

THE URBANA FREE LIBRARY, ILLINOIS

Management's Discussion and Analysis

June 30, 2023

Our discussion and analysis of the Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the Library's financial statements, which can be found in the basic financial statement section of this report.

FINANCIAL HIGHLIGHTS

- The Library's net position increased by \$15,938, or 0.1 percent as a result of this year's operations.
- During the year, government-wide revenues totaled \$4,335,555, while expenses totaled \$4,319,617, resulting in an increase to net position of \$15,938.
- The Library's net position totaled \$11,828,023 on June 30, 2023, which includes \$8,177,266 investment in capital assets, \$447,419 subject to external restrictions, and \$3,203,338 unrestricted net position that may be used to meet the ongoing obligations to citizens and creditors.
- The General Fund reported a surplus this year of \$333,470, resulting in ending fund balance of \$3,459,989, an increase of 10.7 percent.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide statements by providing information about the Library's most significant funds. The remaining statements provide financial information about activities for which the Library acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the Library's finances, in a matter similar to a private-sector business.

The Statement of Net Position reports information on all of the Library's assets/deferred outflows and liabilities/deferred inflows, 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. Consideration of other nonfinancial factors, such as changes in the Library's property tax base and the condition of the Library's infrastructure, is needed to assess the overall health of the Library.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. 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 (e.g., uncollected taxes and earned but unused vacation leave).

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Both of the government-wide financial statements distinguish functions of the Library that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Library consist of culture and recreation. The Library does not have any business-type activities.

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USING THIS ANNUAL REPORT - Continued

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, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library can be categorized as governmental.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Library's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information 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 the comparison between governmental funds and governmental activities.

The Library maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Trust Fund, which are considered major funds.

The Library adopts an annual appropriated budget for all of the governmental funds. A budgetary comparison statement for these funds has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Library's other post-employment benefit obligations and budgetary comparison schedules for the General Fund and Trust Fund.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the Library, assets/deferred outflows exceeded liabilities/deferred inflows by \$11,828,023.

	Net Position	
	2023	2022
Current Assets	\$ 5,841,923	5,487,820
Capital Assets	8,177,266	8,361,438
Total Assets	14,019,189	13,849,258
Deferred Outflows	53,981	30,976
Total Assets and Deferred Outflows	14,073,170	13,880,234
Long-Term Debt	145,057	107,656
Other Liabilities	315,174	333,820
Total Liabilities	460,231	441,476
Deferred Inflows	1,784,916	1,626,673
Total Liabilities and Deferred Inflows	2,245,147	2,068,149
Net Position		
Investment in Capital Assets	8,177,266	8,361,438
Restricted	447,419	600,664
Unrestricted	3,203,338	2,849,983
Total Net Position	11,828,023	11,812,085

A large portion of the Library's net position, \$8,177,266 or 69.1 percent, reflects its investment in capital assets (for example, land, construction in progress, buildings and improvements, and equipment), less any related debt used to acquire those assets that is still outstanding if applicable. The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Library's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion, \$447,419 or 3.8 percent, of the Library's net position represents resources that are subject to external restrictions on how they may be used. The remaining 27.1 percent, or \$3,203,338, represents unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

	Changes in Net Position	
	2023	2022
Revenues		
Program Revenues		
Charges for Services	\$ 87,995	95,554
Operating Grants and Contributions	178,410	189,350
General Revenues		
Property Taxes	3,741,391	3,747,256
Replacement Taxes	303,753	291,052
Interest Income	8,592	1,073
Miscellaneous	15,414	20,194
Total Revenues	4,335,555	4,344,479
Expenses		
Culture and Recreation	4,319,617	3,963,773
Change in Net Position	15,938	380,706
Fund Balance - Beginning	11,812,085	11,431,379
Net Position-Ending	11,828,023	11,812,085

Net position of the Library's governmental activities increased by 0.1 percent (\$11,828,023 in 2023 compared to \$11,812,085 in 2022). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, totaled \$3,203,338 at June 30, 2023.

Governmental Activities

Revenues for governmental activities totaled \$4,335,555, while the cost of all governmental functions totaled \$4,319,617, this results in an increase of \$15,938. In 2022, revenues of \$4,344,479 exceeded expenses of \$3,963,773, resulting in an increase of \$380,706. The increase in 2023 was due to an increase in personal property replacement taxes and decreased spending due to supply chain issues; not filling as many staff hours due to open positions; or projects being deferred to FY23. The Library Café remained closed, which normally lost some money so this is a savings.

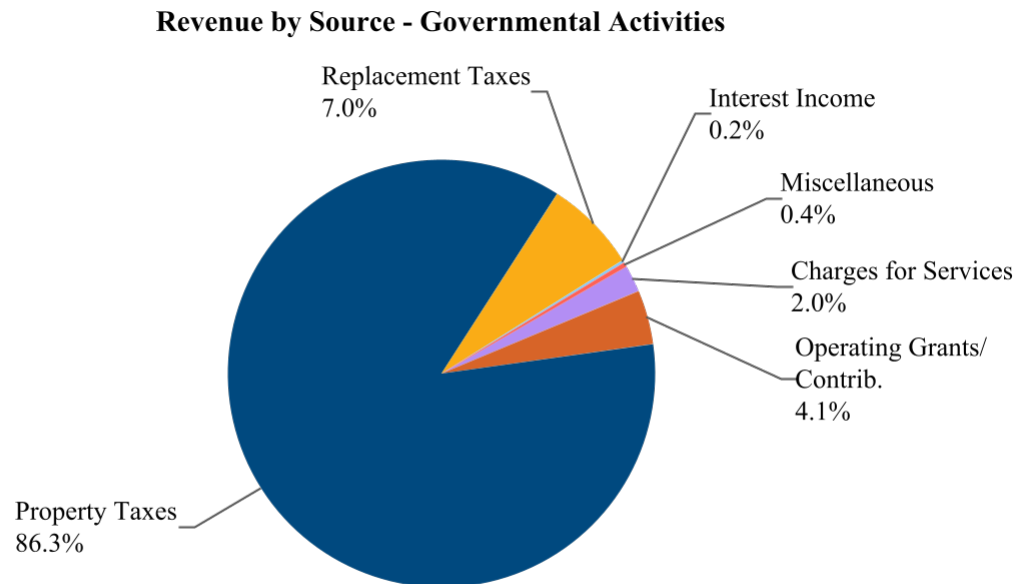
The following table graphically depicts the major revenue sources of the Library. It depicts very clearly the reliance of property taxes to fund governmental activities. It also clearly identifies the less significant percentage the Library receives from other sources.

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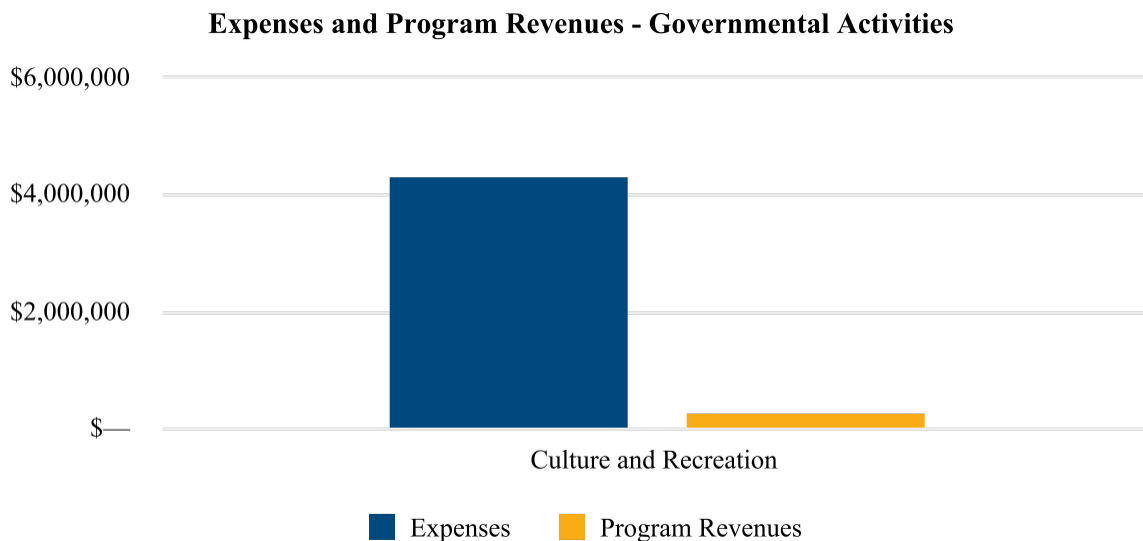
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GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued



The 'Expenses and Program Revenues' Table identifies those governmental functions where program expenses greatly exceed revenues.



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FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Library's governmental funds reported combining ending fund balances of \$3,907,408, which is \$180,225, or 4.8 percent, higher than last year's total of \$3,727,183. Of the \$3,907,408 total, \$3,459,989, or approximately 88.5 percent, of the fund balance constitutes unassigned fund balance.

The General Fund is the chief operating fund of the Library. As mentioned earlier, the General Fund reported an increase in fund balance for the year of \$333,470, or 10.7 percent, from a beginning balance of \$3,126,519. This increase was due to an increase in personal property replacement taxes and decreased spending due to supply chain issues; not filling as many staff hours due to open positions; or projects being deferred to FY23. The Library Café remained closed, which normally lost some money so this is a savings.

Unassigned fund balance in the General Fund was \$3,459,989, which represents 100.0 percent of the total fund balance of the General Fund. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance in the General Fund represents approximately 86.8 percent of total General Fund expenditures.

The Trust Fund is a major fund of the Library. Its resources are to be used entirely for capital improvements at the Library. At the end of the current fiscal year, the Trust Fund reported a decrease in fund balance of \$153,245, which is a decrease of 25.5 percent from a beginning balance of \$600,664. This decrease was due to not spending funds on projects which were deferred, including \$250,000 for capital expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Library made one budget amendment to the General Fund during the year. General Fund actual revenues for the year totaled \$4,318,565, compared to budgeted revenues of \$4,626,142. All revenues came in lower than budgeted except for investment income which came in higher than budgeted by \$7,892.

The General Fund actual expenditures for the year were \$763,088 lower than budgeted (\$3,985,095 actual compared to \$4,748,183 budgeted). All budgeted functions came in under budget, except for acquisitions, circulation, and building costs which were over budget by \$15,246, \$60,953, and \$559, respectively.

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CAPITAL ASSETS

The Library's investment in capital assets for its governmental and business type activities as of June 30, 2023 was \$8,177,266 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and equipment.

	Capital Assets Net of Depreciation	
	2023	2022
Land	\$ 669,054	669,054
Buildings and Improvements	7,477,629	7,646,197
Equipment	30,583	46,187
Totals	8,177,266	8,361,438

There were no major additions in the current fiscal year. Additional information on the Library's capital assets can be found in Note 3 of this report.

DEBT ADMINISTRATION

At year-end, the Library had no outstanding long-term debt. Additional information on the Library's long-term debt can be found in Note 3 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Library's elected and appointed officials considered many factors when setting the fiscal year 2023-2024 budget, including tax rates and fees that will be charged for its various activities. The state of the economy was a major factor, as the Library is faced with a similar economic environment as many other local municipalities are faced with, including inflation, unemployment rates, and the continued effects on residents and businesses due to the global health emergency from COVID-19.

It is unlikely that the Library will have as much unspent funds in FY23. The Library Board approved going fine free at the end of FY22, which will decrease revenue but increase access to the Library for the community. In addition, several projects were deferred to FY23, such as redoing the staff parking lot. Additional staff benefits were added, such as paid sick leave for hourly employees and paid parental leave for benefitted staff. No additional funds were added to the Library's budget, so we anticipate that less in the staffing lines will remain unspent. Additionally, the Library is seeing greater use at the end of FY22, which we anticipate will go into FY23, so more positions and shifts will be filled. The Friends of the Urbana Free Library online book sale is no longer bringing in as much revenue, which will decrease funding in the Trust Fund in FY23. Renovation in FY23 to the Circulation area will change workflow but impacts are yet to be determined.

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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:

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