

ALLIANCE LIBRARY SYSTEM

FINANCIAL STATEMENTS

JUNE 30, 2003

ALLIANCE LIBRARY SYSTEM

COMBINED BALANCE SHEET

ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2003

	Governmental		Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,125,741	\$ -	\$ 205,995	\$ 18,950	\$ -	\$ -	\$ 1,350,686
Receivables:							
Grants	422,913	70,174	-	-	-	-	493,087
Accounts	16,385	-	19,077	-	-	-	35,462
Contract	381,672	-	-	-	-	-	381,672
Loans	-	-	-	28,262	-	-	28,262
Inventory	-	-	1,154	-	-	-	1,154
Due from other funds	-	92,738	312,731	112,320	-	-	517,789
Prepaid items	4,187	-	-	-	-	-	4,187
Property and Equipment:							
Land	-	-	-	-	142,949	-	142,949
Building and improvements	-	-	-	-	1,101,461	-	1,101,461
Equipment	-	-	275,357	-	238,560	-	513,917
Furniture and fixtures	-	-	-	-	137,290	-	137,290
Computers	-	-	368,689	-	838,898	-	1,207,587
Vehicles	-	-	-	-	363,420	-	363,420
Accumulated depreciation	-	-	(493,209)	-	-	-	(493,209)
Amounts to be provided for the retirement of general long-term debt	-	-	-	-	-	56,794	56,794
<b>Total assets</b>	<b>\$ 1,950,898</b>	<b>\$ 162,912</b>	<b>\$ 689,794</b>	<b>\$ 159,532</b>	<b>\$ 2,822,578</b>	<b>\$ 56,794</b>	<b>\$ 5,842,508</b>

The notes to the financial statements are an integral part of this statement.

ALLIANCE LIBRARY SYSTEM  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS

	Governmental		Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>							
Liabilities:							
Accounts payable	\$ 131,317	\$ 72,342	\$ 66,584	\$ 3,663	\$ -	\$ -	\$ 273,906
Committed grant expenditures	-	90,570	-	-	-	-	90,570
Due to other funds	517,789	-	-	-	-	-	517,789
Accrued salary and withholdings	37,916	-	5,333	-	-	-	43,249
Accrued vacation	23,907	-	200	-	-	56,794	80,901
Deferred revenue	381,672	-	-	104,357	-	-	486,029
Deferred member reimbursements	-	-	15,542	-	-	-	15,542
<b>Total liabilities</b>	<b>1,092,601</b>	<b>162,912</b>	<b>87,659</b>	<b>108,020</b>	<b>-</b>	<b>56,794</b>	<b>1,507,986</b>
Equity and other Credits:							
Investment in general fixed assets	-	-	-	-	2,822,578	-	2,822,578
Retained earnings:							
Reserved for capital development	-	-	92,626	-	-	-	92,626
Unreserved	-	-	509,509	-	-	-	509,509
Fund balance:							
Reserved for endowments	-	-	-	51,512	-	-	51,512
Fund balances-unreserved:							
Designated for capital improvements	410,196	-	-	-	-	-	410,196
Designated for automation/technology	100,000	-	-	-	-	-	100,000
Designated for real estate acquisition	304,168	-	-	-	-	-	304,168
Designated for operations	43,933	-	-	-	-	-	43,933
<b>Total equity and other credits</b>	<b>858,297</b>	<b>-</b>	<b>602,135</b>	<b>51,512</b>	<b>2,822,578</b>	<b>-</b>	<b>4,334,522</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 1,950,898</b>	<b>\$ 162,912</b>	<b>\$ 689,794</b>	<b>\$ 159,532</b>	<b>\$ 2,822,578</b>	<b>\$ 56,794</b>	<b>\$ 5,842,508</b>

The notes to the financial statements are an integral part of this statement.

ALLIANCE LIBRARY SYSTEM  
 COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES-ALL  
 GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2003

	<u>General</u>	<u>Revenue</u>	<u>Only)</u>
Revenue:			
Intergovernmental:			
State grants	\$ 2,123,090	\$ 418,915	\$ 2,542,005
Federal grants	-	369,390	369,390
Interest	47,294	3,197	50,491
Other	79,881	-	79,881
Total revenue	<u>2,250,265</u>	<u>791,502</u>	<u>3,041,767</u>
Expenditures:			
Current operating:			
Personnel	1,225,089	332,606	1,557,695
Library materials	9,340	11,706	21,046
Building and grounds	119,367	-	119,367
Vehicles	23,094	7,500	30,594
Travel and continuing education for staff and board	54,206	4,007	58,213
Continuing education and meetings other than staff and board	30,499	8,082	38,581
Public relations	10,895	49,913	60,808
Liability insurance	5,815	-	5,815
Supplies, postage and printing	41,187	9,479	50,666
Telephone and telecommunications	158,865	11,000	169,865
Equipment rental, repairs and maintenance	70,746	3,845	74,591
Professional services	14,041	56,333	70,374
Contractual services	476,841	274,831	751,672
Miscellaneous	13,971	-	13,971
Capital outlay	15,070	22,200	37,270
Total expenditures	<u>2,269,026</u>	<u>791,502</u>	<u>3,060,528</u>
Excess (deficiency) of revenues over expenditures	(18,761)	-	(18,761)
Other financing sources:			
Principal received on sale of building	153,000	-	153,000
Excess of revenue and other financing sources over expenditures	134,239	-	134,239
Fund balances, beginning of year	<u>724,058</u>	-	<u>724,058</u>
Fund balances, end of year	<u>\$ 858,297</u>	<u>\$ -</u>	<u>\$ 858,297</u>

The notes to the financial statements are an integral part of this statement.

ALLIANCE LIBRARY SYSTEM  
 COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 BUDGET AND ACTUAL  
 GENERAL FUND  
YEAR ENDED JUNE 30, 2003

	General		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:			
Intergovernmental:			
State grants	\$ 2,123,090	\$ 2,123,090	\$ -
Interest	25,000	47,294	22,294
Other	<u>160,000</u>	<u>79,881</u>	<u>(80,119)</u>
Total revenue	<u>2,308,090</u>	<u>2,250,265</u>	<u>(57,825)</u>
Expenditures:			
Current operating:			
Personnel	1,248,167	1,225,089	23,078
Library materials	10,000	9,340	660
Building and grounds	127,267	119,367	7,900
Vehicles	25,025	23,094	1,931
Travel and continuing education for staff and board	56,572	54,206	2,366
Continuing education and meetings other than staff and board	30,300	30,499	(199)
Public relations	14,900	10,895	4,005
Liability insurance	7,350	5,815	1,535
Supplies, postage and printing	41,625	41,187	438
Telephone and telecommunications	154,380	158,865	(4,485)
Equipment rental, repairs and maintenance	84,746	70,746	14,000
Professional services	14,300	14,041	259
Contractual services	486,400	476,841	9,559
Miscellaneous	11,500	13,971	(2,471)
Capital outlay	<u>12,000</u>	<u>15,070</u>	<u>(3,070)</u>
Total expenditures	<u>2,324,532</u>	<u>2,269,026</u>	<u>55,506</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (16,442)</u>	(18,761)	<u>\$ (2,319)</u>
Other financing sources:			
Principal received on sale of building		<u>153,000</u>	
Excess of revenue and other financing sources over expenditures		134,239	
Fund balance, beginning of year		<u>724,058</u>	
Fund balance, end of year		<u>\$ 858,297</u>	

The notes to the financial statements are an integral part of this statement.

ALLIANCE LIBRARY SYSTEM  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS ENTERPRISE FUND-  
RESOURCE SHARING ALLIANCE FUND  
YEAR ENDED JUNE 30, 2003

Operating revenues:	
Membership fees	\$ 699,157
Other	<u>2,173</u>
Total operating revenues	<u>701,330</u>
Operating expenses:	
Personnel	179,289
Library materials	25
Equipment rental, repairs and maintenance	162,165
Depreciation	38,138
Contractual services	72,000
Telephone and telecommunications	9,039
Travel and continuing education	8,027
Recruiting expense	2,424
Supplies, postage and printing	15,210
Public relations	408
Professional services	8,800
Other	<u>35</u>
Total operating expenses	<u>495,560</u>
Operating income	<u>205,770</u>
Nonoperating revenues:	
Interest income	<u>2,632</u>
Total nonoperating revenues	<u>2,632</u>
Net income	208,402
Retained earnings, beginning of year	<u>393,733</u>
Retained earnings, end of year	<u>\$ 602,135</u>

The notes to the financial statements are an integral part of this statement.

ALLIANCE LIBRARY SYSTEM  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND-RESOURCE SHARING ALLIANCE FUND  
YEAR ENDED JUNE 30, 2003

OPERATING ACTIVITIES:	
Operating income	<u>\$ 205,770</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	38,138
Changes in assets and liabilities:	
Increase in receivables	(12,264)
Increase in inventories	(87)
Increase in due from other funds	(110,193)
Increase in accounts payable and accrued expenses	<u>26,820</u>
Total adjustments	<u>(57,586)</u>
Net cash provided by operating activities	<u>148,184</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of property and equipment	<u>(115,253)</u>
Net cash used for capital and related financing activities	<u>(115,253)</u>
INVESTING ACTIVITIES:	
Interest earned	<u>2,632</u>
Net cash provided by investing activities	<u>2,632</u>
Net increase in cash and cash equivalents	35,563
Cash and cash equivalents at beginning of year	<u>170,432</u>
Cash and cash equivalents at end of year	<u>\$ 205,995</u>

The notes to the financial statements are an integral part of this statement.

ALLIANCE LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity:**

Alliance Library System (the System) is one of twelve state-funded systems organized to assist its 262 full, 10 developmental, and 4 partnership libraries to reach their full potential by facilitating cooperative activities between libraries and by providing services that cannot be provided through their maximum local effort. Services include, among others, back-up information service, inter-library loan, delivery, film and consulting services and services to blind and physically handicapped individuals.

Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered and there are no agencies or entities which should be presented with the System.

**B. Fund Accounting:**

The accounts of the System are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds and the account groups of the System are as follows:

**Governmental Fund Types:** Governmental funds are used to account for the System's general government activities. The measurement focus is upon determination of changes in financial position rather than upon determination of net income. The following are the System's governmental fund types:

The General Fund, or general operating fund, accounts for all financial resources and transactions except those required to be accounted for in other funds.

ALLIANCE LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003

NOTE 1 - continued

The Special Revenue Fund accounts for the proceeds of special revenue sources that are legally restricted to expenditures for specified purposes.

**Proprietary Fund Types:** Proprietary funds are used to account for the System's ongoing activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following is the System's proprietary fund type:

The Enterprise Fund-Resource Sharing Alliance Fund accounts for the financing and operations of providing goods and services to member libraries and other library systems whereby those costs of providing goods and services are recovered primarily through user charges.

**Fiduciary Fund Types:** Fiduciary funds are used to account for assets held by the System as a trustee or agent for individuals, private organizations and other governmental units. The fiduciary fund of the System includes the following agency funds:

The Member Services Fund is an agency fund which is used to account for goods and services purchased by the System for member libraries. These goods and services are sold to the member libraries at cost.

The ALS Educational Endowment Fund is an agency fund which is used to facilitate education and training initiatives for students who are interested in becoming professionally trained library personnel. The Fund will provide low-interest student loans, scholarships and training grants to prospective students.

**Account Groups:** Account Groups are used to establish accounting control and accountability for the general fixed assets and general long-term debt of the System's governmental funds. The following are the System's account groups for governmental funds:

The General Fixed Assets Account Group is used to account for fixed assets not accounted for in the proprietary fund.

The General Long-Term Debt Account Group is used to account for general long-term liabilities not accounted for in the proprietary fund.

ALLIANCE LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003

NOTE 1 - continued

C. Basis of Accounting:

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Following are descriptions of the modified accrual basis and accrual basis of accounting which were followed in preparing the financial statements.

Modified accrual basis:

All governmental and agency funds are accounted for using the modified accrual basis of accounting under which revenue is recognized when it becomes both measurable and available. Available means collectible within the current period or soon thereafter to pay current liabilities. Expenditures are recognized when the related fund liability is incurred, except for the principal and interest on general long-term debt which is recognized when due. Vacation pay is recognized as an expenditure of the year in which it was earned, to the extent it is paid in that year or is expected to be paid with current available funds.

Accrual basis:

The accrual basis of accounting is used for the enterprise fund. Under the accrual basis of accounting, revenue is recognized when earned, and expenses are recognized when the liability has been incurred.

D. Fixed Assets:

Property and equipment purchases are accounted for as expenditures of the governmental funds at the time of purchase and are then capitalized at cost in the general fixed assets account group. Books and other library materials are expended in the year of purchase and are not accounted for in the general fixed assets account group. No depreciation is provided on general fixed assets.

Property and equipment of the enterprise fund are accounted for at cost. Depreciation is computed by the straight-line method using estimated lives of 3 to 7 years for equipment.

E. Deferred Compensation Plan:

The System offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all System employees, permits them to defer a portion of their salary until future years. Deferred compensation, in the form of annuity contracts, is not available to employees until termination, retirement, death or unforeseeable emergency.

ALLIANCE LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003

NOTE 1 - continued

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) in trust for the exclusive benefit of the plan participants and their beneficiaries. A participant's annuity contract value is based upon the stated fair value of the underlying investments.

The plan has been amended to comply with IRC Section 457(g). Under subsection (g), assets held in trust are no longer considered assets of the government employer, subject to the claims of the government's general creditors, and therefore, the liability and corresponding assets are not reflected in the financial statements.

F. Budget:

The Board of Directors annually adopts a budget for the General Fund. The budget for the General Fund is prepared on the same basis of accounting as the historical financial statements are prepared and, therefore, the budget comparison with actual is presented in accordance with generally accepted accounting principles. The budget for the Special Revenue Fund is prepared on a grant-by-grant basis and not by fiscal year and, therefore, the budget comparison is not presented in this report. The legal budgetary control level is the total amount budgeted for the fund; however, for managerial purposes, budgetary control is exercised at the budgetary line item level. All unused budgeted line items lapse at year end.

G. Proprietary Activity Accounting and Financial Reporting:

In accounting for and reporting on its proprietary activities, the System has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board pronouncements, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

H. Total Columns:

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

ALLIANCE LIBRARY SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003

**NOTE 2 - CASH AND CASH EQUIVALENTS**

State statutes authorize the System to make deposits in commercial banks and savings and loan institutions, and to make investments in obligations of the U.S. Treasury and U.S. agencies, obligations of states and their political subdivisions, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Money Market Fund.

As of June 30, 2003, the System's cash and cash equivalents consisted of the following:

	<u>Fair Value</u>
Petty cash on hand	\$ 1,700
Checking accounts	155,312
Certificates of deposit	300,000
Illinois Funds Money Market Fund	893,674
	<u>\$ 1,350,686</u>

As of June 30, 2003, the carrying amount of the System's deposits with financial institutions totaled \$302,026 with a bank balance of \$301,326, which was fully insured by federal depository insurance. Investments in the Illinois Funds Money Market Fund and the sweep account at a commercial bank are not subject to risk categorization.

**NOTE 3 - REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosure, as part of the Combined Statements-Overview, of certain other information concerning individual funds including:

- A) Deficit fund balances or retained earnings balance of individual funds. No fund had a deficit fund balance at June 30, 2003.
  
- B) Excess of expenditures over appropriations in individual funds. No fund had expenditures over appropriations for the year ended June 30, 2003.
  
- C) Individual fund interfund receivable and payable balances. Such balances at June 30, 2003 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 517,789
Special Revenue Funds	92,738	-
Enterprise Fund	312,731	-
Fiduciary Funds	112,320	-
Total	<u>\$ 517,789</u>	<u>\$ 517,789</u>

ALLIANCE LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003

**NOTE 4 - CHANGES IN GENERAL FIXED ASSETS ACCOUNT GROUP AND EQUIPMENT OF THE ENTERPRISE FUND**

During the year ended June 30, 2003, changes in the general fixed assets account group were as follows:

<u>By Type</u>	<u>Balance</u> <u>6/30/2002</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2003</u>
Land	\$ 142,949	\$ -	\$ -	\$ 142,949
Building/improvements	1,098,801	2,660	-	1,101,461
Equipment	238,560	-	-	238,560
Furniture/fixtures	137,290	-	-	137,290
Computers	809,465	29,433	-	838,898
Vehicles	380,709	-	17,289	363,420
	<u>\$ 2,807,774</u>	<u>\$ 32,093</u>	<u>\$ 17,289</u>	<u>\$ 2,822,578</u>

Equipment of the enterprise fund consists of the following at June 30, 2003:

	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Depreciated</u> <u>Cost</u>
Equipment and computers	<u>\$ 644,046</u>	<u>\$ 493,209</u>	<u>\$ 150,837</u>

**NOTE 5 - GENERAL LONG-TERM DEBT**

Changes in general long-term debt during the year ended June 30, 2003, were as follows:

<u>Type of Debt</u>	<u>Balance</u> <u>6/30/2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2003</u>
Vested compensated absences	<u>\$ 49,032</u>	<u>\$ 7,762</u>	<u>\$ -</u>	<u>\$ 56,794</u>

**NOTE 6 - OPERATING LEASES**

The System leases its Bloomington office facilities under a lease expiring October 31, 2003. The lease provides that the System pay insurance and utilities plus an annual rental of \$47,417.

The total minimum rental commitment as of June 30, 2003, is due in future years as follows:

<u>Year ending June 30,</u>	
2004	<u>\$ 15,805</u>

The total rentals for the year ended June 30, 2003, amounted to \$47,416.

ALLIANCE LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003

**NOTE 7 - ILLINOIS MUNICIPAL RETIREMENT FUND (IMRF)**

The System's defined benefit pension plan, the Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. IMRF, an agent multiple-employer plan, 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. The report may be obtained at [www.imrf.org/pubs/pubs\\_homepage.htm](http://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.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The System is required to contribute at an actuarially determined rate. The System's rate for calendar year 2002 was .96 percent of payroll. The System's contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2002 was three years.

For December 31, 2002, the System's annual pension cost of \$13,041 was equal to the System's required and actual contributions. The required contribution was determined as part of the December 31, 2000, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (A) 7.5 percent investment rate of return (net of administrative expenses), (B) projected salary increases of 4.00 percent a year, attributable to inflation, (C) additional projected salary increases ranging from 0.4 percent to 11.6 percent per year depending on age and service, attributable to seniority/merit, and (D) post-retirement benefit increases of 3 percent annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The assumptions used for the 2001 actuarial valuation were based on the 1996-1998 experience study.

However, the 2002 actuarial valuation information shown on the schedule of funding progress is based on the assumptions derived from the 1999-2001 experience study. The effect of the assumption change increased (decreased) the unfunded actuarial accrued liability by \$(10,744).

ALLIANCE LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003

**TREND INFORMATION**

Actuarial Valuation <u>Date</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/02	\$ 13,041	100 %	\$ -
12/31/01	13,356	100 %	-
12/31/00	12,702	100 %	-
12/31/99	11,671	100 %	-
12/31/98	11,565	100 %	-
12/31/97	11,101	100 %	-
12/31/96	12,494	100 %	-
12/31/95	25,140	100 %	-
12/31/94	11,871	100 %	-
12/31/93	-	100 %	-

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets <u>(A)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(B)</u>	Unfunded AAL (UAAL) <u>(B - A)</u>	Funded Ratio <u>(A/B)</u>	Covered Payroll <u>(C)</u>	UAAL as a Percentage of Covered Payroll <u>(B - A)/C)</u>
12/31/02	\$ 5,242,473	\$ 3,648,687	\$ (1,593,786)	143.68%	\$1,358,410	\$ -
12/31/01	5,655,493	3,566,870	(2,098,623)	158.84%	1,391,213	-
12/31/00	5,560,458	3,478,882	(2,081,576)	159.83%	1,337,070	-
12/31/99	4,789,398	2,993,868	(1,795,530)	158.67%	1,215,792	-
12/31/98	3,867,710	2,634,812	(1,232,898)	144.22%	1,091,034	-
12/31/97	3,198,708	2,410,255	(788,453)	135.64%	991,796	-
12/31/96	3,288,500	2,439,675	(848,825)	134.79%	1,134,837	-
12/31/95	4,366,530	2,379,060	(1,987,470)	183.54%	1,083,600	-
12/31/94	2,668,678	1,979,734	(688,944)	134.80%	511,701	-
12/31/93	-	-	-	-	-	-

**\*Digest of Changes**

2002 Assumptions

The actuarial assumptions used to determine the actuarial accrued liability for 2002 are based on the 1999-2001 Experience Study.

The principal changes were:

Fewer members are expected to take refunds early in their career.

For Regular members, fewer normal and early retirements are expected to occur.

ALLIANCE LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003

**NOTE 8 - EMPLOYEE BENEFIT PLANS**

The System's sick leave policy allows 12 days per year for full-time employees and a prorated portion of this amount for part-time employees. The unused sick time can accumulate up to a maximum of 30-days and does not vest.

The System's vacation policy allows professional staff to receive 20-days paid vacation for a full year of service or increment thereof for a partial year of service. All other full-time employees receive vacation days based upon years of service. Part-time employees earn vacation at the same ratio, pro rata, as full-time employees.

As of June 30, 2003, accrued employee vacation pay totaled \$80,901. Of the total amount accrued, \$23,907 was recorded as a liability of the General Fund as it was expected to be paid from the available resources, \$56,794 was accounted for in the general long-term debt account group, and \$200 was recorded as a liability of the Enterprise Fund.

**NOTE 9 - RISK MANAGEMENT**

The System is exposed to various risks of loss related to torts, theft, damage, or destruction of assets, errors and omissions, injuries to employees and natural disasters. To minimize the risk of sustaining a devastating loss in these areas, the System has purchased commercial insurance with specified limits to cover these losses. No claims have been settled with amounts in excess of these limits in any of the past three years.

**NOTE 10 - SALE OF PROPERTY**

On June 10, 1999 the System's Board of Directors entered into an agreement with the Board of Education of the McLean and Woodford Counties, Illinois, to sell to the School District property owned by the System located at 1809 West Hovey Avenue, Normal, Illinois. The property was being leased to the School District for approximately \$9,660 per month. Upon expiration of the lease on December 31, 2000 the System transferred the property to the School District by way of a contract for deed with a total purchase price of \$765,000. The contract states that the School District will make 60 monthly payments of \$12,750, not including interest, commencing January 1, 2001. The initial annual interest rate was 9 percent. The current annual interest rate is 5 percent. Total payments received from July 1, 2002 - June 30, 2003 consisted of principal of \$153,000 and interest of \$23,536.82. The principal balance owed by the School District at June 30, 2003 was \$381,672.

ALLIANCE LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 11 - PENDING GASB STATEMENTS**

At June 30, 2003, the Governmental Accounting Standards Board (GASB) had issued Statement # 34 which will be implemented by Alliance Library System. The statements may impact Alliance Library System as follows:

No. 34, "Basic Financial Statements-and Management Discussion and Analysis-For State and Local Governments", issued June, 2000, will be effective for Alliance Library System for the fiscal year ending June 30, 2004. Statement # 34 imposes new standards for financial reporting. Management has not yet completed their assessment of this statement; however, it will likely have a material effect on the overall financial statement presentation for Alliance Library System.

**NOTE 12 - EDUCATIONAL ENDOWMENT FUND AWARDS**

The Educational Endowment Fund provides low interest student loans, scholarships and training grants to prospective students. During the year ended June 30, 2003, total awards were as follows:

Student loans issued	\$ 13,231
Scholarships awarded	<u>40,435</u>
	<u>\$ 53,666</u>

**NOTE 13 - SUBSEQUENT EVENTS**

On June 12, 2003, the board of directors approved a resolution to authorize the executive director to secure funding through Union Planters Bank for the purchase and remodeling of property at 600 High Point Lane in East Peoria, Illinois. Subsequently, on July 17, 2003 the System purchased that property with the intent to consolidate various sites throughout Central Illinois into this location.

**WILLOCK WARNING & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

1491 VALLE VISTA  
PEKIN, ILLINOIS 61554

TELEPHONE (309) 347-3152

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Alliance Library System  
Pekin, Illinois

We have audited the accompanying general purpose financial statements of Alliance Library System as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Alliance Library System as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated July 24, 2003, on our consideration of Alliance Library System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The financial information, listed in the table of contents as supplementary information, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Alliance Library System. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Not-for-Profit Organizations, and is also not a required part of the general purpose financial statements of Alliance Library System. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

WILLOCK WARNING & CO., P.C.

Pekin, Illinois  
July 24, 2003