

URBANA FREE LIBRARY
A COMPONENT UNIT OF THE CITY OF URBANA, ILLINOIS

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2015

URBANA FREE LIBRARY

TABLE OF CONTENTS As of and for the Year Ended June 30, 2015

	<u>Page(s)</u>
Independent Auditors' Report	i - ii
Required Supplementary Information	
Management's Discussion and Analysis	1 - 12
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14 - 15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Index to Notes to Financial Statements	20
Notes to Financial Statements	21 - 40
Required Supplementary Information	
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	41
Retiree Health Insurance Plan - Schedule of Employer Contributions and Schedule of Funding Progress	42
Notes to Required Supplementary Information	43
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	45

To the Board of Trustees
Urbana Free Library

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the Urbana Free Library as of June 30, 2015 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Urbana Free Library's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Victor Kraun, LLP

Oak Brook, Illinois
December 23, 2015

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2015 (Unaudited)

The discussion and analysis of Urbana Free Library's (the "Library") financial performance provides an overall review of the Library's financial activities for the year ended June 30, 2015. The management of the Library encourages readers to consider the information presented herein in conjunction with the basic financial statements to enhance their understanding of the Library's financial performance. Certain comparative information between the current year and the prior is required to be presented in the Management's Discussion and Analysis (the "MD&A").

Financial Highlights

- The assets of the Library exceeded its liabilities/deferred inflows of resources at the close of the most recent fiscal year by \$10,785,009 (net position). Of this amount \$1,275,898 is unrestricted and may be used to meet the government's ongoing obligation to citizens and creditors.
- In total, net position decreased by \$279,333.
- As of the close of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$1,745,772, a decrease of \$(29,942) in comparison with the prior year. Approximately \$1,468,446 is available for spending at the government's discretion (unassigned fund balance).
- General revenues accounted for \$3,079,162 in revenue or 92% of all governmental revenues. Program specific revenues in the form of charges for services and fees and grants accounted for \$259,297 or 8% of total governmental revenues of \$3,338,459.
- The Library had \$3,617,792 in expenses related to government activities. However, only \$259,297 of these expenses were offset by program specific charges and grants.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,482,755, or 45% of the total General Fund expenditures. Funds for the 11-year accrual, for Building, Capital Expense, and the Health Savings Plan payout which the Library is obligated to pay are included here. Since most of the Library's revenue is property taxes and since most of the property taxes for one fiscal year come in during June, the last month of the fiscal year, it is imperative for the Library to have a healthy fund balance for cash flow purposes.
- In addition, according to the Library's Five-Year Financial Plan, FY2014-FY2018, capital investments in the air handler, boiler, front porch and windows, could cost hundreds of thousands of dollars, for which the Library should have an adequate fund balance.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2015 (Unaudited)

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The basic financial statements are comprised of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business, and are reported using the accrual basis of accounting and economic resources measurement focus.

The statement of net position presents information on all of the Library's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year being reported. All changes in net position 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 periods.

The government-wide financial statements can be divided into two types of activities: governmental and business type. Governmental activities present the functions of the Library that are principally supported by taxes and intergovernmental revenues. The Library's governmental activities include library operational services. The Library has no business type activities.

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-related legal requirements. All of the funds of the Library can be divided into one category: governmental funds.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2015 (Unaudited)

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements and are reported using the modified accrual basis of accounting and current financial resources measurement focus. The governmental fund statements provide a detailed short-term view of the Library's general government operations and the basic services it provides. However, unlike the government-wide financial statements, 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. Such information may be useful in evaluating a 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 presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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 between governmental funds and governmental activities.

The Library maintains 1 major individual governmental fund. 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 considered to be a major fund. Data from the remaining 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 schedules elsewhere in this report. The Library adopts an annual budget for the major fund listed above. A budgetary comparison statement has been provided for the major fund to demonstrate compliance with this budget.

Notes to basic financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Library's contributions and funding progress of the Illinois Municipal Retirement Fund; as well as, budget to actual comparisons of the funds for which a budget has been adopted. Supplementary schedules include combining and individual fund schedules of all non-major funds.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2015 (Unaudited)

Government-Wide Financial Analysis

Table 1 Condensed Statements of Net Position (in actual dollars)			
	<u>Governmental Activities</u>		
	2015	2014	Change
Assets			
Current and other assets	\$ 3,037,136	\$ 3,035,440	
Capital assets	9,291,248	9,475,649	(1.9)%
Total assets	12,328,384	12,511,089	(1.5)%
Liabilities			
Long-term liabilities	252,011	187,021	34.8%
Other liabilities	123,800	92,156	34.3%
Total liabilities	375,811	279,177	34.6%
Deferred Inflows of Resources			
Property taxes levied for a future period	1,167,564	1,167,570	
Total deferred inflows of resources	1,167,564	1,167,570	
Net position			
Net investment in capital assets	9,291,248	9,475,649	(1.9)%
Restricted	217,863	224,484	(2.9)%
Unrestricted	1,275,898	1,364,209	-6.5%
Total net position	\$ 10,785,009	\$ 11,064,342	(2.5)%

Normal Impacts

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net results of activities – which will impact (increase/decrease) current assets and unrestricted net position.

Borrowing for capital – which will increase current assets and long-term debt.

Spending borrowed proceeds on new capital – which will: (a) reduce current assets and increase capital assets; and, (b) increase capital assets and long-term debt, which will not change the net investment in capital assets.

Spending of non-borrowed current assets on new capital – which will: (a) reduce current assets and increase capital assets; and, (b) will reduce unrestricted net position and increase the net investment in capital assets.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2015
(Unaudited)

Principal payment on debt – which will: (a) reduce current assets and reduce long-term debt; and, (b) reduce unrestricted net position and increase the net investment in capital assets.

Reduction of capital assets through depreciation – which will reduce capital assets and net investment in capital assets.

Current Year Impacts

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, total net position decreased by \$279,333 from \$11,064,342 to \$10,785,009. The Library's total assets equal \$12,328,384. The Library's total liabilities/deferred inflows of resources equal \$1,543,375.

A portion of the net position of the governmental activities is restricted for trusts. The unrestricted balance of \$1,275,898 may be used to meet the ongoing Library obligations to their citizens and creditors. All net position categories show positive balances at year end.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2015
(Unaudited)

Table 2 Condensed Statements of Activities (in actual dollars)			
	<i>Governmental Activities</i>		
	2015	2014	Change
Revenues			
Charges for services	\$ 218,897	\$ 267,790	-18.3%
Operating grants and contributions	40,400	34,331	17.7%
Capital grants and contributions	-	360,287	-100.0%
Property taxes	2,910,798	2,681,754	8.5%
Intergovernmental	148,697	378,985	-60.8%
Other general revenues	<u>19,667</u>	<u>18,608</u>	5.7%
Total revenues	<u>3,338,459</u>	<u>3,741,755</u>	-10.8%
Expenses			
Centralized costs	774,554	810,473	-4.4%
Publishing costs	1,280	774	65.4%
Grant programs	-	431	-100.0%
Administration	373,130	375,621	-0.7%
Adult department	751,912	685,061	9.8%
Children's department	508,924	466,714	9.0%
Archives department	253,615	203,345	24.7%
Cafe department	82,225	75,312	9.2%
Acquisitions	254,203	233,785	8.7%
Circulation	607,594	619,205	-1.9%
Maintenance	<u>10,355</u>	<u>8,944</u>	15.8%
Total expenses	<u>3,617,792</u>	<u>3,479,665</u>	4.0%
Change in net position	(279,333)	262,090	-206.6%
Net position, beginning of year	<u>11,064,342</u>	<u>10,802,252</u>	2.4%
Net position, end of year	<u>\$ 10,785,009</u>	<u>\$ 11,064,342</u>	-2.5%

Normal Impacts

There are eight basic (normal) impacts that will affect the comparability of the revenues and expenses on the Statement of Activities summary presentation.

Revenues

Economic condition – which can reflect a declining, stable or growing economic environment, and has substantial impact on state sales, replacement and hotel/motel tax revenue; as well as, public spending habits for building permits, elective user fees, and volumes of consumption.

Increase/decrease in Library approved rates – while certain tax rates are set by statute, the Library has significant authority to impose and periodically increase/decrease rates.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Year Ended June 30, 2015 (Unaudited)

Changing patterns in intergovernmental and grant revenue (both recurring and non-recurring) – certain recurring revenues (state shared revenues, etc.) may experience significant changes periodically while non-recurring grants are less predictable and often distorting in their impact on year to year comparisons.

Market impacts on investment income – the Library's investments may be affected by market conditions causing investment income to increase/decrease.

Expenses

Introduction of new programs – within the functional expense categories (centralized costs, administration, adult department, etc.), individual programs may be added or deleted to meet changing community needs.

Change in authorized personnel – changes in service demand may cause the Library to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent the largest operating cost of the Library.

Salary increases (annual adjustments and merit) – the ability to attract and retain human and intellectual resources requires the Library to strive to approach a competitive salary range position in the marketplace.

Inflation – while overall inflation appears to be reasonably modest, the Library is a major consumer of certain commodities such as supplies. Some functions may experience unusual commodity specific increases.

Current Year Impacts

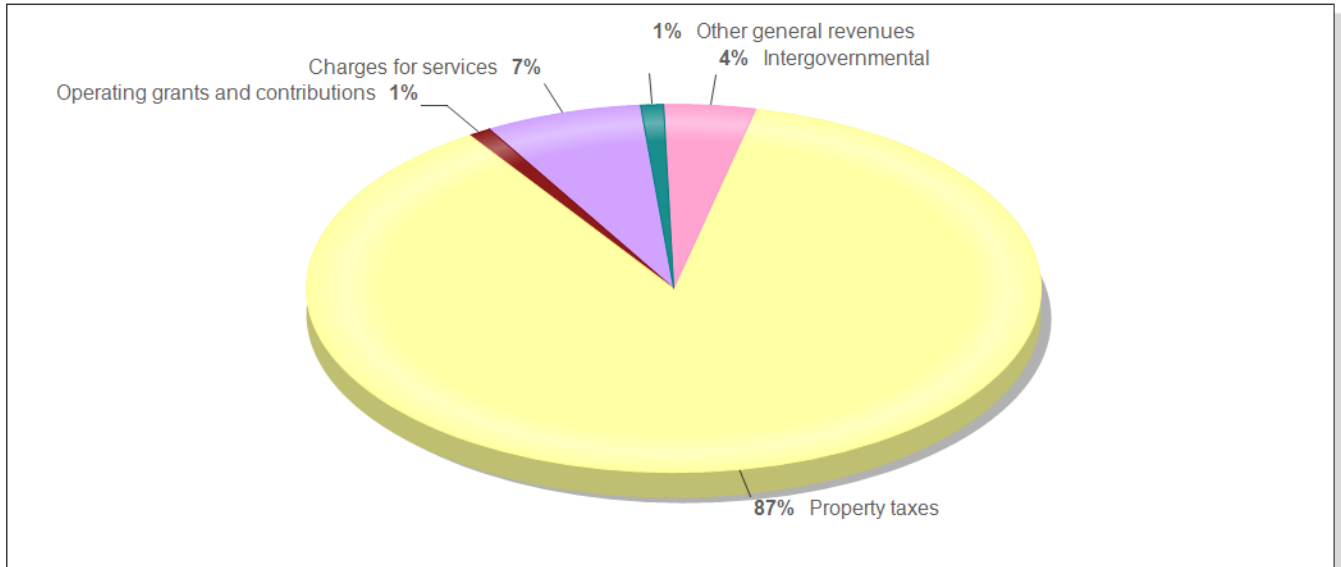
Budgeted property tax revenue decreased approximately \$242,600. Payments to retirees for their RHS payouts were taken from the RHS Plan Fund Balance. The Library's net position decreased, due primarily to normal depreciation and recognition of the liability of compensated absences which had not been recognized before.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2015
(Unaudited)

Governmental Activities

Governmental Revenues by Source



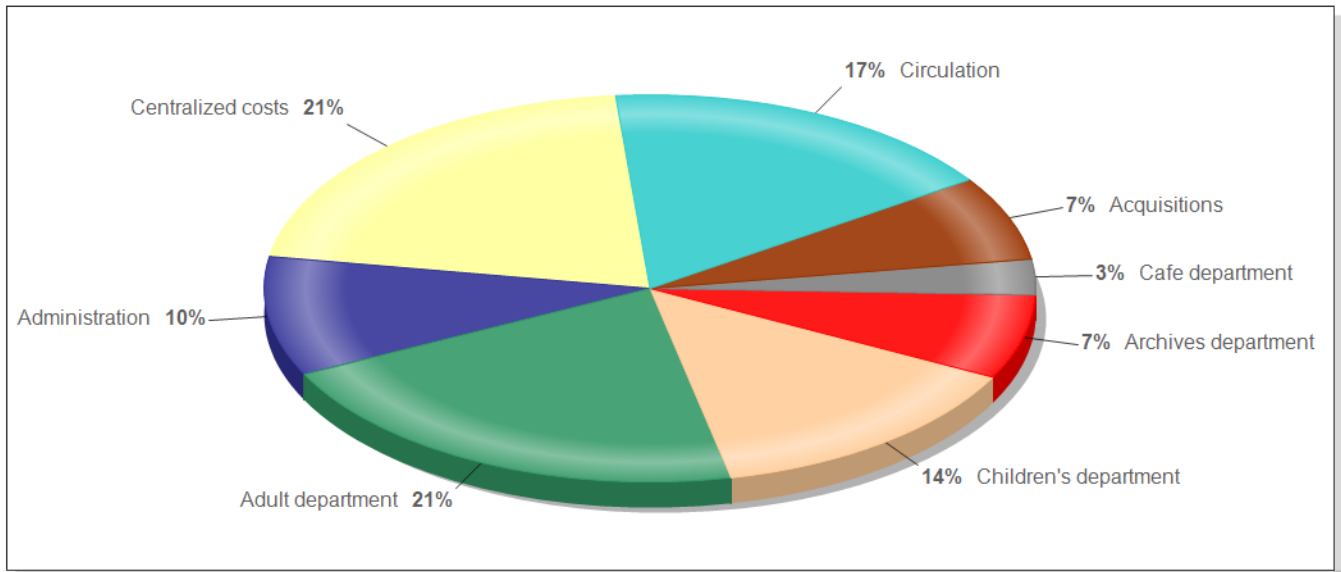
Revenues

The largest revenue source for the Library is property tax, which was budgeted to decrease by almost \$242,600 in FY15. Prior to 2010, assessed valuation averaged 7% growth over a 10 year period. However, for the last couple of years, assessed value has decreased and management expects growth in assessed value to remain modest for the next couple of years. A onetime payment of \$14,685 was made to the Library for TIF 1 Surplus disbursement. New sources of revenue will be evaluated, especially since revenues for Fines and Fees may continue to decrease as Library Circulation policies change to the benefit of patrons and as more people check out ebooks, which accrue no fines. The Library created an additional revenue stream by charging for Notary Public services (just over \$5,500). The Circuit Clerk began paying \$13,500 a year for document storage at the Champaign County Historical Archives at The Urbana Free Library, an arrangement which will be evaluated yearly. The State Per Capita Grant to Libraries allocation increased in FY15 but we do not know if this is sustainable in future fiscal years, since there is no approved State Budget in December 2015, and Library funds have not yet been released.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2015
(Unaudited)

Governmental Expenses by Function



Expenses

Due to the decline in anticipated property tax, full time positions were held open and/or not filled until later in the year. The L05 General Fund materials budgets were supplemented by funds from the L10 Friends of The Urbana Free Library book sales funds. This is not sustainable, and Illinois Public Library standards state that, "The library spends a minimum of 12 percent of its operating budget on materials for patrons." Programming funds were increased while cuts occurred across the budget, including in Travel & Training, Electricity, Copier/printer – rent/supplies; Library PR Printing; Health/Life insurance and wages.

Financial Analysis of the Library's Funds

This was a difficult year with many challenges, given the large decrease in property tax revenue of almost \$242,600. Even so, the Library did not cut open hours to the public; no employees were laid off; staff received pay raises for FY15 and retro pay for FY14 to match the City of Urbana's raises; and specific employees, who had participated in a health insurance waiver program that had to be cancelled in order to avoid a prohibitively expensive excise tax, received compensation. There was a small decrease to the Fund Balance, due to RHS Plan transfers for employees who separated from the Library.

General Fund Budgetary Highlights

General Fund revenues of \$3,300,676 exceeded budget by \$12,130. Expenditures were \$20,427 below budget.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2015
(Unaudited)

Capital Assets

By the end of 2015, the Library had compiled a total investment of \$11,696,334 (\$9,291,248 net of accumulated depreciation) in a broad range of capital assets including land, buildings, and equipment. Total depreciation expense for the year was \$213,883. More detailed information about capital assets can be found in Note III.C of the basic financial statements.

Table 3
Capital Assets (net of depreciation)
(in actual dollars)

	<i>Governmental Activities</i>		
	<i>2015</i>	<i>2014</i>	<i>Change</i>
Land	\$ 480,732	\$ 480,732	
Buildings and improvements	8,486,529	8,624,931	-1.6%
Equipment	<u>323,987</u>	<u>369,986</u>	-12.4%
Total	<u>\$ 9,291,248</u>	<u>\$ 9,475,649</u>	-1.9%

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2015
(Unaudited)

Factors Bearing on the Library's Future

The City notes in its audit that:

The City continues to work to overturn the state law which grants hospitals property tax relief in exchange for "charity care," and is awaiting a decision from the Appellate Court. This law has had a significant adverse impact on the City of Urbana, which is home to two regional hospitals. The largest, Carle, serves a region of 1.2 million people in 25 counties in Illinois and Indiana. Urbana, with a population of 41,250 accounts for 3% of the region's population. However, 83% of Carle's property is located in Urbana, which means that 3% of the population is shouldering 83% of the tax loss. Before the exemption, Carle accounted for 11% of the City's assessed value. The result is a shift in the overall tax burden to other taxpayers, which has driven the tax rate 25% above the adjacent City of Champaign, putting Urbana at a competitive disadvantage. This situation is not sustainable for the City.

The City is also facing significant reductions in the stateshared income tax, if the State Legislature approves the Governor's budget proposal. The Governor has proposed to reduce local government income tax revenues by 50%, which would be a loss of about \$2 million in General Fund revenues. This would require significant budget reductions at a time when the City is already struggling to deal with the decline in assessed value resulting from the hospital property tax exemption.

The State may also reduce funding for the University of Illinois, which is a significant driver for the local economy. Depending on the magnitude of reductions, that could have wide ranging impacts on the local economy, affecting sales taxes and other City revenues.

The decrease of \$242,600 in property tax revenue budgeted and the lack of a State budget in December requires a new approach to Library budgeting. As patrons continue to increase their use of self-check stations and ebooks, as well as other electronic products, implications for staffing levels necessary as will be considered. Budgeting for sustainability will be key to the Library's continued success in a time of more limited resources.

In addition, FY16, the Library will show the City's contribution to the Library for FICA, IMRF and natural gas payments in the budget for the first time. This will increase the Library's overall revenue, therefore increasing the amount of money that the Library should be spending on materials, as stated in the Standards for Illinois Public Libraries. Aging infrastructure, including windows in the historic 1918 section of the building, an aging porch, and an aging air handler and boiler have been identified in the Financial Plan FY2014-2018 as having the potential to cost hundreds of thousands of dollars to replace/repair. Savings for capital improvements have begun, and the Library Foundation is fundraising, as well. In addition, a newly-adopted Technology Plan calls for the creation of "an equipment replacement fund for long-term, large expenses that cannot be met by the annual budget allocation in FY2017.

URBANA FREE LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2015
(Unaudited)

Requests for Information

This financial report is designed to provide the Library's citizens, taxpayers, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report, need additional financial information, or would like a copy of the financial statements for the Urbana Free Library, contact the Business Office:

Celeste Choate
Urbana Free Library
210 W. Green Street
Urbana, Illinois 61801

URBANA FREE LIBRARY

STATEMENT OF NET POSITION As of June 30, 2015

	Governmental Activities	Component Unit
ASSETS		
Cash and investments	\$ 1,415,892	\$ 107,635
Receivables		
Property taxes	1,370,242	-
Accrued interest	-	145
Due from City of Urbana	6,590	-
Due from State of Illinois	17,969	-
Prepaid items	8,580	-
Restricted assets		
Cash and investments	217,863	-
Capital Assets		
Land	480,732	-
Other capital assets, net of depreciation	8,810,516	-
Total Assets	12,328,384	107,780
LIABILITIES		
Accounts payable	48,257	-
Accrued salaries	63,293	-
Unearned grant revenue	12,250	-
Noncurrent Liabilities		
Due within one year	231,700	-
Due in more than one year	20,311	75,000
Total Liabilities	375,811	75,000
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for future periods	1,167,564	-
Total Deferred Inflows of Resources	1,167,564	-
NET POSITION		
Net investment in capital assets	9,291,248	-
Restricted for		
Trust	217,863	-
Unrestricted	1,275,898	32,780
TOTAL NET POSITION	\$ 10,785,009	\$ 32,780

See accompanying notes to financial statements.

URBANA FREE LIBRARY

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2015

<u>Functions/Programs</u>	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
Centralized costs	\$ 774,554	\$ 34,878	\$ -
Publishing costs	1,280	2,510	-
Administration	373,130	16,803	-
Adult department	751,912	33,860	-
Children's department	508,924	22,917	9,400
Archives department	253,615	11,421	31,000
Cafe department	82,225	57,639	-
Acquisitions	254,203	11,042	-
Circulation	607,594	27,361	-
Maintenance	10,355	466	-
Total Governmental Activities	\$ 3,617,792	\$ 218,897	\$ 40,400
Component Unit			
Library Foundation	\$ 4,610	\$ -	\$ 29,298
		General Revenues	
		Taxes	
		Property taxes	
		Intergovernmental	
		Corporate personal property replacement tax	
		Federal LSTA grant (state aid)	
		Donations and gifts	
		Investment income	
		Miscellaneous	
		Total General Revenues	
		Change in net position	
		NET POSITION - Beginning of Year	
		NET POSITION - END OF YEAR	

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position	
Primary Government	Component Unit

Governmental Activities	Library Foundation
----------------------------	-----------------------

\$	(739,676)	\$	-
	1,230		-
	(356,327)		-
	(718,052)		-
	(476,607)		-
	(211,194)		-
	(24,586)		-
	(243,161)		-
	(580,233)		-
	(9,889)		-
\$	(3,358,495)	\$	-

-			24,688
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	2,910,798		-
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	97,134		-
	51,563		-
	16,570		-
	2,404		6
	693		-
\$	3,079,162	\$	6
	(279,333)		24,694
\$	11,064,342	\$	8,086
\$	10,785,009	\$	32,780

See accompanying notes to financial statements.

URBANA FREE LIBRARY

BALANCE SHEET GOVERNMENTAL FUNDS As of June 30, 2015

	General	Nonmajor Governmental Funds	Totals
ASSETS			
Cash and investments	\$ 1,362,467	\$ 53,425	\$ 1,415,892
Receivables			
Property taxes	1,370,242	-	1,370,242
Due from the State of Illinois	17,969	-	17,969
Due from the City of Urbana	6,590	-	6,590
Prepaid items	8,580	-	8,580
Restricted cash and investments	-	217,863	217,863
Due from other funds	16,109	-	16,109
TOTAL ASSETS	\$ 2,781,957	\$ 271,288	\$ 3,053,245
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 47,515	\$ 742	\$ 48,257
Accrued salaries and taxes	63,293	-	63,293
Due to other funds	-	16,109	16,109
Unearned grant revenue	12,250	-	12,250
Total Liabilities	123,058	16,851	139,909
Deferred Inflows of Resources			
Taxes levied for future periods	1,167,564	-	1,167,564
Total Deferred Inflows of Resources	1,167,564	-	1,167,564
Fund Balances (Deficit)			
Nonspendable for prepaid expenditures	8,580	-	8,580
Restricted for trust	-	217,863	217,863
Assigned for publications	-	50,883	50,883
Unassigned	1,482,755	(14,309)	1,468,446
Total Fund Balances (deficit)	1,491,335	254,437	1,745,772
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,781,957	\$ 271,288	\$ 3,053,245

See accompanying notes to financial statements.

URBANA FREE LIBRARY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of June 30, 2015

Total Fund Balances - Governmental Funds	\$ 1,745,772
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note III C.	9,291,248
Net other postemployment benefits obligation is not due and payable in the current period and, therefore, is not reported in the governmental funds.	(20,311)
Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds. Compensated absences	<u>(231,700)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 10,785,009</u></u>

URBANA FREE LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
REVENUES			
Property taxes	\$ 2,910,798	\$ -	\$ 2,910,798
Intergovernmental	189,097	-	189,097
Copier fees	17,153	-	17,153
Book fines	75,392	-	75,392
Non-resident user fees	18,615	-	18,615
Cafe sales	57,639	-	57,639
Donations	-	16,570	16,570
Lost and damage fees	12,082	-	12,082
Interloan fees	3,433	-	3,433
Sales of books and materials	-	19,898	19,898
Interest	1,742	662	2,404
Miscellaneous	14,725	653	15,378
Total Revenues	<u>3,300,676</u>	<u>37,783</u>	<u>3,338,459</u>
EXPENDITURES			
Current			
Centralized costs	802,899	495	803,394
Administration	344,114	-	344,114
Adult department	623,721	28,582	652,303
Children's department	439,001	12,098	451,099
Archives department	231,374	200	231,574
Cafe department	71,877	-	71,877
Maintenance	-	10,355	10,355
Acquisitions	236,034	-	236,034
Circulation	565,729	-	565,729
Publishing costs	-	1,922	1,922
Total Expenditures	<u>3,314,749</u>	<u>53,652</u>	<u>3,368,401</u>
Net Change in Fund Balances	(14,073)	(15,869)	(29,942)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>1,505,408</u>	<u>270,306</u>	<u>1,775,714</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,491,335</u>	<u>\$ 254,437</u>	<u>\$ 1,745,772</u>

See accompanying notes to financial statements.

URBANA FREE LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ (29,942)

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Some items reported as operating expenditures in the fund financial statements are capitalized in the government-wide statements	29,482
Depreciation is reported in the government-wide financial statements	(213,883)

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(61,590)
Other post employment benefit obligation	<u>(3,400)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (279,333)

URBANA FREE LIBRARY

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

NOTE	<u>Page</u>
I Summary of Significant Accounting Policies	21
A. Reporting Entity	21
B. Government-Wide and Fund Financial Statements	22
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	24
D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	25
1. Deposits and Investments	25
2. Receivables	26
3. Prepaid Items	27
4. Restricted Assets	27
5. Capital Assets	27
6. Compensated Absences	28
7. Long-Term Obligations	28
8. Deferred Inflows of Resources	28
9. Equity Classifications	29
II Stewardship, Compliance, and Accountability	30
A. Deficit Balances	30
III Detailed Notes on All Funds	31
A. Deposits and Investments	31
B. Receivables	32
C. Capital Assets	32
D. Interfund Receivables/Payables and Transfers	34
E. Long-Term Obligations	34
F. Component Unit	35
IV Other Information	36
A. Employees' Retirement System	36
B. Risk Management	37
C. Commitments and Contingencies	38
D. Other Postemployment Benefits	38
E. Effect of New Accounting Standards on Current-Period Financial Statements	40

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Urbana Free Library (the Library) was founded in 1874 and provides a broad range of library services, including adult and children's departments and The Champaign County Historical Archives. The Board of Trustees of The Urbana Free Library is responsible for the overall operations and service of the Library, including budget, policy, and planning. Trustees are appointed by the Mayor and are confirmed by the City Council. All Trustees serve 3-year alternating terms. The City Council of the City of Urbana is the authority for levying the annual property tax. The Library is a discretely presented component unit of the City of Urbana, Illinois (the City) pursuant to GASB Statement No. 61, since the City is financially accountable for the Library. In prior years, the Library was presented as a special revenue fund of the City.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the Library. The reporting entity for the Library consists of the primary government and its component unit. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Library Foundation

The government-wide financial statements include the Library Foundation (Foundation) as a component unit. The Foundation is a legally separate organization. The economic resources received and held by the Foundation are entirely for the direct benefit of the Urbana Free Library. See Note III.F. As a component unit, the Foundation's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2015. The Foundation does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Library does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures/expenses.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

Funds are organized as major funds or nonmajor funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Library or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund that met the 10% test is at least 5% of the corresponding total for all governmental funds combined.
- c. In addition, any other governmental fund that the Library believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Library reports the following major governmental fund:

General Fund - accounts for the Library's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

The Library reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Publication Fund
Trust Fund

Grant Fund
Buildings Fund

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Intergovernmental aids and grants are recognized as revenues in the period the Library is entitled the resources and the amounts are available. Amounts owed to the Library which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and interest. Other general revenues such as fines and forfeitures, library fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

Illinois Statutes authorize the Library to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool.

The Library has adopted investment policies. That policy follows the state statute for allowable investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk

State Statutes limit the investments in commercial paper to the top three ratings of two nationally recognized statistical rating organizations (NRSRO's). The Library's investment policy authorizes investments in any type of security allowed for in Illinois statutes regarding the investment of public funds.

Concentration of Credit Risk

Concentration of credit risk is the risk that the Library has a high percentage of its investments invested in one type of investment.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits with financial institutions is the risk that in the event of the failure of the counterparty to the investment, the Library will not be able to recover the value of its investments that are in possession of an outside party. The Library's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, at an amount not less than 110% of the fair market value of the funds secured, with the collateral held by an independent third party custodian, in the name of the Library.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Library will not be able to recover the value of its investments that are in possession of an outside party. The Library's investment policy requires all securities to be held by a third party custodian designated by the Library Director and evidenced by safekeeping receipts and a written custodial agreement.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated to the general fund. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, the price for which the investments could be sold.

See Note III. A. for further information.

2. Receivables

Property taxes for levy year 2014 attaches as an enforceable lien on January 1, 2014, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). The 2015 tax levy, which attached as an enforceable lien on the property as of January 1, 2015, has not been recorded as a receivable as of June 30, 2015, as the tax has not yet been levied by the Library and will not be levied until December 2015, and therefore, the levy is not measurable at June 30, 2015.

Tax bills for levy year 2014 are prepared by Champaign County and issued on or about May 1, 2015 and August 1, 2015, and are payable in two installments, on or about June 1, 2015 and September 1, 2015 or within 30 days of the tax bills being issued.

The county collects such taxes and remits them periodically. The 2014 property tax levy is recognized as a receivable and a deferred inflow of resources in fiscal 2015. As the taxes become available to finance current expenditures, they are recognized as revenues. At June 30, 2015, the property taxes receivable and a deferred inflow of resources consisted of the estimated amount collectible from the 2014 levy.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Interfund loans are reported as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant 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 2 years. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	75 Years
Office furniture	10 - 25 Years
Equipment	5 - 7 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

6. *Compensated Absences*

Library employees are granted vacation pay and sick leave in various amounts. Sick leave and vacation benefits may be accumulated to maximums designated by Library policy. Additionally, at separation, 20% of the employee's accumulated and unused sick leave will be contributed to the employee's retirement health savings account. Such amounts are accrued when incurred in the government-wide statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In prior years, the General Fund has been used to liquidate the accumulated absences for governmental funds.

Payments for vacation will be made at rates in effect when the benefits are used. Accumulated vacation liabilities at June 30, 2015, are determined on the basis of current salary rates and include salary related payments.

7. *Long-Term Obligations*

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of accrued compensated absences and other postemployment benefits.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts is reported as an other financing source and payments of principal and interest are reported as expenditures.

8. *Deferred Inflows of Resources*

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund equity is classified as fund balance and displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Library Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Library Board that originally created the commitment.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Fund Statements (cont.)

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The Board may take official action to assign amounts. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The Library considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Library would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of June 30, 2015, the following individual fund held a deficit balance:

Fund	Amount
Buildings	\$ (14,309)

This fund deficit will be funded with future rental revenues.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The Library maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments. In addition, investments are separately held by several of the Library's funds.

The Library's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 1,607,090	\$ 1,649,750	Custodial credit risk - deposits
Illinois Funds	26,149	26,149	Credit risk
Petty cash	516	-	N/A
Total Deposits and Investments	<u>\$ 1,633,755</u>	<u>\$ 1,675,899</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 1,415,892		
Restricted cash and investments	217,863		
Total Deposits and Investments	<u>\$ 1,633,755</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Library's deposits may not be returned to the Library.

The Library does not have any deposits exposed to custodial credit risk.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Library does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of June 30, 2015, the Library's investments were rated as follows:

Investment Type	Standard & Poors
Illinois Funds	AAAm

See Note I.D.1. for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 480,732	\$ -	\$ -	\$ 480,732
Total Capital Assets Not Being Depreciated	480,732	-	-	480,732

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Capital assets being depreciated				
Buildings and Improvements	10,534,015	17,968	-	10,551,983
Equipment	652,105	11,514	-	663,619
Total Capital Assets Being Depreciated	11,186,120	29,482	-	11,215,602
Total Capital Assets	11,666,852	29,482	-	11,696,334
Less: Accumulated depreciation for				
Buildings and Improvements	1,909,084	156,370	-	2,065,454
Equipment	282,119	57,513	-	339,632
Total Accumulated Depreciation	2,191,203	213,883	-	2,405,086
Net Capital Assets Being Depreciated	8,994,917	(184,401)	-	8,810,516
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 9,475,649	\$ (184,401)	\$ -	\$ 9,291,248

Depreciation expense was charged to functions as follows:

Governmental Activities

Administration	\$ 18,450
Adult Department	88,811
Children's Department	46,545
Archives Department	15,671
Cafe	9,072
Acquisitions	10,898
Circulation	24,436
Total Governmental Activities Depreciation Expense	\$ 213,883

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General Fund	Grant Fund	\$ 1,800
General Fund	Building Fund	14,309
Total - Fund Financial Statements		16,109
Less: Government-wide eliminations		(16,109)
Total Internal Balances - Government-Wide Statement of Net Position		\$ -

All amounts are due within one year.

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Other Liabilities					
Compensated absences	\$ 170,110	\$ 171,250	\$ 109,660	\$ 231,700	\$ 231,700
Net other postemployment benefits obligation	16,911	6,227	2,827	20,311	-
Total Other Liabilities	187,021	177,477	112,487	252,011	231,700
Total Governmental Activities Long-Term Liabilities	\$ 187,021	\$ 177,477	\$ 112,487	\$ 252,011	\$ 231,700

Compensated absences and the other postemployment benefits obligation are paid out of the General Fund.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. COMPONENT UNIT

LIBRARY FOUNDATION

This report contains the Library Foundation (Foundation), which is included as a component unit.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The Foundation follows the full accrual basis of accounting and the flow of financial resources measurement focus.

b. Deposits and Investments

	Carrying Value	Statement Balances	Associated Risks
Deposits	<u>\$ 107,635</u>	<u>\$ 107,635</u>	Custodial credit risk - deposits

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Foundation's deposits may not be returned to the Foundation.

The Foundation does not have any deposits exposed to custodial credit risk.

See Note I.D.1. for further information on deposit and investment policies.

c. Long-Term Obligations

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Mortgage Note Payable	\$ 75,000	\$ -	\$ -	\$ 75,000	\$ -
Totals	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ -</u>

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. COMPONENT UNIT (cont.)

LIBRARY FOUNDATION (cont.)

c. Long-Term Obligations (cont.)

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ -	\$ 3,750	\$ 3,750
2017	-	3,750	3,750
2018	-	3,750	3,750
2019	<u>75,000</u>	<u>3,750</u>	<u>78,750</u>
Totals	<u>\$ 75,000</u>	<u>\$ 15,000</u>	<u>\$ 90,000</u>

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Plan Descriptions

The Library participates in one defined benefit pension plan, the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer public employee retirement system. The benefits, benefits levels, employee contributions and employer contributions for the plan are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. IMRF does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Illinois Municipal Retirement Fund

The City's defined benefit pension plan, Illinois Municipal Retirement (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook Illinois 60523.

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Public Act 96-0889 created a second tier for IMRF's Regular Plan. Effective January 1, 2011, IMRF assigns a benefit tier to a member when he or she is enrolled in IMRF. The tier is determined by the member's first IMRF participation date. If the member first participated in IMRF before January 1, 2011, they participate in *Regular Tier 1*. If the member first participated in IMRF on or after January 1, 2011, they participate in *Regular Tier 2*.

For *Regular Tier 1*, pension benefits vest after eight years of service. Participating members who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1 2/3% of their final rate (average of the highest 48 consecutive months earnings during the last 10 years) of earnings for each year of credited service up to 15 years and 2% for each year thereafter. For *Regular Tier 2*, pension benefits vest after ten years of service. Participating members who retire at or after age 67 with 10 years of service, or age 62 with 35 years of service are entitled to an annual retirement benefit as described above. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The Library's contribution rate for 2014 was 12.75% of annual covered payroll. For 2014, the annual required contribution rate was 12.75%. The Library's contributions were paid by the City on behalf of the Library.

The employees of the Library are pooled with the employees of the City of Urbana for purposes of the actuarial valuation. Therefore, the amount of accumulated retirement liability and normal costs related specifically to Library personnel is not available. As the City of Urbana pays the employer contribution for eligible Library employees, the net pension liability resides with the City. As such, a net pension liability is not recorded by the Library.

B. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, or 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

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the Library is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Library attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Library's financial position or results of operations.

D. OTHER POSTEMPLOYMENT BENEFITS

The Library participates in a multiple-employer defined benefit healthcare plan ("the Retiree Health Insurance Plan") administered by the City of Urbana. The plan provides pre and post-Medicare postretirement health insurance for eligible retirees, their spouses, and dependents (enrolled at time of employee's retirement) through the Library's group health insurance plan, which covers both active and retired members. Benefit provisions are established through the Library's policies and handbook and state that eligible retirees and their spouses and dependents receive healthcare insurance at the blended premium rate. The Retiree Health Insurance Plan does not issue a publicly available financial report.

Contribution requirements are governed by the Library and can be amended by the Library through its handbook. For fiscal year 2015, the Library contributed \$2,827 to the plan.

The Library's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Library's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the Library's net OPEB obligation to the Retiree Health Insurance Plan:

Annual required contribution	\$	6,227
Interest on net OPEB obligation		-
Adjustment to annual required contribution		<u>-</u>
Annual OPEB cost		6,227
Contributions made		<u>(2,827)</u>
Increase in net OPEB obligation		3,400
Net OPEB Obligation - Beginning of Year		<u>16,911</u>
Net OPEB Obligation - End of Year	\$	<u><u>20,311</u></u>

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 6,117	69%	\$ 15,561
June 30, 2014	4,477	70%	16,911
June 30, 2015	6,227	45%	20,311

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	82,665
Actuarial value of plan assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u>82,665</u>
Funded ratio (actuarial value of plan assets/AAL)		-%
Covered payroll (active plan members)	\$	1,220,960
UAAL as a percentage of covered payroll		7%

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

URBANA FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

In the June 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 6% after 4 years. Both rates include a 3% inflation assumption. The actuarial value of Retiree Health Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at June 30, 2015, was 30 years.

E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

URBANA FREE LIBRARY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2015

	Original and Final Budget	Actual
REVENUES		
Property taxes	\$ 2,918,924	\$ 2,910,798
Replacement Tax	87,700	97,134
Grant, Champaign County	31,000	31,000
Federal LSTA Grant (State Aid)	51,562	51,563
Grant, Urbana School District	9,400	9,400
Book fines	73,285	75,392
Lost and damage fees	12,100	12,082
Interloan fees	3,200	3,433
Copier fees	16,000	17,153
Non-resident user fees	15,500	18,615
Cafe sales	58,275	57,639
Interest	1,700	1,742
Miscellaneous	9,900	14,725
Total Revenues	3,288,546	3,300,676
EXPENDITURES		
Current:		
Centralized costs	812,661	802,899
Administration	344,570	344,114
Adult department	618,432	623,721
Children's department	444,184	439,001
Archives department	237,479	231,374
Cafe department	73,890	71,877
Acquisitions	240,021	236,034
Circulation	563,939	565,729
Total Expenditures	3,335,176	3,314,749
Net Change in Fund Balance	\$ (46,630)	(14,073)
FUND BALANCE - Beginning of Year		1,505,408
FUND BALANCE - END OF YEAR		\$ 1,491,335

See independent auditors' report and accompanying notes to required supplementary information.

URBANA FREE LIBRARY

RETIREE HEALTH INSURANCE PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS
 June 30, 2015

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
06/30/2015	\$ 6,227	45.40 %
06/30/2014	4,477	69.85 %
06/30/2013	6,117	69.32 %

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
06/30/2013	\$ -	\$ 82,665	\$ 82,665	0%	\$ 1,123,355	7%
06/30/2011	-	62,475	62,475	0%	1,154,974	5%
06/30/2009	-	49,607	49,607	0%	962,166	5%

See independent auditors' report and accompanying notes to required supplementary information.

URBANA FREE LIBRARY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2015

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budget amounts are as originally adopted by the Board of Trustees. General Fund annual appropriations lapse at fiscal year end.

Prior to June 30, the Library Executive Director submits to the Library Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage of an ordinance at the City level.

The Library is authorized to change budgeted amounts within any fund; however, revision must be approved by two-thirds of the members of the Library Board. No revisions can be made increasing the budget unless funding is available for the purpose of the revision. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The appropriated budget is prepared by fund, function, and department. The Library is authorized to transfer budget amounts between departments within any fund; however, the Library Board must approve revisions that alter the total expenditures of any fund.

Budgets were not proposed for the Grant Fund, Trust Fund, Building Fund, and Publications Fund.

URBANA FREE LIBRARY

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of June 30, 2015

	<u>Publications</u>	<u>Grant</u>	<u>Trust</u>	<u>Buildings</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Cash and investments	\$ 51,625	\$ 1,800	\$ -	\$ -	\$ 53,425
Restricted cash and investments	<u>-</u>	<u>-</u>	<u>217,863</u>	<u>-</u>	<u>217,863</u>
TOTAL ASSETS	<u><u>\$ 51,625</u></u>	<u><u>\$ 1,800</u></u>	<u><u>\$ 217,863</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 271,288</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 742	\$ -	\$ -	\$ -	\$ 742
Due to other funds	<u>-</u>	<u>1,800</u>	<u>-</u>	<u>14,309</u>	<u>16,109</u>
Total Liabilities	<u>742</u>	<u>1,800</u>	<u>-</u>	<u>14,309</u>	<u>16,851</u>
Fund Balances (Deficit)					
Restricted for trust	-	-	217,863	-	217,863
Assigned for publications	50,883	-	-	-	50,883
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,309)</u>	<u>(14,309)</u>
Total Fund Balances (deficit)	<u>50,883</u>	<u>-</u>	<u>217,863</u>	<u>(14,309)</u>	<u>254,437</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 51,625</u></u>	<u><u>\$ 1,800</u></u>	<u><u>\$ 217,863</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 271,288</u></u>

URBANA FREE LIBRARY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	Publications	Grant	Trust	Buildings	Total Nonmajor Governmental Funds
REVENUES					
Donations	\$ -	\$ -	\$ 16,570	\$ -	\$ 16,570
Sales of books and materials	2,510	-	17,388	-	19,898
Interest	86	-	596	(20)	662
Miscellaneous	<u>653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>653</u>
Total Revenues	<u>3,249</u>	<u>-</u>	<u>34,554</u>	<u>(20)</u>	<u>37,783</u>
EXPENDITURES					
Current					
Children's department	-	-	12,098	-	12,098
Archives department	200	-	-	-	200
Maintenance	-	-	-	10,355	10,355
Publishing costs	1,922	-	-	-	1,922
Adult department	-	-	28,582	-	28,582
Centralized costs	<u>-</u>	<u>-</u>	<u>495</u>	<u>-</u>	<u>495</u>
Total Expenditures	<u>2,122</u>	<u>-</u>	<u>41,175</u>	<u>10,355</u>	<u>53,652</u>
Net Change in Fund Balances	1,127	-	(6,621)	(10,375)	(15,869)
FUND BALANCES - Beginning of Year	<u>49,756</u>	<u>-</u>	<u>224,484</u>	<u>(3,934)</u>	<u>270,306</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 50,883</u>	<u>\$ -</u>	<u>\$ 217,863</u>	<u>\$ (14,309)</u>	<u>\$ 254,437</u>