

THE URBANA FREE LIBRARY

Audit Report

For the Years Ended June 30, 2002 and 2001



THE URBANA FREE LIBRARY

Financial Statements

For the Year Ended June 30, 2002

THE URBANA FREE LIBRARY
Financial Statements
For the Year Ended June 30, 2002

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September 27, 2002

**Board of Trustees
The Urbana Free Library
Urbana, Illinois**

Independent Auditor's Report

We have audited the accompanying financial statements of The Urbana Free Library, a special revenue fund of the City of Urbana, Illinois, as of and for the year ended June 30, 2002, as listed in the table of contents under "Basic Financial Statements". These financial statements are the responsibility of the City of Urbana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, these financial statements present only the Urbana Free Library fund of the City of Urbana, Illinois, and do not purport to, and do not, present fairly the financial position of the City of Urbana, Illinois, as of June 30, 2002, and the changes in its financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Urbana Free Library fund, a special revenue fund of the City of Urbana, Illinois, as of June 30, 2002, and the changes in its financial position thereof and the respective budgetary comparisons for the Urbana Free Library general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 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 required supplementary information. However, we did not audit the information and express no opinion on it.

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

Bray, Drake, Liles & Richardson LLP
BRAY, DRAKE, LILES & RICHARDSON LLP

Management's Discussion and Analysis

For the Year Ended June 30, 2002

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, 2002.

FINANCIAL HIGHLIGHTS:

- At June 30, 2002, unreserved fund balance for the general fund was \$313,357, or 15% of the total general fund expenditures. This amount is \$38,853 less than at the end of last year.
- The assets of the Library exceeded liabilities at June 30, 2002, by \$4,612,988. Of this amount \$1,200,360 is unrestricted and may be used to meet the government's ongoing operations.
- The Library's total net assets increased by \$1,098,050.
- At June 30, 2002, the Library's governmental funds reported combined fund balances of \$1,954,325 (an increase of \$606,118 over last year), of which \$366,418 was unreserved (a decrease of \$36,736 from last year).
- The only long-term debt of the Library is \$78,018 in accumulated compensated employee absences, which decreased \$2,802 or 3%.

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, 2002

- 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

Management's Discussion and Analysis

For the Year Ended June 30, 2002

statement of revenues, expenditures, and changes in fund balances for the general fund 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>2002</u>	<u>2001</u>
Current and other assets	\$1,338,688	\$1,294,485
Restricted assets	1,587,907	945,053
Capital assets	<u>1,824,721</u>	<u>1,398,461</u>
Total assets	<u>\$4,751,316</u>	<u>\$3,637,999</u>
Long-term liabilities	78,018	80,820
Other liabilities	<u>60,310</u>	<u>42,241</u>
Total liabilities	<u>\$ 138,328</u>	<u>\$ 123,061</u>
Net assets:		
Invested in capital assets	1,824,721	1,398,461
Restricted	1,587,907	945,053
Unrestricted	<u>1,200,360</u>	<u>1,171,424</u>
Total net assets	<u>\$4,612,988</u>	<u>\$3,514,938</u>

Management's Discussion and Analysis

For the Year Ended June 30, 2002

Comparative Statement of Governmental Activities:

	<u>2002</u>	<u>2001</u>
Revenues:		
Program revenues:		
Charges for services	\$ 28,415	\$ 16,830
Grants and contributions	162,068	189,104
General revenues:		
Property tax	1,807,393	1,699,760
Intergovernmental	570,755	142,324
Donations	651,046	442,470
Other	<u>145,396</u>	<u>171,167</u>
Total revenues	<u>\$3,365,073</u>	<u>\$2,661,655</u>
Expenses:		
Centralized costs	\$ 496,042	\$ 474,922
Administration	152,080	147,542
Adult department	502,565	459,346
Children's department	260,818	247,631
Archives department	153,920	152,967
Maintenance	71,399	72,009
Acquisitions	155,058	169,835
Circulation	383,428	354,055
Publishing costs	9,753	2,082
Grant programs	22,706	81,222
Documents center	<u>59,254</u>	<u>56,925</u>
Total expenses	<u>\$2,267,023</u>	<u>\$2,218,536</u>
Increase in net assets	\$1,098,050	\$ 443,119
Beginning net assets	<u>3,514,938</u>	<u>3,071,819</u>
Ending net assets	<u>\$4,612,988</u>	<u>\$3,514,938</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 2002 for the general fund decreased \$38,853, which is approximately the increase in the amount of property tax revenue that is deferred.

Management's Discussion and Analysis

For the Year Ended June 30, 2002

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, 2002, was \$1,824,721 (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 equipment \$8,000
- New library building architect design fees \$465,212
- Depreciation expense of \$46,950

Comparative Statement of Capital Assets (net of depreciation):

	<u>2002</u>	<u>2001</u>
Land	\$ 405,509	\$ 405,509
Building and Improvements	1,343,347	886,496
Equipment	<u>75,865</u>	<u>106,456</u>
Total Net Capital Assets	\$1,824,721	\$1,398,461

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 86% 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 5.9% 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 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.

Management's Discussion and Analysis

For the Year Ended June 30, 2002

- The general fund budget for next year increased 4.7%, as an additional half-time librarian was added. Because assessed value of property is expected to increase 4.25%, the tax rate increased 1.9%.
- 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 \$8.26 million. The City of Urbana will contribute \$5.38 million from cash that has been saved for this purpose, \$800,000 has been obtained from State grants, and the balance of \$2.1 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 the approximately \$2.1 million. Ground breaking is planned for the fall of 2002 with completion in 2005.

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, IL 61801.

Statement of Net Assets
June 30, 2002

ASSETS:

Cash and Cash Equivalents:

On Hand	\$ 516
Checking	18,407
Savings	715,233

Receivables:

Property Tax	581,938
Due From Other Governments	22,594

Restricted Assets:

Cash and Cash Equivalents:

Checking	8,814
Savings	56,276
Busey Trust Money Market	1,520,614
Interest Receivable	2,203

Capital Assets (net of accumulated depreciation):

Land	405,509
Buildings and Improvements	1,343,347
Equipment	75,865

Total Assets	<u>\$ 4,751,316</u>
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LIABILITIES:

Accounts Payable	\$12,883
Deferred Revenue	8,749
Accrued Salaries and Taxes	38,678

Non-Current Liability:

Accumulated Compensated Absences	78,018
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Total Liabilities	<u>138,328</u>
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NET ASSETS:

Invested in Capital Assets, net of related debt	1,824,721
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Restricted for:

Building Expansion	1,522,817
Library Materials	65,090

Unrestricted	1,200,360
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Total Net Assets	<u>\$ 4,612,988</u>
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The accompanying notes are an integral part of these financial statements.

Statement of Activities
For the Year Ended June 30, 2002

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Functions/Programs:				
Governmental Activities:				
Centralized Costs	\$ 496,042	\$ -	\$ 17,844	\$ (478,198)
Administration	152,080	-	-	(152,080)
Adult Department	502,565	-	-	(502,565)
Children's Department	260,818	-	34,500	(226,318)
Archives Department	153,920	-	12,400	(141,520)
Maintenance	71,399	-	-	(71,399)
Acquisitions	155,058	19,102	13,896	(122,060)
Circulation	383,428	-	-	(383,428)
Publishing Costs	9,753	9,313	-	(440)
Grant Programs	22,706	-	22,798	92
Documents Center	59,254	-	60,630	1,376
Total Governmental Activities	<u>2,267,023</u>	<u>28,415</u>	<u>162,068</u>	<u>(2,076,540)</u>
General Revenues:				
Real Property Tax				1,807,393
Intergovernmental:				
Corporate Personal Property				
Replacement Tax				62,904
State Aid-Public Libraries				42,639
City of Urbana				465,212
Book Fines				83,363
Donations				651,046
Interest				40,771
Sale of Books and Materials				6,194
Non-resident User Fees				14,333
Miscellaneous				735
Total General Revenues				<u>3,174,590</u>
Change in Net Assets				1,098,050
Net Assets, Beg. Year				<u>3,514,938</u>
Net Assets, End Year				<u>\$ 4,612,988</u>

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

Balance Sheet-Governmental Funds
June 30, 2002

ASSETS			Other	Total
	General	Building	Governmental Funds	Governmental Funds
Cash and Cash Equivalents:				
On Hand	\$ 516	\$ -	\$ -	\$ 516
Checking	10,076	-	8,331	18,407
Savings	662,645	-	52,588	715,233
Receivables:				
Property Tax	581,938	-	-	581,938
Due From Other Governments	22,594	-	-	22,594
Due From Other Funds	1,463	-	-	1,463
Restricted Assets:				
Cash and Cash Equivalents:				
Checking	-	-	8,814	8,814
Savings	-	-	56,276	56,276
Busey Trust Money Market	-	1,520,614	-	1,520,614
Interest Receivable	-	2,203	-	2,203
Total Assets	<u>\$ 1,279,232</u>	<u>\$ 1,522,817</u>	<u>\$ 126,009</u>	<u>\$ 2,928,058</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 12,534	\$ -	\$ 349	\$ 12,883
Deferred Revenues	919,460	-	1,249	920,709
Accrued Salaries and Taxes	33,881	-	4,797	38,678
Due to Other Funds	-	-	1,463	1,463
Total Liabilities	<u>965,875</u>	<u>-</u>	<u>7,858</u>	<u>973,733</u>
Fund Balances:				
Reserved for:				
Building Expansion	-	1,522,817	-	1,522,817
Library Materials	-	-	65,090	65,090
Unreserved, Reported in:				
General Fund	313,357	-	-	313,357
Special Revenue Funds	-	-	53,061	53,061
Total Fund Balance	<u>313,357</u>	<u>1,522,817</u>	<u>118,151</u>	<u>1,954,325</u>
Total Liabilities and Fund Balance	<u>\$ 1,279,232</u>	<u>\$ 1,522,817</u>	<u>\$ 126,009</u>	<u>\$ 2,928,058</u>

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

Reconciliation of the Fund Balance in Governmental Funds
Balance Sheet to Net Assets in the Statement of Net Assets
June 30, 2002

Total fund balances, governmental funds	\$ 1,954,325
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	1,824,721
Long-term liabilities (compensated absences) are not due and payable in the current period and are not reported in the funds	(78,018)
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>911,960</u>
Net assets of governmental activities	<u><u>\$ 4,612,988</u></u>

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

Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2002

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues:				
Real Property Tax	\$ 1,744,523	\$ -	\$ -	\$ 1,744,523
Intergovernmental:				
Corporate Personal Property				
Replacement Tax	62,904	-	-	62,904
Grant, Champaign County	12,400	-	-	12,400
State Aid-Public Libraries	42,639	-	-	42,639
City of Urbana	-	465,212	60,630	525,842
Grants, State	-	-	15,067	15,067
Grant, Urbana School District	34,500	-	-	34,500
Book Fines	83,363	-	-	83,363
Equipment Rental Fees	17,844	-	-	17,844
Donations	-	651,046	21,627	672,673
Interest	10,267	27,742	2,762	40,771
Sale of Books and Materials	6,194	-	28,415	34,609
Non-resident User Fees	14,333	-	-	14,333
Miscellaneous	735	-	-	735
Total Revenues	2,029,702	1,144,000	128,501	3,302,203
Expenditures:				
Centralized Costs	459,266	509,986	-	969,252
Administration	149,252	-	-	149,252
Adult Department	486,998	-	-	486,998
Children's Department	254,216	-	-	254,216
Archives Department	149,877	-	-	149,877
Maintenance	70,687	-	-	70,687
Acquisitions	123,428	-	25,635	149,063
Circulation	374,831	-	-	374,831
Publishing Costs	-	-	9,753	9,753
Grant Programs	-	-	22,798	22,798
Documents Center	-	-	59,358	59,358
Total Expenditures	2,068,555	509,986	117,544	2,696,085
Excess of Revenues Over (Under) Expenditures	(38,853)	634,014	10,957	606,118
Fund Balance, Beginning of Year	352,210	888,803	107,194	1,348,207
Fund Balance, End of Year	\$ 313,357	\$ 1,522,817	\$ 118,151	\$ 1,954,325

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

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, 2002

Net change in fund balances-governmental funds	\$ 606,118
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	62,870
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.	473,212
This is the amount of depreciation that was not reported in the funds.	(46,950)
In the statement of activities, accumulated compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures for these items are measured by the amounts actually paid. This is the amount by which accumulated compensated absences paid exceeded the amounts earned.	<u>2,802</u>
Change in net assets of governmental activities	<u>\$ 1,098,052</u>

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

URBANA FREE LIBRARY

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

For the Year Ended June 30, 2002

	Budgeted Amounts			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Real Property Tax	\$ 1,823,800	\$ 1,823,800	\$ 1,785,294	\$ (38,506)
Intergovernmental:				
Corporate Personal Property				
Replacement Tax	72,100	72,100	62,904	(9,196)
Grant, Champaign County	12,400	12,400	12,400	-
State Aid-Public Libraries	42,639	42,639	42,639	-
Grant, Urbana School District	34,500	34,500	34,500	-
Book Fines	84,827	84,827	83,363	(1,464)
Equipment Rental	18,000	18,000	17,844	(156)
Interest	14,800	14,800	10,267	(4,533)
Sale of Books and Materials	6,154	6,154	6,194	40
Non-resident User Fees	14,000	14,000	14,333	333
Miscellaneous	820	820	736	(84)
Total Revenues	2,124,040	2,124,040	2,070,474	(53,566)
Expenditures:				
Current:				
Centralized Costs	494,213	494,213	459,266	34,947
Administration	151,885	151,885	149,252	2,633
Adult Department	486,867	486,867	486,998	(131)
Children's Department	256,650	256,650	254,216	2,434
Archives Department	151,287	151,287	149,877	1,410
Maintenance	74,172	74,172	70,687	3,485
Acquisitions	126,431	126,431	123,428	3,003
Circulation	382,535	382,535	374,831	7,704
Total Expenditures	2,124,040	2,124,040	2,068,555	55,485
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,919</u>	<u>\$ 1,919</u>

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

Notes to Financial Statements

For the Year Ended June 30, 2002

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 nine-member Board of Directors administers operations for the Library. These directors are appointed by the Mayor and confirmed by the City Council of the City of Urbana to three year staggered terms. The Library Board is responsible for budgetary matters, 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. The Urbana Free Library is also included in the annual financial report of the City of Urbana, according to the criteria specified in governmental accounting standards.
- B. The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all activities of the Library. The effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who directly benefit from services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.
- C. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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.

Notes to Financial Statements

For the Year Ended June 30, 2002

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, 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 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:

THE URBANA FREE LIBRARY

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Notes to Financial Statements

For the Year Ended June 30, 2002

	Building Expansion	Library Materials	Total
Checking	\$ —	\$ 8,814	\$ 8,814
Savings	—	56,276	56,276
Busey Trust Money Market	1,520,614	—	1,520,614
Interest Receivable	2,203	—	2,203
Total	\$1,522,817	\$ 65,090	\$1,587,907

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, 2002, 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 \$798,730 and the bank balance was \$849,708. Of the bank balance, \$178,200 was covered by general depository insurance and \$671,508 was covered by collateral held by 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

Notes to Financial Statements

For the Year Ended June 30, 2002

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:

<u>Governmental Activities:</u>	<u>Balance 06/30/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/02</u>
Land	<u>\$ 405,509</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 405,509</u>
Building and Improvements	<u>\$1,314,976</u>	<u>\$ 465,212</u>	<u>\$ —</u>	<u>\$1,780,188</u>
Less Accum. Depreciation	<u>(428,480)</u>	<u>(8,361)</u>	<u>—</u>	<u>(436,841)</u>
Subtotal	<u>\$ 886,496</u>	<u>\$ 456,851</u>	<u>\$ —</u>	<u>\$1,343,347</u>
Equipment	<u>\$ 276,096</u>	<u>\$ 8,000</u>	<u>\$ —</u>	<u>\$284,096</u>
Less Accum. Depreciation	<u>(169,640)</u>	<u>(38,591)</u>	<u>—</u>	<u>(208,231)</u>
Subtotal	<u>\$ 106,456</u>	<u>\$ (30,591)</u>	<u>\$ —</u>	<u>\$ 75,865</u>
Total Capital Assets	<u>\$1,996,581</u>	<u>\$ 473,212</u>	<u>\$ —</u>	<u>\$2,469,793</u>
Less Accum. Depreciation	<u>(598,120)</u>	<u>(46,952)</u>	<u>—</u>	<u>(645,072)</u>
Total, Net Capital Assets	<u>\$1,398,461</u>	<u>\$ 426,260</u>	<u>\$ —</u>	<u>\$1,824,721</u>

Notes to Financial Statements

For the Year Ended June 30, 2002

Depreciation expense was charged to functions/programs as follows:

Administration	\$ 3,119
Adult Department	16,132
Children' s Department	7,003
Archives Department	4,309
Maintenance	855
Acquisitions	6,239
Circulation	<u>9,295</u>
Total	\$46,952

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 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.

Notes to Financial Statements

For the Year Ended June 30, 2002

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	\$ 1,919
To adjust property tax revenues recognized	<u>(40,772)</u>
Actual net income (loss), GAAP basis	\$(38,853)

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 \$147,772 in 2002 (amounts include payments for social security and Medicare).

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:

Notes to Financial Statements

For the Year Ended June 30, 2002

- 1) The City paid the Library \$60,630 towards the municipal documents center in 2002. 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 2002. This amount was approximately \$4,000. It is anticipated that the City will continue to pay this cost in the future. No provisions for this amount have been made in these statements.
- 3) The Library paid \$8,192 to the City in 2002 for data processing services. It is anticipated that the Library will continue to pay the this cost in the future.
- 4) The City paid \$465,212 in architectural and engineering fees in conjunction with the future building expansion (see note below).

Note 11 – Due From Other Governments:

Following is a breakdown of amounts due from other governments:

State - corporate personal property replacement tax	\$18,449
City of Urbana - employer's share of retirement costs	<u>4,145</u>
	<u>\$22,594</u>

Note 12 – State Aid and Other Grants:

The Library received \$42,639 in 2002 from the State of Illinois as financial aid. Current state law provides this annual grant, based on population.

The Library received a grant of \$12,400 in 2002 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 (\$6,200) is reported as deferred revenue.

In 2002, the Library benefited from a number of grants awarded by the Illinois State Library System, the Gates Foundation, and the Lincoln Trails Library System. These grants provided funds to purchase certain computer and electronic equipment and pay for

Notes to Financial Statements

For the Year Ended June 30, 2002

personnel and materials to promote improved reading and library literacy. Due to these grants, the Library spent \$2,141 in personnel costs and \$20,657 in materials in 2002.

The Library was awarded a grant from the Urbana School District in the amount of \$34,500 in 2002. 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 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 \$8.26 million. The City of Urbana will contribute \$5.38 million, \$800,000 will be obtained from a State grant, and the balance of \$2.08 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 \$1,522,817 at June 30, 2002. Ground breaking is planned for the fall of 2002 with completion in 2005.

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.

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2002

	Special Revenue Funds				
	Publications	Grant	Documents Project	Trust Fund	Total
ASSETS					
Cash and Cash Equivalents:					
Checking	\$ 1,877	\$ 57	\$ 6,397	\$ 8,814	\$ 17,145
Savings	29,949	6,203	16,436	56,276	108,864
Total Assets	<u>\$ 31,826</u>	<u>\$ 6,260</u>	<u>\$ 22,833</u>	<u>\$ 65,090</u>	<u>\$ 126,009</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 349	\$ -	\$ -	\$ -	\$ 349
Accrued Salaries and Taxes	-	-	1,249	-	1,249
Deferred Revenues	-	4,797	-	-	4,797
Due to Other Funds	-	1,463	-	-	1,463
Total Liabilities	<u>349</u>	<u>6,260</u>	<u>1,249</u>	<u>-</u>	<u>7,858</u>
Fund Balance:					
Reserved for Library Materials	-	-	-	65,090	65,090
Unreserved	31,477	-	21,584	-	53,061
Total Fund Balance	<u>31,477</u>	<u>-</u>	<u>21,584</u>	<u>65,090</u>	<u>118,151</u>
Total Liabilities and Fund Balance	<u>\$ 31,826</u>	<u>\$ 6,260</u>	<u>\$ 22,833</u>	<u>\$ 65,090</u>	<u>\$ 126,009</u>

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

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

For the Year Ended June 30, 2002

	Special Revenue Funds				
	Publications	Grant	Documents Project	Trust Fund	Total
REVENUES:					
Intergovernmental:					
City of Urbana	\$ -	\$ -	\$ 60,630	\$ -	\$ 60,630
Grants, State	-	15,067	-	-	15,067
Donations	-	-	-	13,896	13,896
Interest	774	-	511	1,477	2,762
Sale of Books and Materials	9,313	-	-	19,102	28,415
Total Revenues	10,087	15,067	61,141	34,475	120,770
EXPENDITURES:					
Acquisitions	-	-	-	25,635	25,635
Publishing Costs	9,753	-	-	-	9,753
Grant Programs	-	22,798	-	-	22,798
Documents Center	-	-	59,358	-	59,358
Total Expenditures	9,753	22,798	59,358	25,635	117,544
Excess of Revenues Over (Under) Expenditures	334	(7,731)	1,783	8,840	3,226
Fund Balance, Beginning of the Year	31,143	-	19,801	56,250	107,194
Fund Balance, End of the Year	\$ 31,477	\$ (7,731)	\$ 21,584	\$ 65,090	\$ 110,420

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