

Lake Forest Library
(A Component Unit of the City of Lake Forest)

Financial Statements

April 30, 2022

Lake Forest Library

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Lake Forest Library Board of Trustees of
Lake Forest Library

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lake Forest Library (the Library), a component unit of the City of Lake Forest as of and for the year ended April 30, 2022, 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 and the major fund of the Library as of April 30, 2022 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 rise 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.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 required supplementary information 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.

Baker Tilly US, LLP

Oak Brook, Illinois
October 20, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lake Forest Public Library

Management's Discussion and Analysis (UNAUDITED)

April 30, 2022

The discussion and analysis of the Lake Forest Library's (the "Library") financial performance provides an overall review of the Library's financial activities for the year ended April 30, 2022. The Library is a discretely presented component of the City of Lake Forest, Illinois (the "City") pursuant to GASB Statement No. 61, since the City is financially accountable for the Library. The management of the Library encourages readers to consider the information presented herein in conjunction with the basic financial statements, as well as the City's annual financial report, to enhance their understanding of the Library's financial performance. Certain comparative information between the current year and the prior is presented in the Management's Discussion and Analysis (the "MD&A").

Returning to Pre-pandemic Operations.

After beginning the year under COVID restrictions that limited programming to virtual presentations, imposed mask mandates, and required social distancing, the Library continued to transition its operations toward a "new normal" featuring contactless services, hybrid programming, and self-directed patron opportunities. The Library welcomed over 190,000 in-person visitors and another 100,000 visitors to its website at www.lakeforestlibrary.com. Librarians answered nearly 43,000 questions and provided 950 individual tech help sessions. A total of 9,377 Library cardholders checked out 350,838 items, including 73,938 e-books and resources. Nearly 32,000 individuals attended the Library's 657 programs and projects. The Library hosted its signature reading and literacy programs for adults, teens, and children. The Lake Forest Library Foundation launched an endowment campaign in December 2021 to secure the future of the Library. With services and programming well on the way to pre-pandemic levels, the Library is welcoming the coming year.

To facilitate agile, contactless, and advanced technological support, library management critically assessed evolving needs and implemented capital projects to address challenges facing staff and patrons. The Library upgraded to a fiber internet structure, to provide faster and wider coverage throughout the Library. In response to a need for a faster and contactless service for patrons, the Library, implemented RFID technology and installed state-of-the-art self-check service stations. Capital improvement projects also included a refresh of the Library foyer. The Library Board also approved the repair and restoration of the Dome to maintain the historic heritage of the Lake Forest Library with the goal of completing the project in summer 2023.

Throughout the fiscal year the Library continuously evaluated as it navigated through the shifts in user's demands and expectations, as well as continuing COVID pandemic uncertainties. During this fiscal year, library management successfully advanced its strategic objectives and realized an increase in revenue of \$231,047 and decreased expenses by \$683,746 from the forecasted budget.

Lake Forest Public Library

Management's Discussion and Analysis (UNAUDITED)

April 30, 2022

FY2022 Financial Highlights

- > The Library's total financial position increased by \$1,453,393, due to well-managed expenses, increased revenues from grants, private gifts, investment income, and a 2.3% CPI increase in property taxes.
- > As of the close of the current fiscal year, the Library's governmental fund reported combined ending fund balances of \$7,071,607, an increase of \$921,188 from the prior year. This increase is due in part to increased revenues and responsible fiscal spending.
- > Total revenues in FY2022 were \$4,618,813. Property taxes accounted for \$4,375,175 or 95% of all FY2022 revenues. Government Grant and Non-Government Grants and Gifts contributions accounted for \$146,239 or 3% of all FY2022 revenues. The Library generated an additional \$97,399 or 2% in investment income and other income. Overall revenues increased by \$55,412 from \$4,563,401 in FY2021 to \$4,618,813 in FY2022.
- > The Library received \$31,818 in impact fees in FY2022, up from \$17,693 in 2021. The Library also received an Illinois Public Library Per Capita and Equalization Grant of \$28,578.
- > Total expenditures in 2022 were \$3,697,625. Library services accounted for \$3,100,446 or 84% of all 2022 expenditures. The Library building accounted for \$423,442 or 11% and capital outlay accounted for \$173,737 or 5% of all FY2022 expenditures.

Overview of the Financial Statements

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

- > Government-wide financial statements,
- > Fund financial statements, and
- > Notes to the financial statements.

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

Government-Wide Financial Statements

The government-wide financial statements (see pages 10 to 11) are designed to be corporate-like in that all governmental activities are consolidated into columns which add to a total for the Primary Government. The focus of the Statement of Net Position (the Unrestricted Net Position) is designed to be similar to bottom line results for the Library and its activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable

Lake Forest Public Library

Management's Discussion and Analysis (UNAUDITED)

April 30, 2022

resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities (see page 11) is focused on both the gross and net cost of various activities, which are supported by the government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various governmental services of Library activities. The Governmental Activities reflect the Library's operations. Property taxes finance the majority of these operations.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements (see pages 12-15) presentation more familiar.

While the General Fund column on the Governmental Fund Financial Statements is essentially the same as the Governmental Activities column on the Government-Wide Financial Statement, the Governmental Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement. The flow of current financial resources will reflect capital expenditures as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (pension and others) into the Governmental Activities column (in the Government-wide statements).

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to understanding the government-wide financial statements and the various fund financial statements.

Other Information

Other information is also included in this report. The other information includes the pension information of the Illinois Municipal Retirement Fund and budget to actual comparisons.

Government-Wide Financial Analysis

The Library's combined net position increased \$1,453,3923 from \$8,069,162 in FY2021 to \$9,522,555 in FY2022. Total assets increased \$1,913,845 from \$13,748,763 in FY2021 to \$15,662,608 in FY2022. Liabilities reduced \$61,755 from \$449,650 in 2021 to \$387,895 in year FY2022. The Library's net pension asset increased \$1,026,717 from \$451,219 in FY2021 to \$1,477,936 in FY2022. IMRF had very good investment returns for their year ending 12/31/21, which contributed to additional over funding of the pension liability. As the pension liability is overfunded as of 12/31/21, this is recorded as a restricted asset that cannot be used for operations. Table 1 reflects the condensed Statement of Net Position as compared to FY2021.

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Management's Discussion and Analysis (UNAUDITED)

April 30, 2022

Table 1
Financial Statement
As of April 30, 2021 and 2022

	FY 2021	FY 2022
Current And Other Assets	\$ 10,613,011	\$ 11,634,690
Net Pension Asset	451,219	1,477,936
Capital Assets, Net	2,684,533	2,549,982
Total Assets	13,748,763	15,662,608
Deferred Outflows of Resources	140,772	207,519
Total	\$13,889,535	\$15,870,127
Total Liabilities	\$449,650	\$387,895
Deferred Inflows of Resources	5,370,723	5,959,677
Net Investment in Capital Assets	2,636,468	2,536,673
Restricted for Employee Retirement	451,219	1,477,936
Unrestricted	4,981,475	5,507,946
Total Net Position	8,069,162	9,522,555
Total	\$13,889,535	\$15,870,127

The Library's total revenues increased \$55,412 from \$4,563,401 in FY2021 to \$4,618,813 in FY2022. The total expenditures in FY2022 were \$3,697,625. Library services accounted for \$3,100,446 or 84% of all FY2022 expenditures. Overall expenditures decreased \$10,848 from \$3,708,473 in FY2021 to \$3,697,625 in FY2022, due to well managed expenses. Table 2 reflects the changes in revenues and expenditures compared to FY2021.

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Management's Discussion and Analysis (UNAUDITED)

April 30, 2022

Table 2
Changes in Fund Balance
For the Fiscal Year Ended April 30, 2021 and 2022

	FY 2021	FY 2022
Revenues		
Property Taxes	\$4,260,835	\$4,375,175
Intergovernmental	48,298	101,341
Grants and Contributions	185,550	44,898
Charges for Services (Including Impact Fees)	38,536	57,000
Fines and Penalties	1,715	2,895
Investment Income	28,467	37,504
Total Revenues	\$4,563,401	\$4,618,813
Expenditures		
Library Services	\$3,305,885	\$3,100,446
Library Building	323,945	423,442
Capital Outlay	78,643	173,737
Debt Service	-	-
Total Expenditures	\$3,708,473	\$3,697,625
Excess of Revenues Over Expenditures	\$854,928	\$921,188
Total Other Financing Sources	-	-
Net Change In Fund Balance	\$854,928	\$921,188
Fund Balance, Beginning of Year	\$5,295,491	\$6,150,419
Fund Balance, End of Year	\$6,150,419	\$7,071,607

Lake Forest Public Library

Management's Discussion and Analysis (UNAUDITED)

April 30, 2022

The graph below shows revenues and expenditures for this year in comparison to the last fiscal year.



Financial Analysis of the Government Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than fund types.

The Governmental Fund presentation is presented on a source and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

General Fund Budgetary Highlights

The actual revenues were 5% greater than projected revenues by \$231,047 in the General Fund for the year ended April 30, 2022. This is due to the Library receiving more revenue from tax and non-tax based income, grants, gifts and Library generated revenue than forecasted. The Library forecast for a potential shortfall in tax revenues was not realized due to on-time tax payments, as well as better performance than expected on investments and higher than expected grants and gifts due to an expectation that gifts would be made to the Lake Forest Library Foundation.

The actual expenditures for fiscal year 2022 were 16% less than the budget by \$683,746, a result of Library's responsible management and delay in planned projects. Additionally, the Library was still in the process of adding back in key personnel due to the changing staff dynamic created by the COVID-19 pandemic. As a result, the Library Fund balance as of April 30, 2022 is \$7,071,607. The delayed projects will be implemented in FY2023.

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Management's Discussion and Analysis (UNAUDITED)

April 30, 2022

Capital Assets

At the end of FY2022, the Library had total capital assets (net of accumulated depreciation) of \$2,549,982 invested in a broad range of capital assets including art, equipment, buildings, land, land improvements, and library materials.

The total decrease in the Library's cost value of capital assets for the current year was \$134,551. Most of the capital asset acquisitions in FY2022 were related to replacement of equipment and the purchase of library materials. All retirements in FY2022 related to library materials and equipment. Additional information on capital assets can be found in Note 3 of the basic financial statements (page 22).

Table 3		
Capital Assets (Net of Depreciation)		
	2021	2022
Land	70,000	70,000
Art	168,500	168,500
Building	394,265	374,552
Improvements Other than Buildings	601,037	537,420
Machinery and Equipment	1,450,731	1,399,510
Total	\$2,684,533	\$2,549,982

Debt Outstanding

The Library has no bonded indebtedness currently outstanding.

Requests for Information

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Catherine A. Lemmer, Executive Director, Lake Forest Library, 360 East Deerpath Road, Lake Forest, IL 60045.

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 Fund

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.

Lake Forest Library

Statement of Net Position

April 30, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,193,111
Receivables (net of allowance for uncollectibles):	
Property taxes	4,417,017
Other taxes	24,562
Net pension asset	1,477,936
Capital assets not being depreciated	238,500
Capital assets being depreciated (net of accumulated depreciation)	<u>2,311,482</u>
 Total assets	 <u>15,662,608</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	202,218
Deferred outflows related to total OPEB liability	<u>5,301</u>
 Total deferred outflows of resources	 <u>207,519</u>
Liabilities	
Accounts payable	85,718
Accrued liabilities	60,348
Long-term obligations:	
Due within one year	18,309
Due in more than one year	<u>223,520</u>
 Total liabilities	 <u>387,895</u>
Deferred Inflows of Resources	
Property taxes levied for future periods	4,417,017
Deferred inflows of resources related to pensions	1,523,526
Deferred inflows related to total OPEB liability	<u>19,134</u>
 Total deferred inflows of resources	 <u>5,959,677</u>
Net Position	
Net investment in capital assets	2,536,673
Restricted for employee retirement	1,477,936
Unrestricted	<u>5,507,946</u>
 Total net position	 <u>\$ 9,522,555</u>

See notes to financial statements

Lake Forest Library

Statement of Activities
Year Ended April 30, 2022

Functions/Programs	Expenses	Program Revenues		Net
		Charges for Services	Operating Grants and Contribution	(Expense) Revenue and Changes in Net Position
Governmental activities				
Library services	\$ 3,165,420	\$ 59,895	\$ 44,898	\$ (3,060,627)
Total governmental activities	<u>\$ 3,165,420</u>	<u>\$ 59,895</u>	<u>\$ 44,898</u>	<u>(3,060,627)</u>
General revenues:				
Property taxes				4,375,175
Replacement taxes				101,341
Investment income				<u>37,504</u>
Total general revenues				<u>4,514,020</u>
Change in net position				1,453,393
Net Position, Beginning				<u>8,069,162</u>
Net Position, Ending				<u>\$ 9,522,555</u>

See notes to financial statements

Lake Forest Library

Governmental Fund

Balance Sheet

April 30, 2022

	General Fund
Assets	
Cash and cash equivalents	\$ 7,193,111
Receivables (net of allowance for doubtful accounts):	
Property taxes	4,417,017
Other taxes	<u>24,562</u>
Total assets	<u>\$ 11,634,690</u>
Liabilities Deferred Inflows of Resources and Fund Balance	
Liabilities	
Accounts payable	\$ 85,718
Accrued liabilities	<u>60,348</u>
Total liabilities	<u>146,066</u>
Deferred Inflows of Resources	
Property taxes levied for future periods	<u>4,417,017</u>
Total deferred inflows of resources	<u>4,417,017</u>
Fund Balance	
Unassigned	<u>7,071,607</u>
Total fund balance	<u>7,071,607</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 11,634,690</u>

See notes to financial statements

Lake Forest Library

Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Position
April 30, 2022

Total Fund Balances, Governmental Funds \$ 7,071,607

Amounts reported for governmental activities in the Statement of Net position are different because:

The cost of capital assets (buildings and improvements, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the Library as a whole.

Cost of capital assets	\$ 7,446,988	
Depreciation expense to date	<u>(4,897,006)</u>	2,549,982

The net pension asset does not relate to current financial resources and is not reported in the governmental funds. 1,477,936

Deferred outflows of resources related to pensions do not relate to current financial resources and are not included in the Governmental Funds Balance Sheet. 202,218

Deferred outflows of resources related to OPEB liability do not relate to current financial resources and are not included in the Governmental Funds Balance Sheet. 5,301

Deferred inflows of resources related to pensions do not relate to current financial resources and are not included in the Governmental Funds Balance Sheet. (1,523,526)

Deferred inflows of resources related to OPEB liability do not relate to current financial resources and are not included in the Governmental Funds Balance Sheet. (19,134)

Long-term assets/liabilities applicable to the Library's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities - both current and long-term, are reported in the Statement of Net Position.

Compensated absences	(99,027)	
Capital Lease	(13,309)	
Total OPEB liability	<u>(129,493)</u>	<u>(241,829)</u>

Net Position of Governmental Activities \$ 9,522,555

Lake Forest Library

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund
Year Ended April 30, 2022

	General Fund
Revenues	
Property taxes	\$ 4,375,175
Intergovernmental	101,341
Grants and contributions	44,898
Charges for services	57,000
Fines and penalties	2,895
Investment income	<u>37,504</u>
Total revenues	<u>4,618,813</u>
Expenditures	
Library services:	
Personnel services	2,037,465
Other	1,062,981
Library building:	
Personnel services	180,737
Other	242,705
Capital outlay:	
Capital improvements	<u>173,737</u>
Total expenditures	<u>3,697,625</u>
Net change in fund balance	921,188
Fund Balance, Beginning	<u>6,150,419</u>
Fund Balance, Ending	<u>\$ 7,071,607</u>

See notes to financial statements

Lake Forest Library

Reconciliation of the Governmental Fund

Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Year Ended April 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 921,188

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.

Depreciation expense	\$ (424,640)	
Capital outlay	<u>290,089</u>	
		(134,551)

In the Statement of Activities, operating expenses are measured by the amounts incurred during the year. However, several of these items are included in the governmental funds only to the extent that they require the expenditure of current financial resources:

Compensated absences	9,895	
Capital leases	34,756	
Total OPEB liability	30,384	
Net pension asset	1,026,717	
Deferred outflows of resources related to pensions	67,573	
Deferred outflows of resources related to total OPEB liability	(826)	
Deferred inflows of resources related to pensions	(502,572)	
Deferred inflows of resources related to total OPEB liability	<u>829</u>	
		<u>666,756</u>

Change in Net Position - Governmental Activities \$ 1,453,393

Lake Forest Library

Notes to Financial Statements
April 30, 2022

1. Summary of Significant Accounting Policies

The financial statements of the Lake Forest Library (the Library) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units (hereinafter referred to as general accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

Reporting Entity

The Library is a discretely presented component of the City of Lake Forest, Illinois (the City) pursuant to GASB Statement No. 61, since the City is financially accountable for the Library.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Library. Governmental activities generally are financed through property taxes. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues instead.

Fund Financial Statements

The accounts of the Library in the governmental fund financial statements are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Separate financial statements are provided for the governmental (General) fund, the only fund of the Library.

Measurement Focus, Basis of Accounting and Financial Statement Preparation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and intended to be utilized. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are used to account for the Library's general government activities. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they are both measurable and available.

Lake Forest Library

Notes to Financial Statements
April 30, 2022

Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Library considers all revenues, except for property taxes, available if they are collected within 90 days after year-end. Revenues for property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, replacement taxes and interest on investments associated with the current fiscal period are susceptible to accrual and are recognized as revenues of the current fiscal period. Other receipts become measurable and available when cash is received by the Library and are recognized as revenue at that time.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly, when such funds are received they are recorded as unearned revenues until earned.

The preparation of financial statements in conformity 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, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Deposits and Investments

The Library considers all highly liquid investments with a maturity date within three months of the date acquired to be cash equivalents.

The Library is authorized to invest in the following types of securities under Illinois law:

- Bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States of America;
- Bonds, notes, debentures or other similar obligations of the U.S. government or its agencies;
- Interest-bearing bonds of any county, township, city, incorporated town, municipal corporation or school district and the bonds shall be registered in the name of the Library or held under a custodial agreement at a bank, provided the bonds shall be rated at the time of purchase within the four highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;
- Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et. seq.), provided, however, that such investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation (FDIC);

Lake Forest Library

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April 30, 2022

- Commercial paper – issuer must be a United States corporation with more than \$500 million in assets, rating must be within the highest tier (e.g., A-1, P-1, F-1, D-1 or higher) by two standard rating services, must mature within 180 days of purchase, such purchases cannot exceed 10% of the corporation's outstanding obligations and such purchases cannot exceed one-third of funds;
- Money Market Mutual Funds – registered under the Investment Company Act of 1940 (15 U.S.C.A. § 80a-1 et. seq.), provided the portfolio is limited to bonds, notes, certificates, treasury bills or other securities which are guaranteed by the full faith and credit of the federal government as to principal and interest;
- Short-term discount obligations of the Federal National Mortgage Association (established by or under the National Housing Act (1201 U.S.C. 1701 et. seq.)) or in shares or other forms of securities legally issuable by savings banks or savings and loans associations incorporated under the laws of Illinois or any other state or under the laws of the United States, provided, however, that the shares or investment certificates of such savings banks or savings and loans associations are insured by the Federal Deposit Insurance Corporation;
- Dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the law of the State of Illinois or the laws of the United States; provided, however, the principal office of the credit unions must be located within the State of Illinois; and, provided further, that such investments may be made only in those credit union accounts of which are insured by applicable law;
- The Public Treasurer's Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17) or in a fund managed, operated and administered by a bank subsidiary of a bank or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advice regarding the investment of any public funds; and
- Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 (15 U.S.C.A § 780-5) subject to the provisions of that Act and the regulations issued thereunder, provided, however, that such government securities, unless registered or inscribed in the name of the Library, shall be purchased through banks or trust companies authorized to do business in the State of Illinois; and such other repurchase agreements as are authorized in subsection (h) of Section 2 of the Public Funds Investment Act (30 ILCS 235/2). Repurchase agreements may be executed only with approved financial institutions or broker/dealers meeting the Library's established standards, which shall include mutual execution of a Master Repurchase Agreement adopted by the Library.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Library's deposits may not be returned to the Library. The Library's investments are made on its behalf by the City in accordance with the Public Funds Investment Act (30 ILCS 235/1) (the Act) and the City's investment policy. The City's investment policy requires that deposits that exceed the amount insured by FDIC, NCUA and/or SIPC insurance protection be collateralized, at the rate of 110% of such deposits, by U.S. Government securities, obligations of Federal instrumentalities, obligations of the State of Illinois or general obligation bonds of the City.

Lake Forest Library

Notes to Financial Statements
April 30, 2022

Credit Risk

Credit risk is the risk that an issuer or other counterparty will not fulfill its obligation. The Library's investment policy limits the Library's exposure to credit risk by limiting investments to the safest types as described above.

Property Tax Receivable

Tax bills for levy year 2021 are prepared by Lake County and issued in May 2022 and are payable in two installments, on or about June 1, 2022 and September 1, 2022 or within 30 days of the tax bills being issued.

The county collects such taxes and remits them periodically. The 2021 property tax levy is recognized as a receivable and deferral in fiscal 2022, net the 1.5% allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At April 30, 2022, the property taxes receivable and property taxes levied for future periods consisted of the estimated amount collectible from the 2021 levy.

Property taxes for levy year 2022 attaches as an enforceable lien on January 1, 2022, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). The 2022 tax levy, which attached as an enforceable lien on the property as of January 1, 2022, has not been recorded as a receivable as of April 30, 2022, as the tax has not yet been levied by the City and will not be levied until December 2022 and therefore, the levy is not measurable at April 30, 2022.

Capital Assets

Capital assets, which include property, buildings, equipment, art and intangible assets (software) are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$10,000 and a useful life greater than 1 year, with the exception of books and materials. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation of capital assets is provided using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	30–50
Improvements other than buildings	40–80
Vehicles, machinery, equipment and software	3–20
Books and materials	6

Deferred Outflows of Resources

A deferred outflow of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. All vested vacation and sick leave pay is accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements and are payable with expendable resources.

Deferred Inflows of Resources

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

Equity Classifications

Fund Balances

GAAP establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. Within the governmental fund types, the Library's fund balances are reported in one of the following classifications:

Nonspendable – includes amounts that cannot be spent because they are either: a) not in spendable form; or b) legally or contractually required to be maintained intact.

Restricted – includes amounts 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 – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Library's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Library removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Library's highest level of decision-making authority rests with the Library Board of Trustees. The Library passes formal resolutions to commit their fund balances.

Assigned – includes amounts that are constrained by the Library's *intent* to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: a) the Library Board itself; or b) a body or official to which the Board has delegated the authority to assign amounts to be used for specific purposes. The Board has not delegated this to anyone at this time.

Unassigned – includes the residual fund balance that has not been restricted, committed or assigned.

In the General Fund, it is the Library's policy to consider restricted resources to have been spent first when an expenditure is incurred for which both restricted and unrestricted (i.e. committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are only used after the other resources have been used.

Lake Forest Library

Notes to Financial Statements
April 30, 2022

Net Position

In the government-wide financial statements, equity is being displayed in three components as follows:

Net Investment in Capital Assets

This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted

This consists of net position that is legally restricted by outside parties or by law through constitutional provisions of enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Library's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted

This consists of net position that does not meet the definition of restricted or net investment in capital assets.

2. Deposits and Investments

For disclosure purposes, for the Lake Forest Library, cash and cash equivalents are segregated into the following components:

	<u>Cash and Cash Equivalents</u>
Cash on hand	\$ 350
Deposits with financial institutions	<u>7,192,761</u>
Total	<u>\$ 7,193,111</u>

Custodial Credit Risk - Deposits

As of April 30, 2022, the Library's bank balances were not subject to custodial credit risk as they were either insured or collateralized with investments held by the Library or its agent, in the Library's name.

Lake Forest Library

Notes to Financial Statements
April 30, 2022

3. Capital Assets

The Library's capital asset activity for the year ended April 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Art	168,500	-	-	168,500
Total capital assets not being depreciated	<u>238,500</u>	<u>-</u>	<u>-</u>	<u>238,500</u>
Capital assets being depreciated:				
Buildings	1,180,907	-	-	1,180,907
Improvements other than buildings	2,271,093	-	2	2,271,091
Machinery and equipment	<u>3,821,804</u>	<u>290,089</u>	<u>355,403</u>	<u>3,756,490</u>
Total capital assets being depreciated	<u>7,273,804</u>	<u>290,089</u>	<u>355,405</u>	<u>7,208,488</u>
Less accumulated depreciation for:				
Buildings	786,642	19,713	-	806,355
Improvements other than buildings	1,670,056	63,615	-	1,733,671
Machinery and equipment	<u>2,371,073</u>	<u>341,312</u>	<u>355,405</u>	<u>2,356,980</u>
Total accumulated depreciation	<u>4,827,771</u>	<u>424,640</u>	<u>355,405</u>	<u>4,897,006</u>
Net capital assets being depreciated	<u>2,446,033</u>	<u>(134,551)</u>	<u>-</u>	<u>2,311,482</u>
Total governmental activities capital assets, net of accumulated depreciation	<u>\$ 2,684,533</u>	<u>\$ (134,551)</u>	<u>\$ -</u>	<u>\$ 2,549,982</u>

Lake Forest Library

Notes to Financial Statements

April 30, 2022

4. Long-Term Liabilities

During the year ended April 30, 2022, the following is the long-term liability activity for the Library:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Capital lease	\$ 48,065	\$ -	\$ 34,756	\$ 13,309	\$ 13,309
Total OPEB liability	159,877	5,693	36,077	129,493	-
Compensated absences	108,922	128,676	138,571	99,027	5,000
Total long-term liabilities	<u>\$ 316,864</u>	<u>\$ 134,369</u>	<u>\$ 209,404</u>	<u>\$ 241,829</u>	<u>\$ 18,309</u>

The Library's long-term obligations will be liquidated by the Library's General Fund.

Lessee – Capital Leases

In 2020 the Library acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$105,225, which are included in capital assets. The future minimum lease obligations and the net present value on these minimum lease payments as of April 30, 2022, are as follows:

<u>Year ending April 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	<u>\$ 13,309</u>	<u>\$ 30</u>	<u>\$ 13,339</u>
Total	<u>\$ 13,309</u>	<u>\$ 30</u>	<u>\$ 13,339</u>

5. Retirement Systems Illinois Municipal Retirement Fund

The Library contributes to the Illinois Municipal Retirement Fund (IMRF) an agent multiple employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois through the City of Lake Forest. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

The employees of the Library are pooled with the employees of the City of Lake Forest for purposes of actuarial valuation. As the Library is participating under the City's employer number, IMRF is considered to be a cost-sharing plan for the Library.

Plan Description - All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF has a two tier plan. Members who first participated in IMRF or an Illinois Reciprocal System prior to January 1, 2011 participate in Tier 1. All other members participate in Tier 2. For Tier 1 participants, pension benefits vest after 8 years of service. Participating members who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with 8 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3% of their final rate of earnings (average of the highest 48 consecutive months' earnings during the last 10 years) for credited service up to 15 years and 3% for each year thereafter.

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Notes to Financial Statements

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For Tier 2 participants, pension benefits vest after 10 years of service. Participating members who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3% of their final rate of earnings for the first 15 years of service credit, plus 2% for each year of service 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 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, Library employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The statute requires the Library to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Library's actuarially determined contribution rate for calendar year 2021 was 11.66% of annual covered payroll. The Library also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Fiduciary Net Position - Detailed information about the IMRF fiduciary net position as of December 31, 2021 is available in the separately issued City of Lake Forest, Illinois Annual Comprehensive Financial Report as of and for the year ended April 30, 2022.

Net Pension Liability - At April 30, 2022, the Library reported an asset for its proportionate share of the net pension asset that reflected the Library's portion of the total net pension asset associated with the City's employer number. The amount recognized by the Library as its proportionate share of the net pension asset, the City's share of the net pension asset and the total net pension asset associated with the City's employer number were as follows:

Library's proportionate share of the collective net pension asset	\$ 1,477,936
City's proportionate share of the collective net pension asset	<u>14,801,919</u>
Total	<u>\$ 16,279,855</u>

The net pension asset was measured as of December 31, 2021. The Library's proportion of the net pension asset was based on the Library's share of contributions to IMRF for the fiscal year ended April 30, 2022, relative to the total contributions of the Library and the City during that period. At April 30, 2022, the Library's proportion was 9.08%. The Library's proportion at April 30, 2021 was 9.39%.

Summary of Significant Accounting Policies - For purposes of measuring the collective net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of IMRF and additions to/deductions from IMRF fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Actuarial Assumptions - The assumptions used to measure the total pension asset in the December 31, 2021 annual actuarial valuation included a 7.25% investment rate of return, (b) projected salary increases from 2.85% to 13.75%, including inflation and (c) price inflation of 2.5%. The retirement age is based on experience-based table of rates that are specific to the type of eligibility condition.

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Notes to Financial Statements

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Mortality - For nondisabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables and future mortality improvements projected using scale MP-2020.

Long-Term Expected Real Rate of Return - The long-term expected rate of return on pension plan investments was determined using an asset allocation study in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce long-term expected rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Projected Returns/Risk	
		One Year Arithmetic	Ten Year Geometric
Equities	39.00 %	5.85 %	4.50 %
International equities	15.00	7.40	5.75
Fixed income	25.00	2.10	2.00
Real estate	10.00	6.80	5.90
Alternatives	10.00		
Private equity		11.45	8.10
Hedge funds		-	-
Commodities		5.50	4.30
Cash equivalents	1.00	1.70	1.70

Discount Rate - The discount rate used to measure the total collective pension liability for IMRF was 7.25%. The discount rate calculated using the December 31, 2020 measurement date was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City's and Library's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

Discount Rate Sensitivity - The following is a sensitivity analysis of the Library's proportionate share of the net pension liability to changes in the discount rate. The table below presents the Library's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Library's proportionate share of the net pension liability would be if it were to be calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Library's proportionate share of the collective net pension liability (asset)	\$ 59,225	\$ (1,477,936)	\$ (2,713,181)

Lake Forest Library

Notes to Financial Statements

April 30, 2022

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended April 30, 2022, the Library recognized pension expense of \$(420,391). The Library reported deferred outflows and inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 156,657	\$ 28,387
Changes in assumptions	-	29,004
Net difference between projected and actual earnings on pension plan investments	-	1,466,135
Contributions subsequent to the measurement date	<u>45,561</u>	<u>-</u>
Total	<u>\$ 202,218</u>	<u>\$ 1,523,526</u>

The amount reported as deferred outflows resulting from contributions subsequent to the measurement date in the above table will be recognized as a reduction in the net pension liability/(asset) for the year ending April 30, 2023. The remaining amounts reported as deferred outflows and inflows of resources related to pensions \$(1,366,869) will be recognized in pension expense as follows:

	<u>Amount</u>
Years ending April 30:	
2022	\$ (298,801)
2023	(496,391)
2024	(357,312)
2025	<u>(214,365)</u>
Total	<u>\$ (1,366,869)</u>

6. Other Postemployment Benefits

Plan Description - In addition to providing the pension benefits described in Note 5, the Library (through the City) provides post-employment health care benefits (OPEB) for retired employees. Hereinafter, the medical and dental plan benefits offered are referred to as the Plan. The Plan offers several medical and dental insurance benefit options to eligible retirees and their dependents. The benefits, benefit levels, employee contributions and employer contributions are governed by the Board and can only be amended by the Board. The Plan is not accounted for as a trust fund and an irrevocable trust has not been established. The Library does not issue a Plan report.

Contributions and Benefits Provided - The Plan provides healthcare and dental coverage for retirees and their dependents. Employees before the age of 65 may remain on the Library's insurance plan & pay the full cost of coverage. Dependent coverage may continue under COBRA should the Retiree coverage terminate. Once a retiree turns 65, they may elect a separate policy that is not administered by the Library.

Lake Forest Library

Notes to Financial Statements

April 30, 2022

Employees covered by benefit terms. At April 30, 2022, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	5
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>24</u>
Total	<u><u>29</u></u>

Total OPEB Liability - The Library's total OPEB liability of \$129,493 was measured as of April 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the April 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	2.25%
Salary increases	2.50%
Healthcare participation rate	Currently participating – 16%
Healthcare cost trend rates	Initial – 6.00%; Ultimate – 5.50%

The discount rate was based on the Bond Buyer 20-Bond G.O Index. Bond Rate as of April 30, 2022.

Mortality rates were based on the PubG-2010(B) Improved Generationally using MP-2020 Improvement Rates, weighted per IMRF Experience Study Report dated December 14, 2020.

The actuarial assumptions used in the April 30, 2022 valuation were based on the results of an actuarial experience study conducted by the independent actuary.

Discount Rate - At April 30, 2022, the discount rate used to measure the total OPEB liability was a rate of 3.21%, which was a change from the April 30, 2021 rate of 2.27%. The rate was increased for a better reflection of the current high-quality fixed income environment. The underlying index used was the Bond Buyer 20-Bond G.O. Index.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at April 30, 2021	\$ 159,877
Service cost	2,435
Interest	3,258
Difference between expected and actual experience	-
Changes in assumptions or other inputs	(3,354)
Benefit payments	<u>(32,723)</u>
Balances at April 30, 2022	<u><u>\$ 129,493</u></u>

Lake Forest Library

Notes to Financial Statements

April 30, 2022

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.21%) or 1-percentage-point higher (4.21%) than the current discount rate:

	<u>1% Decrease (2.21%)</u>	<u>Discount Rate (3.21%)</u>	<u>1% Increase (4.21%)</u>
Total OPEB liability	\$ 130,986	\$ 129,493	\$ 127,999

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ 125,616	\$ 129,493	\$ 133,591

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended April 30, 2022, the Library recognized OPEB expense of \$2,336. At April 30, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 13,671
Changes of assumptions	5,301	5,463
Total	<u>\$ 5,301</u>	<u>\$ 19,134</u>

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

Years ending April 30:	
2023	\$ (3,357)
2024	(3,357)
2025	(3,357)
2026	(3,357)
2027	(1,372)
Thereafter	967
Total	<u>\$ (13,833)</u>

7. 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; injuries to employees; and natural disasters. The Library purchases commercial insurance to cover its risks. The Library has not had significant reductions in insurance coverage during the year nor did settlements exceed insurance coverage in any of the last three years.

8. Effect of New Accounting Standards on Current-Period Financial Statements

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

- Statement No. 87, *Leases*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans -- An Amendment of GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32*
- *Statement No. 99, Omnibus 2022*
- *Statement No. 100, Accounting Changes and Error Corrections an amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*

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

REQUIRED SUPPLEMENTARY INFORMATION

Lake Forest Library

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended April 30, 2022

	<u>Original and Final Budget</u>	<u>2022 Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Property taxes	\$ 4,307,816	\$ 4,375,175	\$ 67,359
Intergovernmental	25,000	101,341	76,341
Grants and contributions	26,500	44,898	18,398
Charges for services	18,250	57,000	38,750
Fines and penalties	200	2,895	2,695
Investment income	10,000	37,504	27,504
	<u>4,387,766</u>	<u>4,618,813</u>	<u>231,047</u>
Total revenues			
Expenditures			
Library services:			
Personnel services	2,499,032	2,037,465	461,567
Other	1,266,057	1,062,981	203,076
Library building:			
Personnel services	153,282	180,737	(27,455)
Other	268,000	242,705	25,295
Capital outlay:			
Capital improvements	195,000	173,737	21,263
Debt service:			
Contingency	438,137	-	438,137
	<u>4,819,508</u>	<u>3,697,625</u>	<u>1,121,883</u>
Total expenditures			
Net change in fund balance	<u>\$ (431,742)</u>	921,188	<u>\$ 1,352,930</u>
Fund Balance, Beginning		<u>6,150,419</u>	
Fund Balance, Ending		<u>\$ 7,071,607</u>	

See notes to required supplementary information

Lake Forest Library

Illinois Municipal Retirement Fund

Schedule of Library's Proportionate Share of the Net Pension Liability and Library Contributions

Seven Most Recent Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Library's proportion of the net pension liability	11.84%	10.90%	10.66%	9.38%
Library's proportionate share of the net pension liability	\$ 1,526,764	\$ 1,320,867	\$ 127,514	\$ 1,415,574
City's proportionate share of the net pension liability	<u>11,368,286</u>	<u>10,802,554</u>	<u>1,068,344</u>	<u>13,677,279</u>
Total net pension liability	<u>\$ 12,895,050</u>	<u>\$ 12,123,421</u>	<u>\$ 1,195,858</u>	<u>\$ 15,092,853</u>
Covered payroll	\$ 1,585,497	\$ 1,431,183	\$ 1,412,607	\$ 1,268,262
Library's proportionate share of the net pension liability as a percentage of covered payroll	96.30%	92.29%	9.03%	111.62%
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.95%	88.04%	98.83%	86.17%
Contractually required contribution	\$ 233,902	\$ 177,896	\$ 172,745	\$ 156,757
Contributions in relation to the contractually required contribution	<u>(235,978)</u>	<u>(182,795)</u>	<u>(177,258)</u>	<u>(158,885)</u>
Contribution deficiency (excess)	<u>\$ (2,076)</u>	<u>\$ (4,899)</u>	<u>\$ (4,513)</u>	<u>\$ (2,128)</u>
Contributions as a percentage of covered payroll	14.88%	12.77%	12.55%	12.53%
		<u>2020</u>	<u>2021</u>	<u>2022</u>
Library's proportion of the net pension liability (asset)		9.76%	9.39%	9.08%
Library's proportionate share of the net pension liability (asset)		\$ 521,685	\$ (451,219)	\$ (1,477,936)
City's proportionate share of the net pension liability (asset)		<u>4,821,513</u>	<u>(4,353,929)</u>	<u>(14,801,919)</u>
Total net pension liability		<u>\$ 5,343,198</u>	<u>\$ (4,805,148)</u>	<u>\$ (16,279,855)</u>
Covered payroll		\$ 1,382,814	\$ 1,326,186	\$ 1,380,692
Library's proportionate share of the net pension liability as a percentage of covered payroll		37.73%	34.02%	107.04%
Plan fiduciary net position as a percentage of the total pension liability (asset)		95.31%	104.16%	113.47%
Contractually required contribution		\$ 131,782	\$ 158,082	\$ 155,110
Contributions in relation to the contractually required contribution		<u>(132,449)</u>	<u>(158,100)</u>	<u>(155,101)</u>
Contribution deficiency (excess)		<u>\$ (667)</u>	<u>\$ (18)</u>	<u>\$ 9</u>
Contributions as a percentage of covered payroll		9.58%	11.92%	11.23%

Note: The Library implemented GASB 68 in 2016. Information for fiscal years prior to 2016 is not applicable.

Notes to Schedule

Amounts reported in 2022 reflect an investment rate of return of 7.25 percent, an inflation rate of 2.5 percent and real return of 5 percent, and a salary increase assumption of 3.35 percent to 14.25 percent including inflation.

See notes to required supplementary information

Lake Forest Library

Other Postemployment Benefit Plan
Schedule of Changes in the Total OPEB Liability and Related Ratios
Four Most Recent Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB liability				
Service cost	\$ 2,435	\$ 2,014	\$ 1,718	\$ 1,620
Interest	3,258	4,829	7,379	8,019
Differences between expected and actual experience	-	(19,803)	-	-
Changes of assumptions	(3,354)	(3,818)	6,686	1,221
Benefit payments, including refunds of member contributions	<u>(32,723)</u>	<u>(23,925)</u>	<u>(19,768)</u>	<u>(16,545)</u>
Net change in total OPEB liability	(30,384)	(40,703)	(3,985)	(5,685)
Total OPEB liability, beginning	<u>159,877</u>	<u>200,580</u>	<u>204,565</u>	<u>210,250</u>
Total OPEB liability, ending (a)	<u>\$ 129,493</u>	<u>\$ 159,877</u>	<u>\$ 200,580</u>	<u>\$ 204,565</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 1,380,692	\$ 1,458,298	\$ 1,382,150	\$ 1,467,746
Library's total pension liability as a percentage of covered payroll	9.38%	10.96%	14.51%	13.94%

Notes to Schedule:

The District implemented GASB Statement No. 75 in fiscal year 2019. Information prior to fiscal year 2019 is not available.

Lake Forest Library

Notes to Required Supplementary Information
Year Ended April 30, 2022

1. Budgets and Budgetary Accounting

Budget Process

The budget amounts represent the operating budget for the Library and the appropriations represent the Library's legal expenditure limit. The budget amounts are principally prepared on the cash basis of accounting. The difference from accounting principles generally accepted in the United States of America is not material. The Library Board follows these procedures in establishing the budgetary and appropriations data reflected in the financial statements.

- 1) The Library's Finance Committee (two members) submits to the Library Board (nine members) a proposed operating budget in February for the following fiscal year beginning May 1st. The operating budget includes proposed expenditures and estimated revenues.
- 2) Public budget and appropriations meetings are conducted by the Library to obtain taxpayer comments.
- 3) The budget is legally enacted through action of the Library Board at its March meeting. Once enacted, the budget cannot be amended without approval from the Library Board. Funds may have expenditures in excess of budgeted amounts, but legally may not have expenditures in excess of appropriations. As has been the practice of the Library Board to be included in what the City of Lake Forest does, every July, the Library's budget that was approved in March is increased by 10% and is included in the Appropriation Ordinance. The Appropriation Ordinance provides for a 10% contingency for all City funds and is approved by the City Council.
- 4) The legal level of budgetary control is the fund level. Management may make transfers of appropriations within a fund. Any expenditures that exceed the total appropriations at the fund level must be approved by the Library Board. No supplemental appropriations were made during the year.