

THE URBANA FREE LIBRARY, ILLINOIS

ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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FINANCIAL SECTION

This section includes:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information

INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the Library's independent auditing firm.



INDEPENDENT AUDITORS' REPORT

December 15, 2023

Members of the Library Board
The Urbana Free Library
Urbana, Illinois

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of The Urbana Free Library (the Library), Illinois, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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, each major fund, and the aggregate remaining fund information of the The Urbana Free Library, Illinois, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, and other post-employment benefit (OPEB) reporting, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Lauterbach & Amen, LLP
LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

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).

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.

Management's Discussion and Analysis

June 30, 2023

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.

THE URBANA FREE LIBRARY, ILLINOIS

Management's Discussion and Analysis

June 30, 2023

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.

THE URBANA FREE LIBRARY, ILLINOIS

Management's Discussion and Analysis

June 30, 2023

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

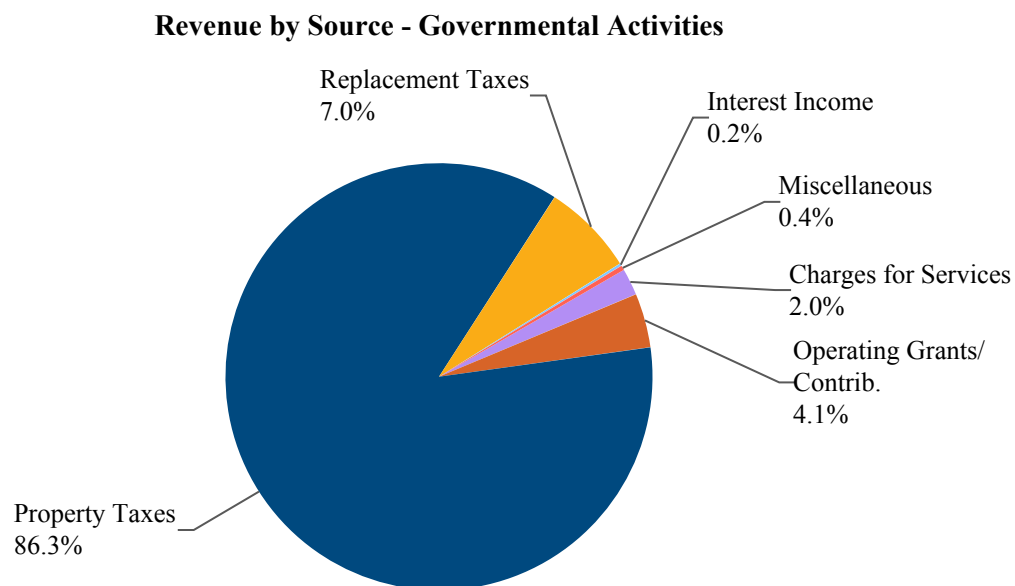
Revenues for governmental activities totaled \$4,335,555, while the cost of all governmental functions totaled \$4,319,617, this results in an increase of \$15,938. In 2022, revenues of \$4,344,479 exceeded expenses of \$3,963,773, resulting in an increase of \$380,706. The increase in 2023 was due to another year of an increase in personal property replacement taxes and lower spending due to supply chain issues; not filling as many staff hours due to open positions; or projects being deferred to FY24. The Library also went fine-free.

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.

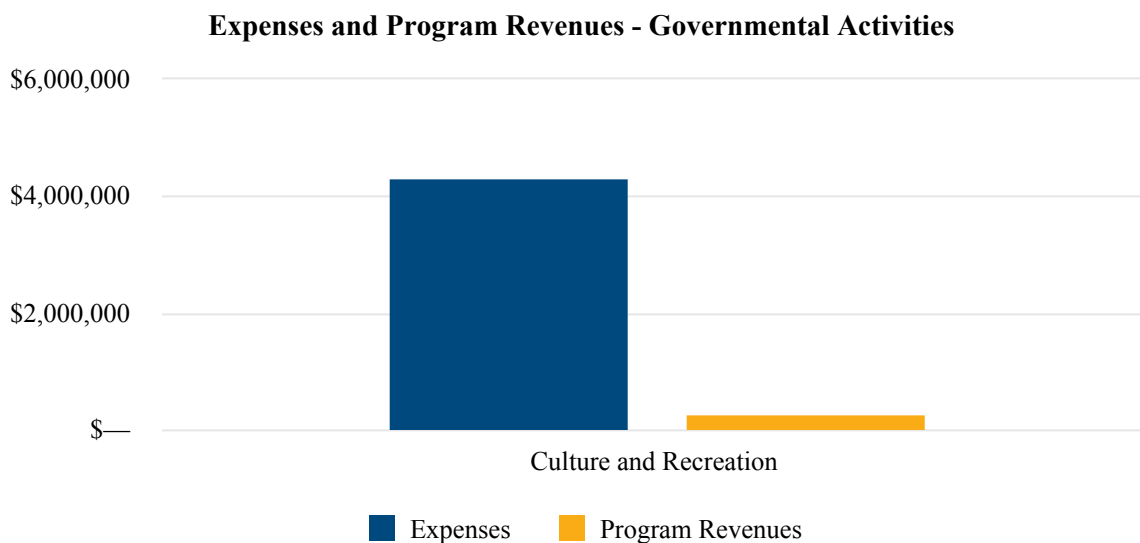
Management's Discussion and Analysis

June 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued



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



THE URBANA FREE LIBRARY, ILLINOIS

Management's Discussion and Analysis

June 30, 2023

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 another year of an increase in personal property replacement taxes and lower spending due to supply chain issues; not filling as many staff hours due to open positions; or projects being deferred to FY24. The Library also went fine-free. The General Fund will hold a higher fund balance because the Library receives around 50% of its property tax revenue in the last month or so of the fiscal year. Those funds will be mostly be spent in the following fiscal year when again, almost 50% of the property tax revenue arrive in the last month. Without the carryover balance from the prior year, the Library would not be able to fund its operations through the entire year. This was especially problematic when one considers that there have been times that the Library has not received its property taxes on time.

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. 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 less donations revenues and increased administration expenditures in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Library made several budget amendments 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.

THE URBANA FREE LIBRARY, ILLINOIS

Management's Discussion and Analysis

June 30, 2023

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 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 municipal bodies are faced with, including inflation; the impact of the undercount of Urbana in the 2020 census; unemployment rate; increasing wages and unfunded mandates by the State of Illinois; and the continued effects on residents and businesses due to the global health emergency from COVID-19. The Library reorganized at the end of FY23 to play to staff strengths, streamline operations, and the details of savings will not be fully seen until into FY25, after renovations are completed.

It is unlikely that the Library will have as much unspent funds in FY24. Between necessary renovations in FY24 and FY25, much of the fund balance will be used up. The staff parking lot project was completed in early FY24. The replacement of the east air handler project is moving ahead in FY24 and will continue into FY25. It will cost more than \$500,000. The Library Board approved going fine free at the end of FY22, which decreased revenue but increased access to the Library for the community. After a couple of years of phenomenal PPRT revenue, it has decreased sharply. Additional staff benefits were added, such as paid sick leave for hourly employees and paid parental leave for benefited staff. No additional funds were added to the Library's budget, so we anticipate that less in the staffing lines will remain unspent. In addition, two laws in FY24 are unfunded mandates which allow staff to take more unpaid and paid leave. Both are likely to require the Library to hire staff to fill the shifts of those who are taking leave, which is another reason that less will be unspent in staffing lines. The Friends of the Urbana Free Library no longer have an online book sale, and FY23 revenue was the lowest it has been since FY2019. Friends funds pay for book prizes for summer and winter reading programs. The Library has already had to cut back the number of prizes allowed and with the increasing number of participants and increasing book prices, the Friends revenue will no longer cover this initiative unless they raise more funds. Renovation in FY24 and FY25 to the Welcome Desk area will change workflow but impacts are yet to be determined.

THE URBANA FREE LIBRARY, ILLINOIS

Management's Discussion and Analysis

June 30, 2023

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 aka Celeste Moutos
The Urbana Free Library
210 W. Green Street
Urbana, Illinois 61801

BASIC FINANCIAL STATEMENTS

The basic financial Statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements

Governmental Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

THE URBANA FREE LIBRARY, ILLINOIS

Statement of Net Position

June 30, 2023

See Following Page

THE URBANA FREE LIBRARY, ILLINOIS

Statement of Net Position

June 30, 2023

	Primary Government Governmental Activities	Component Unit Library Foundation
ASSETS		
Current Assets		
Cash and Investments	\$ 2,778,811	777,471
Receivables - Net of Allowances	3,063,112	—
Total Current Assets	5,841,923	777,471
Noncurrent Assets		
Capital Assets		
Nondepreciable Capital Assets	669,054	—
Depreciable Capital Assets	11,525,442	—
Accumulated Depreciation	(4,017,230)	—
Total Noncurrent Assets	8,177,266	—
Total Assets	14,019,189	777,471
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Items - RBP	53,981	—
Total Assets and Deferred Outflows of Resources	14,073,170	777,471

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

	Primary Government Governmental Activities	Component Unit Library Foundation
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 144,938	—
Accrued Payroll	45,127	—
Compensated Absences Payable	125,109	—
Total Current Liabilities	315,174	—
Noncurrent Liabilities		
Total OPEB Liability - RBP	145,057	—
Total Liabilities	460,231	—
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	1,744,450	—
Deferred Items - RBP	40,466	—
Total Deferred Inflows of Resources	1,784,916	—
Total Liabilities and Deferred Inflows of Resources	2,245,147	—
NET POSITION		
Investment in Capital Assets	8,177,266	—
Restricted		
Trust	447,419	—
Unrestricted	3,203,338	777,471
Total Net Position	11,828,023	777,471

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

THE URBANA FREE LIBRARY, ILLINOIS

Statement of Activities

For the Fiscal Year Ended June 30, 2023

	Program Revenues			Net (Expenses)/Revenues	
	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Primary Government Activities	Component Unit Library Foundation
Expenses					
Governmental Activities					
Culture and Recreation	\$ 4,319,617	87,995	178,410	—	(4,053,212)
Component Unit					
Library Foundation	82,501	—	89,573	—	7,072
General Revenues					
Taxes					
Property Tax				3,741,391	—
Intergovernmental - Unrestricted					
Replacement Tax				303,753	—
Investment Income				8,592	17,038
Miscellaneous				15,414	—
				4,069,150	17,038
Change in Net Position				15,938	24,110
Net Position - Beginning				11,812,085	753,361
Net Position - Ending				11,828,023	777,471

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

THE URBANA FREE LIBRARY, ILLINOIS

Balance Sheet - Governmental Funds June 30, 2023

	General	Special Revenue Trust	Totals
ASSETS			
Cash and Investments	\$ 2,213,919	564,892	2,778,811
Receivables - Net of Allowances			
Property Taxes	2,981,863	—	2,981,863
Other Taxes	47,899	—	47,899
Accounts	33,350	—	33,350
Total Assets	5,277,031	564,892	5,841,923
LIABILITIES			
Accounts Payable	27,465	117,473	144,938
Accrued Payroll	45,127	—	45,127
Total Liabilities	72,592	117,473	190,065
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	1,744,450	—	1,744,450
Total Liabilities and Deferred Inflows of Resources	1,817,042	117,473	1,934,515
FUND BALANCES			
Restricted	—	447,419	447,419
Unassigned	3,459,989	—	3,459,989
Total Fund Balances	3,459,989	447,419	3,907,408
Total Liabilities, Deferred Inflows of Resources and Fund Balances	5,277,031	564,892	5,841,923

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

THE URBANA FREE LIBRARY, ILLINOIS

Reconciliation of the Total Governmental Fund Balance to the Statement of Net Position - Governmental Activities

June 30, 2023

Total Governmental Fund Balances	\$ 3,907,408
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in Governmental Activities are not financial resources and therefore, are not reported in the funds.	8,177,266
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Deferred outflows (inflows) of resources related to the pensions not reported in the funds. Deferred Items - RBP	13,515
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences Payable	(125,109)
Total OPEB Liability - RBP	<u>(145,057)</u>

Net Position of Governmental Activities	<u><u>11,828,023</u></u>
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THE URBANA FREE LIBRARY, ILLINOIS

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2023**

	General	Special Revenue Trust	Totals
Revenues			
Taxes	\$ 3,741,391	—	3,741,391
Intergovernmental	465,173	16,990	482,163
Fines and Fees	87,995	—	87,995
Investment Income	8,592	—	8,592
Miscellaneous	15,414	—	15,414
Total Revenues	4,318,565	16,990	4,335,555
Expenditures			
Culture and Recreation	3,985,095	170,235	4,155,330
Net Change in Fund Balances	333,470	(153,245)	180,225
Fund Balances - Beginning	3,126,519	600,664	3,727,183
Fund Balances - Ending	3,459,989	447,419	3,907,408

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

THE URBANA FREE LIBRARY, ILLINOIS

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the
Governmental Funds to the Statement of Activities - Governmental Activities
For the Fiscal Year Ended June 30, 2023**

Net Change in Fund Balances - Total Governmental Funds	\$ 180,225
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation Expense	(184,172)
The net effect of deferred outflows (inflows) of resources related to the pensions not reported in the funds.	
Change in Deferred Items - RBP	7,654
The issuance of long-term debt provides current financial resources to governmental funds, While the repayment of the principal on long-term debt consumes the current financial resources of the governmental funds.	
Change in Compensated Absences Payable	49,632
Change in Total OPEB Liability - RBP	<u>(37,401)</u>
Changes in Net Position of Governmental Activities	<u>15,938</u>

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Urbana Free Library (the Library), Illinois 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 government-wide financial statements are prepared in accordance with generally accepted accounting principles in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP in the United States for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Library's accounting policies established in GAAP in the United States and used by the Library are described below.

REPORTING ENTITY

The Library's financial reporting entity comprises of the following:

Primary Government:

The Urbana Free Library

Discretely Presented Component Unit:

The Urbana Free Library Foundation

In determining the financial reporting entity, the Library complies with the provisions of GASB Statement No. 61 "The Financial Reporting Omnibus - an Amendment of GASB Statements No. 14 and No. 34," and includes all component units that have a significant operational or financial relationship with the Library. Based upon the criteria set forth in the GASB Statement No. 61, all component units that have a significant operational or financial relationship with the Village have been included. The Library has been determined to be a discretely presented unit of the City of Urbana, Illinois.

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria described in GASB Statement No. 61 but do not meet the criteria for blending.

The Urbana Free Library Foundation

The Urbana Free Library Foundation (the Foundation) is an Illinois not-for-profit corporation, established to create a secure future for the Library and to promote community enrichment education by encouraging private support to the Library. The Foundation is a discretely presented component unit because the resources received and held by the Foundation are entirely for the direct benefit of the Library, the Library has the ability to access those resources, and those resources are significant to the Library. The assets, liabilities, net position, revenues, and expenditures of the Foundation are included in the basic financial statements of the Library. The Foundation does not issue separate financial statements.

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION

Government-Wide Statements

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's governmental funds). The Library's culture and recreation services are classified as governmental activities.

In the government-wide Statement of Net Position, the governmental activities column is: (a) presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net position is reported in three parts: net investment in capital assets; restricted; and unrestricted. The Library first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of the Library's functions. The functions are supported by general government revenues (property taxes, certain intergovernmental revenues, fines and fees, investment income, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the culture and recreation function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property tax, intergovernmental revenues, investment income, etc).

This government-wide focus is more on the sustainability of the Library as an entity and the change in the Library's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the Library are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets/deferred outflows, liabilities/deferred inflows, fund equity, revenues and expenditures/expenses. The Library's funds are reported in the governmental category. The emphasis in fund financial statements is on the major funds.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses) for the determination of major funds.

A fund is considered major if it is the primary operating fund of the Library or total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 10 percent of the corresponding total for all governmental funds combined.

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION - Continued

Fund Financial Statements - Continued

The various funds are reported by generic classification within the financial statements. The following fund type is used by the Library:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Library:

General Fund is the general operating fund of the Library. It is used to account for all financial resources, except for those required to be accounted for in another fund.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Library maintains one major special revenue fund. The Trust Fund is used to account for and report grants and local revenues legally restricted or committed for specific purposes in support of the Library.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets/deferred outflows and liabilities/deferred inflows are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The accounting objectives of the "economic resources" measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets/deferred outflows, liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported.

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability/deferred inflow is incurred or economic asset used. Revenues, expenses, gains, losses, assets/deferred outflows, and liabilities/deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. The Library recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70. A sixty-day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recognized when due, if applicable.

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes, interest revenue, and charges for services. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, the Library’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of purchase.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Library’s investments are in 2a7-like investment pools that are measured at the net asset value per share determined by the pool.

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances include property taxes.

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY - Continued

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000, or more depending on asset class, are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Library as a whole. When purchased, such assets are recorded as expenditures in the governmental fund and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Buildings and Improvement	75 Years
Equipment	5 - 7 Years

Deferred Outflows/Inflows of Resources

Deferred outflow/inflow of resources represents a consumption/acquisition of net assets that applies to a future period and therefore will not be recognized as an outflow of resources (expense)/inflow of resources (revenue) until that future time.

Compensated Absences

The Library accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave that is estimated to be taken as “terminal leave” prior to retirement.

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY - Continued

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - Consists of net position with constraints placed on the 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.

Unrestricted - All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget is as amended 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.

Notes to the Financial Statements

June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

The Library maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as "cash and investments."

Permitted Deposits and Investments - Statutes authorize the Library to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and Illinois Funds.

Illinois Funds is an investment pool managed by the Illinois Public Treasurer's Office which allows governments within the State to pool their funds for investment purposes. The Illinois Funds is not registered with the SEC as an investment company. Investments in Illinois Funds are in 2a7-like investment pools that are measured at the net asset value per share determined by the pool.

Interest Rate Risk, Credit Risk, Concentration of Credit Risk, and Custodial Credit Risk

Deposits. At year-end, the carrying amount of the Library's deposits totaled \$2,562,878 and the bank balances totaled \$2,589,358. In addition, the Library has \$215,933 invested in the Illinois Funds, which has an average maturity of less than one year and is measured at net asset value per share as determined by the pool.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Library's investment policy does not specifically address interest rate risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Library's investment policy authorizes investments in any type of security allowed for in Illinois statutes regarding the investment of public funds. At year end, the Library's investments in the Illinois Funds are rated AAA by Fitch.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of the Library's investment in a single issuer. The Library's investment policy does not specifically address concentration credit risk. At year-end, the Library does not have any investments over 5 percent of the total cash and investment portfolio (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. 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 fund secured, with the collateral held by an independent third party custodian, in the name of the Library. At year-end, the entire amount of the bank balance of deposits was covered by federal depository or equivalent insurance.

For an investment, this 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'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. The Library's investment are not subject to custodial credit risk.

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

PROPERTY TAXES

Property taxes for 2022 attach as an enforceable lien on January 1, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and are payable in two installments, on or about June 1 and September 1. The County collects such taxes and remits them in two fairly equal payments with a third lesser payment of any disputed taxes.

CAPITAL ASSETS

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 669,054	—	—	669,054
Depreciable Capital Assets				
Buildings and Improvements	10,856,256	—	—	10,856,256
Equipment	669,186	—	—	669,186
	11,525,442	—	—	11,525,442
Less Accumulated Depreciation				
Buildings and Improvements	3,210,059	168,568	—	3,378,627
Equipment	622,999	15,604	—	638,603
	3,833,058	184,172	—	4,017,230
Total Net Depreciable Capital Assets	7,692,384	(184,172)	—	7,508,212
Total Net Capital Assets	8,361,438	(184,172)	—	8,177,266

Depreciation expense of \$184,172 was charged to culture and recreation function.

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

LONG-TERM LIABILITY ACTIVITY

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Compensated Absences	\$ 174,741	49,632	99,264	125,109	125,109
Total OPEB Liability - RBP	107,656	37,401	—	145,057	—
	282,397	87,033	99,264	270,166	125,109

The General Fund makes payments on the compensated absences and the total OPEB liability.

FUND BALANCE CLASSIFICATIONS

The following is a schedule of fund balance classifications for the governmental funds as of the date of this report:

	General	Special Revenue Trust	Totals
Fund Balances			
Restricted			
Trust	\$ —	447,419	447,419
Unassigned	3,459,989	—	3,459,989
Total Fund Balances	3,459,989	447,419	3,907,408

In the governmental funds financial statements, the Library considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Library first utilizes committed, then assigned and then unassigned fund balance when an expenditure is incurred for purposes for which all three unrestricted fund balances are available.

Nonspendable Fund Balance. Consists of resources that cannot be spent because they are either: a) not in a spendable form; or b) legally or contractually required to be maintained intact.

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

FUND BALANCE CLASSIFICATIONS - Continued

Restricted Fund Balance. Consists of resources that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance. Consists of resources constrained (issuance of an ordinance) to specific purposes by the government itself, using its highest level of decision-making authority, the Board of Trustees; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned Fund Balance. Consists of amounts that are constrained by the Board of Trustees' intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by a) the Board of Trustees itself or b) a body or official to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes. The Library's highest level of decision-making authority is the Board of Trustees, who is authorized to assign amounts to a specific purpose.

Unassigned Fund Balance. Consists of residual net resources of a fund that has not been restricted, committed, or assigned within the General Fund and deficit fund balances of other governmental funds.

NOTE 4 - OTHER INFORMATION

CONTINGENT LIABILITIES

Litigation

The Library is not a defendant in any lawsuits.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Library expects such amounts, if any, to be immaterial.

RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to the Library's employees. The Library has purchased insurance from private insurance companies. Risks covered included certain types of liabilities and bonds. Premiums have been displayed as expenditures/expenses in appropriate funds. There were no significant changes in insurance coverages from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

Notes to the Financial Statements

June 30, 2023

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN

Illinois Municipal Retirement Fund (IMRF)

The Library participates in the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. All disclosures for an agent plan can be found in the Village's comprehensive annual financial report. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained online at www.imrf.org. The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly.

Plan Administration. All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

Benefits Provided. IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

Illinois Municipal Retirement Fund (IMRF) - Continued

Benefits Provided - Continued. Employees hired **on or after** January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Contributions. As set by statute, the Library's Regular Plan Members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. For the year-ended June 30, 2023, the Library's contribution was 8.14% of covered payroll. 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.

OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan Description. The Library's defined benefit OPEB plan, Retiree Benefit Plan (RBP), provides OPEB for all permanent full-time general employees of the Library. RBP is a single-employer defined benefit OPEB plan administered by the Library. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Library Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan does not issue a separate report.

Benefits Provided. The Library provides continued health insurance coverage at the active employee rate to all eligible employees in accordance with ILCS, which creates an OPEB for retirees, commonly referred to as an implicit rate subsidy. To be eligible for benefits, an employee must qualify for retirement under the City and Library's retirement plans. For Library employees, upon a retiree reaching 65 years of age, Medicare becomes the primary insurer and the retiree is no longer eligible to participate in the plan. Retired employees are required to pay 100% of the premiums for such coverage.

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS - Continued

General Information about the OPEB Plan - Continued

Plan Membership. As of June 30, 2023, the measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	—
Inactive Plan Members Entitled to but not yet Receiving Benefits	—
Active Plan Members	<u>34</u>
Total	<u>34</u>

Total OPEB Liability

The Library's total OPEB liability was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Varies by Service
Discount Rate	4.13%
Healthcare Cost Trend Rates	Initial rate of 7.25%, grading down to the ultimate trend rate of 4.00% in 2075.
Retirees' Share of Benefit-Related Costs	100% of projected health insurance premiums for retirees

The discount rate was based on S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices.

Mortality rates were based on PubG-2010 amount-weighted, below-median income, General Employee, Male and Female tables, with future mortality improvements projected using scale MP-2020.

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS - Continued

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2022	<u>\$ 107,656</u>
Changes for the Year:	
Service Cost	6,343
Interest on the Total OPEB Liability	28,690
Changes of Benefit Terms	—
Difference Between Expected and Actual Experience	(16,117)
Changes of Assumptions or Other Inputs	24,983
Benefit Payments	(6,498)
Other Changes	<u>—</u>
Net Changes	<u>37,401</u>
Balance at June 30, 2023	<u>145,057</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The discount rate used to measure the total pension liability was 4.13%, while the prior valuation used 4.09%. The following presents the total OPEB liability, calculated using the discount rate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Total OPEB Liability	\$ 156,663	145,057	134,418

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS - Continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, calculated using the Healthcare Trend Rates, as well as what the total OPEB liability would be if it were calculated using a Healthcare Trend Rate that is one percentage point lower or one percentage point higher:

		1% Decrease (Varies)	Healthcare Cost Trend Rates (Varies)	1% Increase (Varies)
Total OPEB Liability	\$	116,513	145,057	149,064

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Library recognized OPEB expense of \$36,245. At June 30, 2023, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$	6,851	(22,419)	(15,568)
Change in Assumptions		47,130	(18,047)	29,083
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		—	—	—
Total Deferred Amounts Related to OPEB		53,981	(40,466)	13,515

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS - Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Net Deferred Outflows of Resources
2024	\$ 2,510
2025	2,510
2026	2,510
2027	2,510
2028	1,690
Thereafter	<u>1,785</u>
Total	<u><u>13,515</u></u>

NOTE 5 - DISCRETELY PRESENTED COMPONENT UNIT

NATURE OF ORGANIZATION

The Urbana Free Library Foundation (the Foundation) is a not-for-profit organization organized under the laws of the State of Illinois to develop philanthropic support for The Urbana Free Library (the Library). The Foundation is considered a component unit of the Library under the accounting standards followed by the Library; however, the Foundation is a separate legal entity. The Foundation's only program relates to the support of the operational and capital needs of the Library that lack adequate funding through the Library's available resources. The Foundation's major sources of revenue and support are contributions from donors and investment income.

Basis of Accounting

The basic financial statements of the Foundation have been presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Financial Accounting Standards Board (FASB) pronouncements. The more significant of the Foundation accounting policies are described below.

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 5 - DISCRETELY PRESENTED COMPONENT UNIT - Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

The Foundation's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Net assets of Foundation and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net Assets with Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities.

Cash and Investments

For the purpose of the Statement of Financial Position and Statement of Cash Flows, the Foundation's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of purchase.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Foundation has no investments at year-end.

Investment Income

The Foundation records investment income earned on net assets with donor restrictions and without donor restrictions as without donor restrictions revenue.

Income Taxes

The Foundation is exempt from income tax under IRC section 501(c)(3), and similarly, is exempt from State of Illinois taxes under the Illinois Tax Act Section 205(a), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. There was no unrelated business income for the year ended June 30, 2023.

THE URBANA FREE LIBRARY, ILLINOIS

Notes to the Financial Statements

June 30, 2023

NOTE 5 - DISCRETELY PRESENTED COMPONENT UNIT - Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 expenses during the reported period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Functional expenses which are not directly attributable to one function are allocated between program, management and general, and fundraising services based on the number of employees involved, the amount of time spent, the percentage of their salary associated with the time and on estimated made by the Foundation's management.

CASH AND INVESTMENTS

For purposes of reporting cash flows, cash is defined as cash on hand, demand deposits and all highly liquid investments with an original maturity of three months or less.

At year-end the carrying amount of the Foundation's cash deposits totaled \$777,471 and the bank balances totaled \$777,471. The entire balance of deposits was fully insured by federal deposit insurance.

AVAILABILITY AND LIQUIDITY

The following represents Foundation's financial assets at June 30, 2023:

Financial Assets at Year End:	
Cash and Investments	\$ 777,471
Less Amount not Available to be used within one year:	
Net Assets with Donor Restrictions	<u> —</u>
Financial Assets Available to Meet General Expenses over the Next Twelve Months	<u><u>777,471</u></u>

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in fixed income securities, limited to Certificates of Deposits, U.S. Treasury Bills and Notes, U.S. Agency securities, and money market funds.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Changes in the Employer's Total OPEB Liability
Retiree Benefit Plan
- Budgetary Comparison Schedules

Notes to the Required Supplementary Information

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles.

THE URBANA FREE LIBRARY, ILLINOIS

Retiree Benefit Plan

Schedule of Changes in the Employer's Total OPEB Liability

June 30, 2023

See Following Page

THE URBANA FREE LIBRARY, ILLINOIS

Retiree Benefit Plan

Schedule of Changes in the Employer's Total OPEB Liability

June 30, 2023

	<u>6/30/18</u>
Total OPEB Liability	
Service Cost	\$ 6,717
Interest	2,278
Changes in Benefit Terms	—
Differences Between Expected and Actual Experience	—
Change of Assumptions or Other Inputs	(2,626)
Benefit Payments	(1,248)
Other Changes	151
Net Change in Total OPEB Liability	<u>5,272</u>
Total OPEB Liability - Beginning	<u>57,521</u>
 Total OPEB Liability - Ending	 <u><u>62,793</u></u>
 Covered-Employee Payroll	 \$ 373,100
 Total OPEB Liability as a Percentage of Employee-Covered Payroll	 16.83%

Notes:

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Changes of Assumptions. Changes in assumptions related to the discount rate were made in 2018 through 2023.

6/30/19	6/30/20	6/30/21	6/30/22	6/30/23
14,587	13,771	5,400	6,746	6,343
4,759	5,071	2,916	227	28,690
—	—	—	—	—
(28,338)	—	8,589	—	(16,117)
45,451	2,840	13,742	(17,419)	24,983
(2,806)	(6,663)	(4,988)	(5,628)	(6,498)
75,495	(501)	(88,388)	—	—
109,148	14,518	(62,729)	(16,074)	37,401
62,793	171,941	186,459	123,730	107,656
171,941	186,459	123,730	107,656	145,057
730,962	751,104	390,722	398,283	486,499
23.52%	24.82%	31.67%	27.03%	29.82%

THE URBANA FREE LIBRARY, ILLINOIS

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended June 30, 2023

	Budget		Actual
	Original	Final	Amounts
Revenues			
Taxes			
Property Tax	\$ 3,809,749	3,809,749	3,741,391
Intergovernmental			
Replacement Tax	108,458	183,458	303,753
Grants	102,274	102,274	104,266
Contributions	196,235	196,235	—
Donations	50,585	56,284	57,154
Fines and Fees			
Library Fines	50,300	50,300	53,399
Franchise Fees	33,350	33,350	33,350
Cafe Sales	65,500	65,500	—
Other Sales	3,087	3,087	1,246
Investment Income	700	700	8,592
Miscellaneous	125,205	125,205	15,414
Total Revenues	4,545,443	4,626,142	4,318,565
Expenditures			
Culture and Recreation			
Administration	343,481	360,281	359,912
Centralized Costs	847,078	841,778	473,421
Adult and Youth Services	1,202,527	1,186,027	1,042,586
Archives Department	334,495	335,595	293,401
Library Cafe	65,500	65,500	—
Maintenance	622,616	697,616	581,440
Acquisitions	260,640	263,239	278,485
Circulation	399,963	399,963	460,916
Information Technology	292,415	292,415	246,540
Community Engagement	291,282	298,282	243,435
Merchandise Sales	3,087	3,087	—
Building Costs	4,400	4,400	4,959
Total Expenditures	4,667,484	4,748,183	3,985,095
Excess (Deficiency) of Revenues Over (Under) Expenditures	(122,041)	(122,041)	333,470
Other Financing Sources (Uses)			
Transfers Out	13,000	13,000	—
Transfers In	(39,000)	(39,000)	—
	(26,000)	(26,000)	—
Net Change in Fund Balance	(148,041)	(148,041)	333,470
Fund Balance - Beginning			3,126,519
Fund Balance - Ending			3,459,989

THE URBANA FREE LIBRARY, ILLINOIS

Trust - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2023

	<u>Budget</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>
Revenues			
Intergovernmental			
Donations	\$ 47,400	47,400	16,990
Expenditures			
Culture and Recreation			
Administration	337,000	340,000	151,460
Adult Department	17,725	17,725	8,574
Children's Department	16,525	13,525	9,234
Archives Department	8,500	8,500	967
Total Expenditures	379,750	379,750	170,235
Net Change in Fund Balance	<u>(332,350)</u>	<u>(332,350)</u>	(153,245)
Fund Balance - Beginning			<u>600,664</u>
Fund Balance - Ending			<u>447,419</u>