.	5,045
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This is the amount of depreciation that was not reported in the funds.	(59,214)
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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 earned exceeded the amounts paid.	<u>(5,385)</u>
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Change in net assets of governmental activities	<u>\$ 443,119</u>
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The accompanying notes are an integral part of these financial statements.

URBANA FREE LIBRARY

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

For the Year Ended June 30, 2001

	Budgeted Amounts			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Real Property Tax	\$ 1,698,211	\$ 1,698,211	\$ 1,699,760	\$ 1,549
Intergovernmental:				
Corporate Personal Property				
Replacement Tax	63,096	63,096	62,904	(192)
Grant, Champaign County	9,800	9,800	9,800	-
State Aid-Public Libraries	44,884	44,884	44,920	36
Grant, Urbana School District	34,500	34,500	34,500	-
Book Fines	73,546	73,546	73,451	(95)
Equipment Rental	19,000	19,000	18,667	(333)
Interest	17,500	17,500	19,591	2,091
Sale of Books and Materials	5,954	5,954	5,970	16
Non-resident User Fees	12,500	12,500	15,326	2,826
Miscellaneous	920	920	1,076	156
Total Revenues	1,979,911	1,979,911	1,985,965	6,054
Expenditures:				
Current:				
Centralized Costs	461,760	461,760	449,357	12,403
Administration	149,673	144,673	143,229	1,444
Adult Department	435,835	443,835	437,741	6,094
Children's Department	231,356	238,856	236,039	2,817
Archives Department	145,368	147,868	146,930	938
Maintenance	71,086	71,086	70,744	342
Acquisitions	120,407	120,407	119,055	1,352
Circulation	364,426	351,426	342,618	8,808
Total Expenditures	1,979,911	1,979,911	1,945,713	34,198
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 40,252	\$ 40,252

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

Notes to Financial Statements

For the Year Ended June 30, 2001

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. A seven-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 approving library operating policies. The City Council of the City of Urbana is the authority for levying the annual property tax. The Urbana Free Library is included as a special revenue fund 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. 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.
- D. 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,

THE URBANA FREE LIBRARY

16

Notes to Financial Statements

For the Year Ended June 30, 2001

liabilities, fund equity, revenues, and expenditures. The Urbana Free Library reports the following major governmental funds:

- 1) The General Fund is the primary operating fund of the Library. It accounts for all financial resources except those required to be accounted for in another fund.
- 2) The Building Foundation Fund is 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.

Other governmental funds (non-major) are:

- 1) The Publications Special Revenue Fund Type is used to account for receipts and costs of publications and other items for sale.
- 2) The Grant Special Revenue Fund Type is used to account for receipts and costs related to federal or state grant awards. (See Note 9)
- 3) The Documents Project Special Revenue Fund Type is used to account for receipts and costs associated with the operation of the municipal document center.
- 4) The Library Materials Trust Permanent Fund Type 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 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 is reporting the following amounts of restricted assets:

	Building Expansion	Library Materials	Total
Checking	\$ --	\$ 8,814	\$ 8,814
Savings	--	47,436	47,436
Busey Trust Money Market	885,997	--	885,997
Interest Receivable	2,806	--	2,806
Total	\$ 888,803	\$ 56,250	\$ 945,053

Notes to Financial Statements

For the Year Ended June 30, 2001

F. Change in Accounting Principles:

The Urbana Free Library implemented Government Accounting Standards Board Statement Number 33, Accounting and Financial Reporting for Non-exchange Transactions, Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis, For State and Local Governments, and Government Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, as of July 1, 2000.

This implementation resulted in a change to the Urbana Free Library's method of accounting for certain non-exchange revenues and a change in the format and content of the basic financial statements. Normally, a change in accounting principles will require that beginning balances be restated for the impact of these changes. These changes only affect the government-wide financial statements, which are new statements and were not included in last year's financial statements. The changes did not impact the beginning fund balance in the fund financial statements.

Note 2 - Deposits and Investments:

Cash and Cash Equivalents - 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. At June 30, 2001, there were no investments that were classified as cash equivalent.

Investments are stated at market, which approximates cost. 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 \$674,132 and the bank balance was \$692,869. Of the bank balance, \$146,667 was covered by general depository insurance and \$546,202 was covered by collateral held by the City's agent in the City's name.

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

THE URBANA FREE LIBRARY

18

Notes to Financial Statements

For the Year Ended June 30, 2001

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

Note 3 - Property Tax:

The City Council of the City of Urbana passes the annual tax levy for the Urbana Free Library on or before the 2nd Tuesday in December. The taxes are extended by the Champaign County Clerk against the equalized assessed valuation as of January 1st of the calendar year that the levy ordinance was enacted. Property tax bills are due and payable in two installments, the first half about June 1st and the balance about September 1st. The Champaign County Treasurer within a short time remits receipts after collection. No amount has been provided for delinquent taxes, since in past years, the amount has averaged less than one percent per year.

The full amount of the property tax levy passed in December is accrued in the same fiscal year in the government-wide financial statements. The amount of property tax recognized in the governmental funds in the current year is that amount which is available to finance current operations. Therefore, in governmental funds, one-half of the levy has been 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.

Capital asset activity for the year follows:

	Balance 06/30/00	Additions	Deletions	Balance 06/30/01
<u>Governmental Activities:</u>				
Land	\$ 405,509	\$ --	\$ --	\$ 405,509
Building and Improvements	\$1,314,976	\$ --	\$ --	\$1,314,976
Less Accum. Depreciation	(408,895)	(19,585)	--	(428,480)
Subtotal	\$ 906,081	\$ (19,585)	\$ --	\$ 886,496

THE URBANA FREE LIBRARY

19

Notes to Financial Statements

For the Year Ended June 30, 2001

<u>Governmental Activities (cont'd):</u>	<u>Balance</u> <u>06/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/01</u>
Equipment	\$ 271,051	\$ 5,045	\$ --	\$276,096
Less Accum. Depreciation	<u>(130,011)</u>	<u>(39,629)</u>	<u>--</u>	<u>(169,640)</u>
Subtotal	<u>\$ 141,040</u>	<u>\$ (34,584)</u>	<u>\$ --</u>	<u>\$ 106,456</u>
Total Capital Assets	\$1,991,536	\$ 5,045	\$ --	\$1,996,581
Less Accum. Depreciation	<u>(538,906)</u>	<u>(59,214)</u>	<u>--</u>	<u>(598,120)</u>
Total, Net Capital Assets	<u>\$1,452,630</u>	<u>\$ (54,169)</u>	<u>\$ --</u>	<u>\$1,398,461</u>

Depreciation expense was charged to functions/programs as follows:

Administration	\$ 3,753
Adult Department	20,524
Children's Department	10,822
Archives Department	5,525
Maintenance	988
Acquisitions	7,507
Circulation	<u>10,095</u>
Total	\$59,214

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.

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

THE URBANA FREE LIBRARY

20

Notes to Financial Statements

For the Year Ended June 30, 2001

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. The Library Board of Trustees made several transfers of budgeted amounts between various functions during the year. None of these transfers were material and total budgeted appropriation level in the general fund remained the same. This budget is adopted on a basis different from generally accepted accounting principles (GAAP) because approximately one-half of the recognition of the current year's property tax levy is deferred under GAAP in the fund financial statements to next year. In the budget, the full amount of the current levy is recognized.

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	\$40,252
To adjust property tax revenues recognized	<u>(36,882)</u>
Actual net income (loss), GAAP basis	\$ 3,370

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.

Note 8 – 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 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 \$142,926 in 2001 and \$177,249 in 2000 (amounts include payments for social security and Medicare).

THE URBANA FREE LIBRARY

21

Notes to Financial Statements

For the Year Ended June 30, 2001

Note 9 – 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 1999 were immaterial.

Note 10 – 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 \$57,540 towards the municipal documents center in 2001, and \$56,330 in 2000. It is anticipated that the City will continue to pay the Library as long as these services are provided.
- 2) The City paid the Library's share of auditing costs for 2001 and 2000. This amount was approximately \$4,000 each year. No provisions for this amount have been made in these statements.
- 3) The Library paid \$7,876 to the City in 2001 and 2000 for data processing services.

Note 11 – Due From Other Governments:

Following is a breakdown of amounts due from other governments:

State - corporate personal property replacement tax	\$11,705
City of Urbana - employer's share of retirement costs	4,067
State - grants receivable	<u>5,863</u>
	<u>\$21,635</u>

Note 12 – State Per Capita and Other Grants:

The Library received \$44,920 in 2001 and \$44,884 in 2000 from the State of Illinois. Current state law provides this annual grant, based on population.

THE URBANA FREE LIBRARY

22

Notes to Financial Statements

For the Year Ended June 30, 2001

The Library received a grant of \$9,800 in 2001 and 2000 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 (\$4,900) is reported as deferred revenue.

In 2001, and 2000, the Library benefited from a number of grants awarded by the Illinois State Library System. These grants provided funds to purchase certain computer and electronic equipment and pay for personnel and materials to promote improved reading and library literacy. Due to these grants, the Library spent \$11,738 in personnel costs in 2001 (\$21,325 in 2000) and \$11,738 in materials (\$21,821 in 2000).

The Library was awarded a grant from the Urbana School District in the amount of \$34,500 in 2001, and \$30,000 in 2000. 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 per capita, county archives and the School District grants will continue in the future.

Note 13 – Fund Equity:

Fund equity balances that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose are 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 Building Fund was donated for future library building expansion. Thus, these fund balances are reserved for these purposes.

Note 14 – Future Building Expansion:

The Board of Directors of the Library and the City Council of the City of Urbana have announced their intention to construct a major addition and improvement to the current library building. The estimated total project cost is \$6.85 million. The City of Urbana will contribute \$4.5 million, \$350,000 will be obtained from a State grant, and the balance of \$2 million will be raised from private donations made to the Building Foundation Trust Fund (see fund balance reserve note above). The Foundation Trust Fund has accumulated \$888,803 at June 30, 2001. Ground breaking is planned for the spring of 2002 with completion in the fall of 2004.

Notes to Financial Statements

For the Year Ended June 30, 2001

Note 15 - 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.

URBANA FREE LIBRARY

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2001

	Special Revenue Funds				
	Publications	Grant	Documents Project	Trust Fund	Total
ASSETS					
Cash and Cash Equivalents:					
Checking	\$ 1,934	\$ 1,281	\$ 6,362	\$ 8,814	\$ 18,391
Savings	29,448	-	14,450	47,436	91,334
Due from Other Governments	-	5,863	-	-	5,863
Total Assets	<u>\$ 31,382</u>	<u>\$ 7,144</u>	<u>\$ 20,812</u>	<u>\$ 56,250</u>	<u>\$ 115,588</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 239	\$ -	\$ -	\$ -	\$ 239
Accrued Salaries and Taxes	-	-	1,011	-	1,011
Due to Other Funds	-	7,144	-	-	7,144
Total Liabilities	<u>239</u>	<u>7,144</u>	<u>1,011</u>	<u>-</u>	<u>8,394</u>
Fund Balance:					
Reserved for Library Materials	-	-	-	56,250	56,250
Unreserved	31,143	-	19,801	-	50,944
Total Fund Balance	<u>31,143</u>	<u>-</u>	<u>19,801</u>	<u>56,250</u>	<u>107,194</u>
Total Liabilities and Fund Balance	<u>\$ 31,382</u>	<u>\$ 7,144</u>	<u>\$ 20,812</u>	<u>\$ 56,250</u>	<u>\$ 115,588</u>

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

URBANA FREE LIBRARY

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

For the Year Ended June 30, 2001

	Special Revenue Funds				
	Publications	Grant	Documents Project	Trust Fund	Total
REVENUES:					
Intergovernmental:					
City of Urbana	\$ -	\$ -	\$ 57,540	\$ -	\$ 57,540
Grants, State	-	81,046	-	-	81,046
Donations	-	-	-	10,109	10,109
Interest	1,171	-	793	2,321	4,285
Sale of Books and Materials	3,355	-	-	13,475	16,830
Total Revenues	4,526	81,046	58,333	25,905	169,810
EXPENDITURES:					
Acquisitions	-	-	-	42,807	42,807
Publishing Costs	2,082	-	-	-	2,082
Grant Programs	-	81,046	-	-	81,046
Documents Center	-	-	56,724	-	56,724
Total Expenditures	2,082	81,046	56,724	42,807	182,659
Excess of Revenues Over (Under) Expenditures	2,444	-	1,609	(16,902)	(12,849)
Fund Balance, Beginning of the Year	28,699	-	18,192	73,152	120,043
Fund Balance, End of the Year	\$ 31,143	\$ -	\$ 19,801	\$ 56,250	\$ 107,194

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