

THE URBANA FREE LIBRARY

Audit Report

For the Year Ended June 30, 2008



THE URBANA FREE LIBRARY

Financial Statements

For the Year Ended June 30, 2008

THE URBANA FREE LIBRARY
Financial Statements
For the Year Ended June 30, 2008

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November 29, 2008

**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, 2008, as listed in the table of contents under "Basic Financial Statements". These financial statements are the responsibility of the management of the City of Urbana and the Urbana Free Library. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, these financial statements present only the Urbana Free Library fund of the City of Urbana, Illinois, and do not purport to, and do not, present fairly the financial position of the City of Urbana, Illinois, as of June 30, 2008, and the changes in its financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Urbana Free Library, a special revenue fund of the City of Urbana, Illinois, as of June 30, 2008, and the changes in its financial position thereof and the respective budgetary comparisons for the Urbana Free Library general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Bray, Drake, Liles & Richardson LLP

BRAY, DRAKE, LILES & RICHARDSON LLP



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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Urbana Free Library (Library), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Urbana Free Library for the fiscal year ended June 30, 2008.

FINANCIAL HIGHLIGHTS:

- At June 30, 2008, unreserved fund balance for the general fund was \$1,310,026, or 46% of the total general fund expenditures (45% last year). This amount is \$92,688 more than at the end of last year.
- The assets of the Library exceeded liabilities at June 30, 2008, by \$12,346,496. Of this amount \$2,287,578 is unrestricted (\$2,151,823 last year) and may be used to meet the government's ongoing operations.
- The Library's total net assets increased by \$134,844 (\$127,708 last year).
- At June 30, 2008, the Library's governmental funds reported combined fund balances of \$1,733,340 (an increase of \$152,715 over last year), of which \$1,359,696 was unreserved (an increase of \$108,128 from last year).
- The only long-term debt of the Library is \$102,969 in accumulated compensated employee absences, which increased \$14,862 or 16%.

OVERVIEW OF THE FINANCIAL STATEMENTS:

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

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

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

2. Fund Financial Statements.

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

- The Library adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.
 - The fund financial statements can be found on pages 11-15 of this report.
3. Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-23 of this report.
4. Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes. Combining statements can be found on pages 24 and 25 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

Comparative Statement of Net Assets:

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 2,530,313	\$ 2,375,262
Restricted assets	373,644	316,043
Capital assets	<u>9,685,274</u>	<u>9,743,786</u>
Total assets	<u>\$12,589,231</u>	<u>\$12,435,091</u>
Long-term liabilities	\$ 102,969	\$ 88,107
Other liabilities	<u>139,766</u>	<u>135,332</u>
Total liabilities	<u>\$ 242,735</u>	<u>\$ 223,439</u>
Net assets:		
Invested in capital assets	\$ 9,685,274	\$ 9,743,786
Restricted	373,644	316,043
Unrestricted	<u>2,287,578</u>	<u>2,151,823</u>
Total net assets	<u>\$12,346,496</u>	<u>\$12,211,652</u>

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

There was an increase in net assets of \$134,844: \$58,512 was a reduction in investment in capital assets; restricted net assets increased \$57,601; and \$135,755 was added to unrestricted net assets.

Comparative Statement of Governmental Activities:

	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Charges for services	\$ 164,285	\$ 142,323
Grants and contributions	78,275	67,066
General revenues:		
Property tax	2,567,421	2,432,484
Intergovernmental:		
City Urbana	125,425	114,461
Other	108,138	108,616
Donations	78,923	24,282
Other	42,550	71,279
Total revenues	<u>\$3,165,017</u>	<u>\$ 2,960,511</u>
Expenses:		
Centralized costs	\$665,983	646,190
Administration	309,167	267,056
Adult department	714,192	677,741
Children's department	390,848	370,630
Archives department	221,608	203,816
Maintenance	49,329	45,370
Acquisitions	176,659	164,832
Circulation	473,307	443,269
Publishing costs	2,805	2,901
Grant programs	26,275	10,998
Total expenses	<u>\$3,030,173</u>	<u>\$ 2,832,803</u>
Increase in net assets	134,844	127,708
Beginning net assets	<u>12,211,652</u>	<u>12,083,944</u>
Ending net assets	<u>\$12,346,496</u>	<u>\$12,211,652</u>

As noted the increase in net assets was \$134,844. This increase is \$7,136 more than last year's increase. Total revenues increased \$204,506 or 6.9%. This increase was mainly due to an increase of \$134,937 in property tax and an increase of \$54,641 in donations. Total expenses increased \$197,370 or 7%. This cost increase was similar in most categories, mainly due to increased costs due to the larger library building constructed in the past 3 years and increased service demands.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS. The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The General Fund is the primary operating fund of the Library. Unreserved fund balance at the end of 2008 for the general fund increased \$92,688 (3.2% of total general fund expenditures).

GENERAL FUND BUDGETARY HIGHLIGHTS: There was one supplementary budget appropriation of \$98,575 during the year, used to pay for certain non-recurring costs of two library surveys and equipment. This additional appropriation was funded from fund balance.

CAPITAL ASSETS:

The Library's investment in capital assets as of June 30, 2008, was \$9,685,274 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment. Capital asset events during the year were:

- New equipment purchased during year \$46,157
- Building improvements during year \$95,705
- Depreciation expense of \$1164,967

Comparative Statement of Capital Assets (net of depreciation):

	<u>2008</u>	<u>2007</u>
Land	\$ 480,732	\$ 480,732
Building and Improvements	8,993,393	9,073,279
Equipment	<u>211,149</u>	<u>189,775</u>
Total Net Capital Assets	<u>\$9,685,274</u>	<u>\$9,743,786</u>

Additional information on capital assets can be found in note 4 in the Notes to Financial Statements.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET.

- The most significant revenue source for the Library is the property tax, responsible for 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 8.9% annual growth over the last five years and 7.3% over the last 10 years. The City of Urbana has been very aggressive in encouraging new business development and new housing construction. These actions along with inflationary increases in property values have been the primary reasons for this growth. Management expects growth in assessed value to remain strong over the next few years, although at a rate 1-2% below these averages.
- The general fund budget for next year increased 6.4%, reflecting adjustments for inflationary cost increases in utilities and additional personnel and materials for increased library usage due to the new building addition.
- For next year, the management of the Library has the following initiatives:

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

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

THE URBANA FREE LIBRARY
Statement of Net Assets
June 30, 2008

ASSETS:

Cash and Cash Equivalents:

On Hand	\$ 516
Checking	19,173
Savings	1,117,280

Receivables:

Property Tax	1,303,403
Due from the City	89,941

Restricted Assets:

Cash and Cash Equivalents:

Checking	9,276
Savings	143,503
Busey Trust Money Market	220,425
Interest Receivable	440

Capital Assets:

Land	480,732
Other Capital Assets (net of accumulated depreciation):	
Buildings and Improvements	8,993,393
Equipment	211,149

Total Assets	12,589,231
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LIABILITIES:

Accounts Payable	39,211
Deferred Revenues	12,559
Accrued Salaries and Taxes	87,996

Non-Current Liability:

Accumulated Compensated Absences	102,969
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Total Liabilities	242,735
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NET ASSETS:

Invested in Capital Assets, net of related debt	9,685,274
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Restricted for:

Building Expansion	220,865
Library Materials	152,779

Unrestricted	2,287,578
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Total Net Assets	\$ 12,346,496
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The accompanying notes are an integral part of these financial statements.

THE URBANA FREE LIBRARY
Statement of Activities
For the Year Ended June 30, 2008

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Functions/Programs:				
Governmental Activities:				
Centralized Costs	\$ 665,983	\$ 51,605	\$ -	\$ (614,378)
Administration	309,167	-	-	(309,167)
Adult Department	714,192	36,288	-	(677,904)
Children's Department	390,848	21,260	34,500	(335,088)
Archives Department	221,608	13,336	17,500	(190,772)
Maintenance	49,329	-	-	(49,329)
Acquisitions	176,659	10,599	-	(166,060)
Circulation	473,307	28,392	-	(444,915)
Publishing Costs	2,805	2,805	-	-
Grant Programs	26,275	-	26,275	-
Total Governmental Activities	<u>\$3,030,173</u>	<u>\$ 164,285</u>	<u>\$ 78,275</u>	<u>(2,787,613)</u>
General Revenues:				
Real Property Tax				2,567,421
Intergovernmental:				
Corporate Personal Property				
Replacement Tax				62,904
State Aid-Public Libraries				45,234
City of Urbana				125,425
Donations				78,923
Interest				42,550
Total General Revenues				<u>2,922,457</u>
Change in Net Assets				134,844
Net Assets, Beg. Year				<u>12,211,652</u>
Net Assets, End Year				<u>\$ 12,346,496</u>

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

THE URBANA FREE LIBRARY
Balance Sheet-Governmental Funds
June 30, 2008

ASSETS	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents:			
On Hand	\$ 516	\$ -	\$ 516
Checking	17,307	1,866	19,173
Savings	1,069,254	48,026	1,117,280
Receivables:			
Property Tax	1,303,403	-	1,303,403
Due from the City	89,941	-	89,941
Restricted Assets:			
Cash and Cash Equivalents:			
Checking	-	9,276	9,276
Savings	-	143,503	143,503
Busey Trust Money Market	-	220,425	220,425
Interest Receivable	-	440	440
Total Assets	<u>\$2,480,421</u>	<u>\$ 423,536</u>	<u>\$ 2,903,957</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 39,047	\$ 164	\$ 39,211
Accrued Salaries and Taxes	87,996	-	87,996
Deferred Revenues	1,043,352	58	1,043,410
Total Liabilities	<u>1,170,395</u>	<u>222</u>	<u>1,170,617</u>
Fund Balances:			
Reserved for:			
Building Expansion	-	220,865	220,865
Library Materials	-	152,779	152,779
Unreserved, Reported in:			
General Fund:			
Designated for Future Employee			
Separation Benefits	39,126		39,126
Undesignated	1,270,900		1,270,900
Special Revenue Funds	-	49,670	49,670
Total Fund Balance	<u>1,310,026</u>	<u>423,314</u>	<u>1,733,340</u>
Total Liabilities and Fund Balance	<u>\$2,480,421</u>	<u>\$ 423,536</u>	<u>\$ 2,903,957</u>

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

THE URBANA FREE LIBRARY

Reconciliation of the Fund Balance in Governmental Funds
Balance Sheet to Net Assets in the Statement of Net Assets
June 30, 2008

Total fund balances, governmental funds	\$ 1,733,340
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	9,685,274
Long-term liabilities (compensated absences) are not due and payable in the current period and are not reported in the funds	(102,969)
A portion of property taxes recognized in the statement of activities does not provide current financial resources and are reported in the funds as deferred revenue	<u>1,030,851</u>
Net assets of governmental activities	<u>\$ 12,346,496</u>

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

THE URBANA FREE LIBRARY

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Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Real Property Tax	\$ 2,511,917	\$ -	\$ 2,511,917
Intergovernmental:			
Corporate Personal Property			
Replacement Tax	62,904	-	62,904
Grant, Champaign County	17,500	-	17,500
State Aid-Public Libraries	45,234	-	45,234
City of Urbana	125,425	-	125,425
Grant, Urbana School District	34,500	-	34,500
Grant, State	-	26,275	26,275
Book Fines	80,810	-	80,810
Lost and Damage Fees	10,835	-	10,835
Interloan Fees	8,039	-	8,039
Equipment Rental Fees	16,671	-	16,671
Donations	-	78,923	78,923
Interest	30,713	11,837	42,550
Sale of Books and Materials	-	25,684	25,684
Non-resident User Fees	22,247	-	22,247
Total Revenues	2,966,795	142,719	3,109,514
Expenditures:			
Centralized Costs	753,747	18,691	772,438
Administration	296,435	-	296,435
Adult Department	599,197	26,481	625,678
Children's Department	346,781	8,376	355,157
Archives Department	209,491	64	209,555
Maintenance	45,271	-	45,271
Acquisitions	167,690	-	167,690
Circulation	455,495	-	455,495
Publishing Costs	-	2,805	2,805
Grant Programs	-	26,275	26,275
Total Expenditures	2,874,107	82,692	2,956,799
Excess of Revenues Over (Under) Expenditures	92,688	60,027	152,715
 Fund Balance, Beg. of Year	 1,217,338	 363,287	 1,580,625
Fund Balance, End of Year	<u>\$ 1,310,026</u>	<u>\$ 423,314</u>	<u>\$ 1,733,340</u>

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

THE URBANA FREE LIBRARY

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

For the Year Ended June 30, 2008

Net change in fund balances-governmental funds	\$ 152,715
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	55,503
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.	106,455
This is the amount of depreciation that was not reported in the funds.	(164,967)
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>(14,862)</u>
Change in net assets of governmental activities	<u>\$ 134,844</u>

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

THE URBANA FREE LIBRARY

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

For the Year Ended June 30, 2008

	Budgeted Amounts			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Real Property Tax	\$ 2,637,836	\$ 2,637,836	\$ 2,511,917	\$ (125,919)
Intergovernmental:				
Corporate Personal Property				
Replacement Tax	62,904	62,904	62,904	-
Grant, Champaign County	10,000	17,500	17,500	-
State Aid-Public Libraries	45,712	45,712	45,234	(478)
City of Urbana	-	-	125,425	125,425
Grant, Urbana School District	34,500	34,500	34,500	-
Book Fines	75,000	75,000	80,810	5,810
Lost & Damaged Fees	9,500	9,500	10,835	1,335
Interloan Fees	12,400	12,400	8,039	(4,361)
Equipment Rental	16,500	16,500	16,671	171
Interest	30,000	30,000	30,713	713
Non-resident User Fees	19,000	19,000	22,247	3,247
Total Revenues	2,953,352	2,960,852	2,966,795	5,943
Expenditures:				
Current:				
Centralized Costs	771,251	864,519	753,747	110,772
Administration	285,498	299,428	296,435	2,993
Adult Department	615,619	607,899	599,197	8,702
Children's Department	355,449	356,143	346,781	9,362
Archives Department	217,409	223,401	209,491	13,910
Maintenance	56,712	54,846	45,271	9,575
Acquisitions	177,019	177,556	167,690	9,866
Circulation	474,395	475,635	455,495	20,140
Total Expenditures	2,953,352	3,059,427	2,874,107	185,320
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (98,575)	\$ 92,688	\$ 191,263

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, 2008

Note 1 – Summary of Significant Accounting Policies:

- A. The Urbana Free Library, founded in 1874, provides a broad range of basic library services, including adult and children departments, and archives. A nine-member Board of Directors administers operations for the Library. These directors are appointed by the Mayor and confirmed by the City Council of the City of Urbana to three year staggered terms. The Library Board is responsible for budgetary matters and day-to-day operational policies. The City Council of the City of Urbana is the authority for levying the annual property tax. The Urbana Free Library is also included in the annual financial report of the City of Urbana, according to the criteria specified in governmental accounting standards.
- B. The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all activities of the Library. The effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who directly benefit from services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.
- C. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered available if they are collected within 60 days of year-end. Expenditures are recorded when a liability is incurred, as under accrual accounting, except that expenditures related to compensated absences are recorded only when payment is due.

THE URBANA FREE LIBRARY

Notes to Financial Statements

For the Year Ended June 30, 2008

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

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

E. Restricted Net Assets:

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

	Building Expansion	Library Materials	Total
Checking	\$ --	\$ 9,276	\$ 9,276
Savings	--	143,503	143,503
Busey Trust Money Market	220,425	--	220,425
Interest Receivable	440	--	440
Total Restricted Net Assets	<u>\$220,865</u>	<u>\$152,779</u>	<u>\$373,644</u>

Notes to Financial Statements

For the Year Ended June 30, 2008

Note 2 - Deposits and Investments:

The Library considers cash on hand, checking, savings, and investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents. If the Library has any excess cash during the year, its policy is to purchase certificates of deposit with maturities of less than 3 months. The Library had no investments at June 30, 2008. Because, the Library's policy is to only invest in these 3 month certificates of deposits, its investment policy does not specifically address any exposure to credit risk or custodial credit risk.

Interest Rate Risk: The Library has no exposure to interest rate risk due to declines in the fair values of investments.

Credit Risk: The Library is authorized by Illinois statutes to invest in obligations of the U. S. Treasury and its agencies, non-negotiable certificates of deposit, obligations of the State of Illinois and its political subdivisions, savings accounts, credit union shares, commercial paper noted within the three highest classifications by at least two standard rating agencies, and the Illinois Public Treasurer's Investment Pool. The only exposure to any credit risk is the Library's investment in the Northern Institutional Government Money Market. The amount of this investment at June 30, 2008 is \$220,425. The Library believes that the amounts invested in this money market fund while not guaranteed, pose no significant credit risk in that this fund is rated AAA by both Standard and Poors and Moody's Investment Services.

Concentration of Credit Risk: Since there are no investments at June 30, 2008, the Library does not have any exposure to any concentration of credit risk.

Custodial Credit Risk for Deposits: is the risk that in the event of a bank failure, the Library's deposits may not be returned. Deposits in federally insured banks and savings and loans are insured in an amount equal to \$100,000. It is the policy of the Library that deposits above insured limits will be secured by the institution pledging securities in fair value amounts at least to cover uninsured amounts with a third party institution. At June 30, 2008, all amounts were insured or covered by collateral held by the pledging financial institution.

THE URBANA FREE LIBRARY

Notes to Financial Statements

For the Year Ended June 30, 2008

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, which is estimated to be 60% of the levy. Therefore, in governmental funds, 40% of the levy is deferred.

Note 4 – Capital Assets:

Capital assets, which include property, land, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. These assets are recorded at historical cost or estimated historical cost if actual is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Assets are depreciated using the straight line method over the following estimated useful lives: buildings 75 years, office furniture 10-25 years, and equipment 5-7 years. Land is not depreciated. Construction in Progress is not depreciated until the asset is placed in service. Capital asset activity for the year follows:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/08</u>
Land	<u>\$ 480,732</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 480,732</u>
Building and Improvements	\$9,972,752	\$ 60,298	\$ --	\$10,033,050
Less Accum. Depreciation	<u>(899,473)</u>	<u>(140,184)</u>	<u>--</u>	<u>(1,039,657)</u>
Subtotal	<u>\$9,073,279</u>	<u>\$ (79,886)</u>	<u>\$ --</u>	<u>\$ 8,993,393</u>

Notes to Financial Statements

For the Year Ended June 30, 2008

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/08</u>
Equipment	\$ 370,925	\$ 46,157	\$ --	\$417,082
Less Accum. Depreciation	<u>(181,150)</u>	<u>(24,783)</u>	<u>--</u>	<u>(205,933)</u>
Subtotal	<u>\$ 189,775</u>	<u>\$ 21,374</u>	<u>\$ --</u>	<u>\$ 211,149</u>
 Total Capital Assets	 \$10,824,409	 \$ 106,455	 \$ --	 \$10,930,864
Less Accum. Depreciation	<u>(1,080,623)</u>	<u>(164,967)</u>	<u>--</u>	<u>(1,245,590)</u>
Total, Net Capital Assets	<u>\$ 9,743,786</u>	<u>\$ (58,512)</u>	<u>\$ --</u>	<u>\$ 9,685,274</u>

Depreciation expense was charged to functions/programs as follows:

Administration	\$10,146
Adult Department	85,527
Children's Department	33,566
Archives Department	10,641
Maintenance	3,300
Acquisitions	7,676
Circulation	<u>14,111</u>
Total	<u>\$164,967</u>

Note 5 – Accumulated Compensated Employee Absences:

Library employees are granted vacation and sick pay in various amounts. Sick leave and vacation benefits may be accumulated; however, upon death or retirement, employees are eligible to receive only a portion of accumulated time. Amounts for compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, as a result of the employee leaving employment. The General Fund will be used to liquidate these liabilities. Accumulated compensated employee absence activity for the year follows:

Balance, Beginning of Year	\$88,107
Retired	55,747
Additions	<u>70,609</u>
Balance, End of Year	<u>\$102,969</u>

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Notes to Financial Statements

For the Year Ended June 30, 2008

Note 6 – Budgetary Information:

Prior to July 1 of each year, the Library Board submits a budget for the general fund to the City of Urbana City Council in order to request the annual tax levy for the following year. The City of Urbana then adopts this tax levy appropriation request as part of the annual city appropriation ordinance. Budgets are adopted for the special revenue funds for internal management purposes only. Since budgets for the special revenue funds are not used to control expenditures, only a comparison of budgetary to actual is presented for the general fund. Budgetary control of the individual trust funds is provided by the agreements between the Library and the donor concerning authorized uses of the funds. There was one supplementary budget appropriation of \$98,575 during the year, used for non-recurring costs of an employee salary survey, a library user survey, and equipment. This additional appropriation was funded from fund balance. In addition, there were transfers of budget amounts between various departments that did not increase the overall total library budget. This budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

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

Note 7 – Home Rule Unit:

The City of Urbana is a Home Rule Unit under provisions of the Illinois Constitution. As a home rule community, no statutory limit exists on the issuance of debt or the levying of property taxes upon real estate.

Note 8 – Pension and Retirement Fund Commitments:

The City of Urbana (on behalf of the Library) pays all required employer contributions to the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government units in Illinois. Information concerning the plan description and funding status is included in the Comprehensive Annual Financial Report of the City of Urbana. The value of these payments is \$285,141 in 2008

Notes to Financial Statements

For the Year Ended June 30, 2008

(amounts include payments for social security and Medicare) and is not included in the revenues, expenses or expenditures in these financial statements.

Note 9 – Lease Commitments:

The Library has entered into a noncancellable lease for certain office equipment. The amounts paid under this lease agreement during 2008 was \$13,884. There is one year of future minimum lease payments left under this lease in the amount of \$13,884 in fiscal year ended June 30, 2009.

Note 10 – Related Party Transactions:

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

- 1) The Library paid \$10,172 to the City in 2008 for data processing services. It is anticipated that the Library will continue to pay this cost in the future.
- 2) The City paid the Library the approximate difference in the amount of the property tax levied and the actual property tax collected to assist the Library in keeping their cash flows equal to the property tax levy. This amount was \$125,425 in 2008. This amount approximates 40% of the difference between the current levy and the previous levy (because 40% of the taxes are deferred).

Note 11 – State Aid and Other Grants:

The Library received \$45,234 in 2008 from the State of Illinois as financial aid. Current state law provides this annual grant, based on population.

The Library received a grant of \$25,000 grant in 2008 from Champaign County to reimburse the Library for costs of operating the Archives Department. The grant received each year covers the period from January 1 to December 31. Thus, one-half of the award (\$12,500) is reported as deferred revenue.

The Library was awarded a grant from the Urbana School District in the amount of \$34,500 in 2008. This grant reimbursed the Library for costs of library services for

THE URBANA FREE LIBRARY

Notes to Financial Statements

For the Year Ended June 30, 2008

students living in University of Illinois sponsored housing quarters and was part of a larger grant paid to the School District from the University of Illinois.

The Library received a grant from the State of Illinois through the Urbana School District for reimbursement of costs for instructional services to participants in the American History Teacher's Collaborative. At June 30, 2007, the Library had been advanced \$7,500 from this grant. In 2008, the Library received \$4,400 and spent \$5,700. Thus, the remaining amount of \$6,200 was deferred at June 30, 2008. This grant has been renewed by the U.S. Dept. of Education for another three years and the Library will continue as a partner through 2010.

The Library received a grant from the State of Illinois through the Champaign Public Library for reimbursement of costs of the Heroes reading program. In 2008, the Library received \$13,858 and spent \$20,000 under this grant program. Thus, at June 30, 2008, \$6,142 of these grant monies had been spent and not received by the Library.

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

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 Foundations Fund was donated for future library building improvements. Thus, these fund balances are reserved for these purposes. A portion of the fund balance in the general fund (\$39,126) has been designated by the Library to pay for future employee separation benefits. This designation is not a legal restriction or designation.

Note 16 - 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.

THE URBANA FREE LIBRARY

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

	Special Revenue Funds				
	Foundation	Publications	Grant	Trust Fund	Total
ASSETS					
Cash and Cash Equivalents:					
Checking	\$ -	\$ 1,808	\$ 58	\$ -	\$ 1,866
Savings	-	48,026	-	-	48,026
Restricted Assets:					
Cash and Cash Equivalents:					
Checking	-	-	-	9,276	9,276
Savings	-	-	-	143,503	143,503
Busey Trust Money Market	220,425	-	-	-	220,425
Interest Receivable	440	-	-	-	440
Total Assets	<u>\$ 220,865</u>	<u>\$ 49,834</u>	<u>\$ 58</u>	<u>\$ 152,779</u>	<u>\$423,536</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ -	\$ 164	\$ -	\$ -	\$ 164
Deferred Revenues	-	-	58	-	58
Total Liabilities	<u>-</u>	<u>164</u>	<u>58</u>	<u>-</u>	<u>222</u>
Fund Balance:					
Reserved for Building Expansion	220,865	-	-	-	220,865
Reserved for Library Materials	-	-	-	152,779	152,779
Unreserved	-	49,670	-	-	49,670
Total Fund Balance	<u>220,865</u>	<u>49,670</u>	<u>-</u>	<u>152,779</u>	<u>423,314</u>
Total Liabilities and Fund Balance	<u>\$ 220,865</u>	<u>\$ 49,834</u>	<u>\$ 58</u>	<u>\$ 152,779</u>	<u>\$423,536</u>

THE URBANA FREE LIBRARY

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

For the Year Ended June 30, 2008

	Special Revenue Funds				Total
	Foundation	Publications	Grant	Trust Fund	
REVENUES:					
Intergovernmental:					
Grants, State	\$ -	\$ -	26,275	\$ -	\$ 26,275
Donations	23,280	-	-	55,643	78,923
Interest	8,371	1,079	-	2,387	11,837
Sale of Books and Materials	-	4,152	-	21,532	25,684
Total Revenues	31,651	5,231	26,275	79,562	142,719
EXPENDITURES:					
Centralized Costs	18,691	-	-	-	18,691
Adult Department	-	-	-	26,481	26,481
Children's Department	-	-	-	8,376	8,376
Archives Department	-	-	-	64	64
Publishing Costs	-	2,805	-	-	2,805
Grant Programs	-	-	26,275	-	26,275
Total Expenditures	18,691	2,805	26,275	34,921	82,692
Excess of Revenues Over (Under) Expenditures	12,960	2,426	-	44,641	60,027
Fund Balance, Beginning of the Year	207,905	47,244	-	108,138	363,287
Fund Balance, End of the Year	<u>\$ 220,865</u>	<u>\$ 49,670</u>	<u>\$ -</u>	<u>\$ 152,779</u>	<u>\$ 423,314</u>