



May 8, 2023

Members of the Board of Trustees
Palos Heights Public Library
Palos Heights, Illinois

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Palos Heights Public Library, (the Library), Illinois for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 8, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Library are described in the Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2022. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities' financial statements were:

Management's estimate of the depreciation expense on capital assets is based on assumed useful lives of the underlying capital assets and the net pension liability/(asset) is based on estimated assumptions used by the actuary, adjusted for inflation. We evaluated the key factors and assumptions used to develop the depreciation expense and net pension liability/(asset) estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Any material misstatements detected as a result of audit procedures were corrected by management.

Significant Audit Findings - Continued

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 8, 2023.

Management Consultations with Other Independent Auditors

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section, which accompanies the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, and we do not express an opinion or provide any assurance on it.

Restrictions on Use

This information is intended solely for the use of the Board of Trustees and management of the Library and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our gratitude to the Board of Trustees and staff (in particular the Finance Department) of the Palos Heights Public Library, Illinois for their valuable cooperation throughout the audit engagement.

Lauterbach & Amen, LLP
LAUTERBACH & AMEN, LLP

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

A COMPONENT UNIT OF THE CITY OF PALOS HEIGHTS, ILLINOIS

ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

12501 S 71st Avenue
Palos Heights, IL 60463
Phone: 708.448.1473
www.phlibrary.org

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

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PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

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INTRODUCTORY SECTION

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

List of Principal Officials

December 31, 2022

BOARD OF TRUSTEES

Geraldine Burek	President
Rose Zubik	Vice President
Susan Snow	Secretary
Patrick Keough	Treasurer
Steven Foertsch	Trustee
Sue Jankowski	Trustee
Dianne Key	Trustee
Hilary Rhodes	Trustee
(Vacant)	Trustee

FINANCIAL SECTION

This section includes:

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Other Supplementary Information

INDEPENDENT AUDITORS' REPORT

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



INDEPENDENT AUDITORS' REPORT

May 8, 2023

Members of the Board of Trustees
Palos Heights Public Library
Palos Heights, Illinois

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Palos Heights Public Library, Illinois, as of and for the year ended December 31, 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, each major fund, and the aggregate remaining fund information of the Palos Heights Public Library, Illinois, as of December 31, 2022, 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 GASB-required pension 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.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Lauterbach & Amen, LLP
LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Management's Discussion and Analysis

December 31, 2022

Our discussion and analysis of the Palos Heights Public Library's (Library) financial performance provides an overview of the Library's financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the Library's financial statements, which can be found in the basic financial statements section of this report.

FINANCIAL HIGHLIGHTS

- The Library's net position decreased \$(64,871) or (1.6) percent, from \$4,053,333 beginning balance to \$3,988,462.
- During the year, government-wide revenues totaled \$2,001,838, while government-wide expenses totaled \$2,066,709, resulting in a decrease to net position of \$(64,871).
- Total fund balances for the governmental funds were \$376,204 at December 31, 2022 compared to a prior year balance of \$1,310,162, a decrease of \$933,958 or 71.3 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.

Fund financial statements which can be found in the financial section of this report. 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 operation in more detail than the government-wide statements by providing information about the Library's most significant funds.

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 government-wide financial statements which can be found in the financial section of this report.

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, 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).

Management's Discussion and Analysis

December 31, 2022

USING THIS ANNUAL REPORT - Continued

Government-Wide Financial Statements - Continued

Both of the government-wide financial statements report functions of the Library that are principally supported by taxes and charges for services revenues (governmental activities). The governmental activities of the Library include the cultural function.

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. The Library only maintains governmental funds.

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 eight individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Special Reserve Funds, which are considered a major funds. Data from the other six governmental funds are presented as a nonmajor fund.

The Library adopts an annual appropriated budget for all of the governmental funds, except for the Unemployment Compensation Fund. A budgetary comparison schedule 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.

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Management's Discussion and Analysis

December 31, 2022

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 \$3,988,462.

	Net Position	
	2022	2021
Current and Other Assets	\$ 2,796,397	3,383,778
Capital Assets	3,845,060	2,894,797
Total Assets	6,641,457	6,278,575
Deferred Outflows	461,698	139,902
Total Assets/Deferred Outflows	7,103,155	6,418,477
Long-Term Debt Outstanding	686,589	—
Other Liabilities	548,061	31,148
Total Liabilities	1,234,650	31,148
Deferred Inflows	1,880,043	2,333,996
Total Liabilities/Deferred Inflows	3,114,693	2,365,144
Net Position		
Net Investment in Capital Assets	3,845,060	2,894,797
Restricted	17,134	19,558
Unrestricted	126,268	1,138,978
Total Net Position	3,988,462	4,053,333

A large portion of the Library's net position, \$3,845,060 or 96.4 percent, reflects its investment in capital assets (for example, land, buildings, equipment and furniture), less any related debt used to acquire those assets that is still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion \$17,134 and or 0.4 percent of the Library's net position represents resources that are subject to external restrictions on how they may be used. The remaining \$126,268, or 3.2 percent, represents unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Management's Discussion and Analysis

December 31, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

	Changes in Net Position	
	2022	2021
Revenues		
Program Revenues		
Charges for Services	\$ 5,355	4,963
Operating Grants/Contributions	17,800	18,960
General Revenues		
Property Taxes	1,730,844	1,636,071
Replacement Taxes	14,801	15,419
Investment Income (Loss)	8,126	(24,957)
Miscellaneous	224,912	67,336
Total Revenues	2,001,838	1,717,792
Expenses		
General Government	2,066,709	1,656,283
Change in Net Position	(64,871)	61,509
Net Position - Beginning	4,053,333	3,991,824
Net Position - Ending	3,988,462	4,053,333

Net position of the Library's governmental activities decreased from a balance of \$4,053,333 to \$3,988,462.

Revenues of \$2,001,838 fell short of expenses of \$2,066,709, resulting in the decrease to net position in the current year of \$(64,871).

In the current year, governmental net position had a decrease of \$(64,871), or (1.6) percent. This increase was anticipated and will help to rebuild reserve funds that were depleted in the course of this year's major renovation projects.

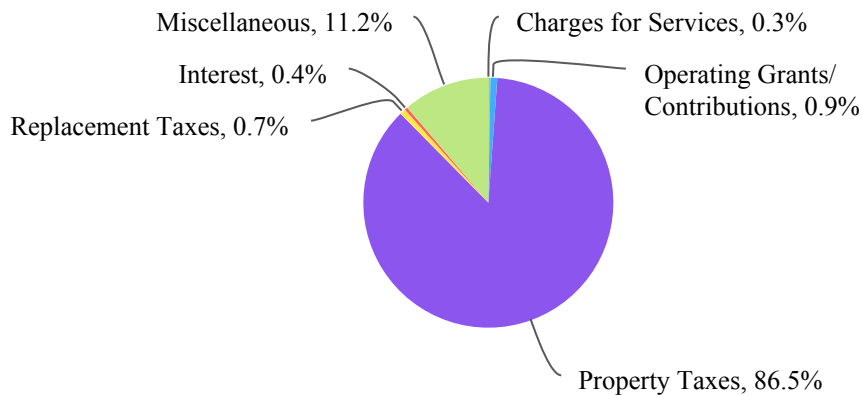
Management's Discussion and Analysis

December 31, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

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.

Revenues by Source - Governmental Activities



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.

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$376,204, a decrease of 71.3 percent from last year's ending fund balance of \$1,310,162.

In the current year, governmental fund balances decreased by \$933,958. The General Fund fund balance decreased by \$332,711 and the Special Reserve Fund fund balance decreased by \$598,823 due to the completion of a major renovation project.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, no supplemental amendments were made to the budget for the General Fund.

The General Fund actual revenues were higher than budgeted revenues. Actual revenues for the current year were \$1,878,712, compared to budgeted revenues of \$1,707,934. This resulted primarily from replacement taxes and miscellaneous revenues being over budget by \$6,401 and \$170,778 respectively.

The General Fund actual expenditures were lower than budgeted expenditures. Actual expenditures totaled \$1,470,215, while budgeted expenditures totaled \$1,688,059. This was due primarily to substantial savings realized versus the budgeted expenditures in the areas of contractual, printing, and maintenance, library materials, and personnel expenditures which were under budget by \$178,588, \$18,505, and \$12,459 respectively.

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Management's Discussion and Analysis

December 31, 2022

CAPITAL ASSETS

The Library's investment in capital assets for its governmental activities as of December 31, 2022 was \$3,845,060 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, building and building improvements, furniture and equipment, and library collection.

	Capital Assets - Net of Depreciation	
	2022	2021
Land	\$ 314,652	314,652
Construction in Progress	721,818	89,320
Building and Improvements	2,125,184	2,098,406
Furniture and Equipment	395,744	114,580
Library Material	287,662	277,839
Total	3,845,060	2,894,797

This year's additions to capital assets included:

Construction in Progress	\$ 721,818
Building and Improvements	141,934
Furniture and Equipment	209,273
Library Material	117,104
	<u>1,190,129</u>

Additional information on the Library's capital assets can be found in Note 3 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Library's appointed officials and staff considered many factors when setting the fiscal-year 2023 budget. Those factors include tax rates, patron services, resources, and capital improvement projects. The Library is faced with similar economic challenges as other local municipalities, including inflation and unemployment rates. The Library is committed to providing high quality library services to its constituents, while remaining a fiscally responsible unit of government.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Library Director at Palos Heights Public Library, 12501 South 71st Avenue, Palos Heights, Illinois 60463

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.

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Statement of Net Position

December 31, 2022

See Following Page

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Statement of Net Position

December 31, 2022

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Investments	\$ 608,761
Receivables - Net of Allowances	
Property Taxes	<u>2,187,636</u>
Total Current Assets	<u>2,796,397</u>
Noncurrent Assets	
Capital Assets	
Nondepreciable	1,036,470
Depreciable	6,081,135
Accumulated Depreciation	<u>(3,272,545)</u>
Total Noncurrent Assets	<u>3,845,060</u>
Total Assets	<u>6,641,457</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Items - IMRF	<u>461,698</u>
Total Assets and Deferred Outflows of Resources	<u>7,103,155</u>

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

	<u>Governmental Activities</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 99,850
Accrued Payroll	16,961
Due to Other Governments	<u>431,250</u>
Total Current Liabilities	548,061
Noncurrent Liabilities	
Net Pension Liability - IMRF	<u>686,589</u>
	<u>1,234,650</u>
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	1,872,132
Deferred Items - IMRF	<u>7,911</u>
Total Deferred Inflows of Resources	<u>1,880,043</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,114,693</u>
NET POSITION	
Investment in Capital Assets	3,845,060
Restricted	
Workers Compensation	4,404
Unemployment Compensation	12,730
Unrestricted	<u>126,268</u>
Total Net Position	<u><u>3,988,462</u></u>

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

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Statement of Activities

For the Fiscal Year Ended December 31, 2022

	Program Revenues				Net (Expenses)/ Revenues
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	
Governmental Activities					
Culture and Recreation	\$ 2,066,709	5,355	17,800	—	(2,043,554)
		General Revenues			
		Taxes			
		Property Taxes			1,730,844
		Intergovernmental			
		Replacement Taxes			14,801
		Investment Income (Loss)			8,126
		Miscellaneous			224,912
					<u>1,978,683</u>
		Change in Net Position			(64,871)
		Net Position - Beginning			<u>4,053,333</u>
		Net Position - Ending			<u><u>3,988,462</u></u>

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

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Balance Sheet - Governmental Funds

December 31, 2022

	General	Capital Projects Special Reserve	Nonmajor	Totals
ASSETS				
Cash and Investments	\$ 494,897	96,730	17,134	608,761
Receivables - Net of Allowances				
Property Taxes	2,013,922	—	173,714	2,187,636
Due from Other Funds	21,858	—	—	21,858
Total Assets	2,530,677	96,730	190,848	2,818,255
LIABILITIES				
Accounts Payable	3,120	96,730	—	99,850
Accrued Payroll	16,961	—	—	16,961
Due to Other Funds	—	—	21,858	21,858
Due to Other Governments	431,250	—	—	431,250
Total Liabilities	451,331	96,730	21,858	569,919
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	1,720,276	—	151,856	1,872,132
Total Liabilities and Deferred Inflows of Resources	2,171,607	96,730	173,714	2,442,051
FUND BALANCES				
Restricted	—	—	17,134	17,134
Unassigned	359,070	—	—	359,070
Total Fund Balances	359,070	—	17,134	376,204
Total Liabilities, Deferred Inflows of Resources and Fund Balances	2,530,677	96,730	190,848	2,818,255

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

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

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

December 31, 2022

Total Governmental Fund Balances	\$ 376,204
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.	3,845,060
A net pension asset is not considered to represent a financial resource and therefore is not reported in the funds.	
Net Pension Liability	(686,589)
Deferred outflows (inflows) of resources related to the pensions not reported in the funds.	
Deferred Items - IMRF	<u>453,787</u>
Net Position of Governmental Activities	<u><u>3,988,462</u></u>

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

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended December 31, 2022**

	General	Capital Projects Special Reserve	Nonmajor	Totals
Revenues				
Taxes	\$ 1,610,936	—	119,908	1,730,844
Intergovernmental	32,601	—	—	32,601
Fines and Fees	5,355	—	—	5,355
Investment Income (Loss)	4,908	3,218	—	8,126
Miscellaneous	224,912	—	—	224,912
Total Revenues	1,878,712	3,218	119,908	2,001,838
Expenditures				
Current				
Culture and Recreation	1,470,215	—	174,122	1,644,337
Capital Outlay	—	1,291,459	—	1,291,459
Total Expenditures	1,470,215	1,291,459	174,122	2,935,796
Excess (Deficiency) of Revenues Over (Under) Expenditures	408,497	(1,288,241)	(54,214)	(933,958)
Other Financing Sources (Uses)				
Transfers In	—	689,418	51,790	741,208
Transfers Out	(741,208)	—	—	(741,208)
	(741,208)	689,418	51,790	—
Net Change in Fund Balances	(332,711)	(598,823)	(2,424)	(933,958)
Fund Balances - Beginning	691,781	598,823	19,558	1,310,162
Fund Balances - Ending	359,070	—	17,134	376,204

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

PALOS HEIGHTS PUBLIC 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 December 31, 2022**

Net Change in Fund Balances - Total Governmental Funds	\$ (933,958)
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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.

Capital Outlays	1,190,129
Depreciation Expense	(239,866)
Disposals - Cost	(131,406)
Disposals - Accumulated Depreciation	131,406

The net effect of deferred outflows (inflows) of resources related
to the pensions not reported in the funds.

Change in Deferred Items - IMRF	881,335
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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 Net Pension Liability - IMRF	<u>(962,511)</u>
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Changes in Net Position of Governmental Activities	<u><u>(64,871)</u></u>
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PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Palos Heights Public Library (the Library), a component unit of the City of Palos Heights, provides services primarily to citizens of the City of Palos Heights (the City), Illinois, including lending or renting materials to adults and children to meet their informational, recreational, and educational needs.

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

REPORTING ENTITY

The Library is a library corporation governed by an appointed Board of Trustees. The Library may not issue bonded debt without the City's approval, and its property tax levy is incorporated with the City's levy. The Library is reported as a discretely presented component unit of the City of Palos Heights, Illinois. This report represents the financial activity of the Library for the fiscal year ended December 31, 2022.

The Library is a Public Library operating in accordance with the Illinois Local Library Act, 75 ILCS 5/1-0.1 et seq.

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 major 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 presented on a consolidated basis and reported on a full accrual, economic resource basis, which recognizes all long-term assets/deferred outflows and receivables as well as long-term debt/deferred inflows 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 each of the Library's functions. These functions are supported by general government revenues (property taxes, interest and miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

The net costs (by function) are normally covered by general revenue (property tax, intergovernmental revenues, interest income, etc.). The Library does not allocate indirect costs. 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.

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION - Continued

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 comprise its assets/deferred outflows, liabilities/deferred inflows, fund equity, revenues and expenditures/expenses. The Library's funds are all reported as governmental funds. The emphasis in fund financial statements is on the major funds.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets/deferred outflows, liabilities/deferred inflows, revenues or expenditures/expenses) for the determination of major funds. The Library electively added funds, as major funds, which either had debt outstanding or specific community focus. A fund is considered major if it is a primary operating fund of the Library or meets the following criteria:

Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The various funds are reported by generic classification within the financial statements. The following fund types are 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 accounts for all revenues and expenditures of the Library which are not accounted for in other funds. The General Fund is a major 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 six special revenues funds and are treated as nonmajor funds.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Special Reserve Fund, a major fund, is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital asset, excluding those types of capital related outflows financed by proprietary funds.

Notes to the Financial Statements

December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 are 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.

In the government-wide Statement of Net Position and Statement of Activities, 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.

Basis of Accounting

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.

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

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Cash and Investments

Cash and cash equivalents on the Statement of Net Position 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 for governmental activities include property taxes.

Interfund Receivables, Payables and Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Deferred Outflows/Inflows of Resources

Deferred outflow/inflow of resources represents an acquisition/reduction of net position 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.

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

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, 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 funds and capitalized. The valuation basis for general capital assets is 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:

Building and Improvements	10 - 40 Years
Furniture and Equipment	5 - 20 Years
Library Material	3 - 7 Years

Compensated Absences

Vacation and sick leave do not vest or accumulate. Accordingly, no liability has been accrued at year-end.

Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities on the Statement of Net Position.

Net Position

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

Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation.

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 "investment in capital assets."

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to December 1, a proposed operating budget for the fiscal year commencing the following January 1, is prepared and submitted to the Board of Trustees for their review and approval.
- b. Prior to March 1, the appropriation resolution is approved by the Board of Trustees to be included in an ordinance by the City of Palos Heights.
- c. The Board of Trustees must approve changes or amendments to the budget of any fund. The legal level of budgetary control is at the fund level.

The budget is prepared on a basis of accounting consistent with generally accepted accounting principles (GAAP). All amounts not spent at year end lapse; however, they may be appropriated in the following year.

A budget is prepared for all funds except the Unemployment Compensation Fund. The budget is prepared in accordance with the Illinois Library Code and is derived from the combined annual budget and appropriation ordinance of the City of Palos Heights. All budgets are prepared based on the annual fiscal year of the Library. All budgetary funds are controlled by an integrated budgetary accounting system in accordance with the various legal requirements which govern the Library. All budgets expire at the end of the year.

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following funds had an excess of actual expenditures over budget as of the date of this report:

<u>Fund</u>	<u>Excess</u>
Special Reserve	\$ 105,459
Liability Insurance	215

NOTE 3 - DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

Permitted Deposits and Investments - Illinois Statutes authorizes 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 the Illinois Funds.

The 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. Illinois Funds is not registered with the SEC as an investment company. Investments in Illinois Funds are valued at the share price, which is the price for which the investment could be sold.

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

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

Deposits. At year-end, the carrying amount of the Library's deposits totaled \$607,745 and the bank balances totaled \$622,286. In addition, the Library has \$1,016 invested in the Illinois Funds at year-end and are measured at the net asset value.

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 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 limits its exposure to credit risk by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government explicitly or implicitly guaranteed by the United States Government. At year-end, the Library's investment in the Illinois Funds was rated AAAM by Standard & Poor's.

Concentration 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 address concentration 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 investment).

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 does not address custodial credit risk. At year-end, the entire amount of the bank balance of deposits was covered by collateral, 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 does not specifically address custodial credit risk for investments. The Library's investments in the the Illinois Funds is not subject to custodial credit risk.

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

PROPERTY TAXES

Property taxes for 2021 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 March 1 and September 1. The County collects such taxes and remits them periodically to the Library. The allowance for uncollectible taxes has been stated at 1% of the tax levy, to reflect actual collection experience.

INTERFUND BALANCES

Interfund balances are advances in anticipation of receipts to cover temporary cash shortages. The composition of interfund balances as of the date of this report, is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	<u>\$ 21,858</u>

INTERFUND TRANSFERS

Interfund transfers for the year consisted of the following:

Transfer In	Transfer Out	Amount
Special Reserve	General	\$ 689,418
Nonmajor Governmental	General	<u>51,790</u>
		<u>741,208</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 314,652	—	—	314,652
Construction in Progress	89,320	721,818	89,320	721,818
	<u>403,972</u>	<u>721,818</u>	<u>89,320.00</u>	<u>1,036,470</u>
Depreciable Capital Assets				
Building and Improvements	4,614,232	141,934	—	4,756,166
Furniture and Equipment	504,275	298,593	—	802,868
Library Material	536,403	117,104	131,406	522,101
	<u>5,654,910</u>	<u>557,631</u>	<u>131,406</u>	<u>6,081,135</u>
Less Accumulated Depreciation				
Building and Improvements	2,515,826	115,156	—	2,630,982
Furniture and Equipment	389,695	17,429	—	407,124
Library Material	258,564	107,281	131,406	234,439
	<u>3,164,085</u>	<u>239,866</u>	<u>131,406</u>	<u>3,272,545</u>
Total Net Depreciable Capital Assets	<u>2,490,825</u>	<u>317,765</u>	<u>—</u>	<u>2,808,590</u>
Total Net Capital Assets	<u>2,894,797</u>	<u>1,039,583</u>	<u>89,320</u>	<u>3,845,060</u>

Depreciation expense was charged to governmental activities as follows:

Culture and Recreation \$ 239,866

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

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
Governmental Activities					
Net Pension Liability/(Asset) - IMRF	\$ (275,922)	962,511	—	686,589	—

The net pension liability/(asset) is generally liquidated by the General Fund.

FUND BALANCE CLASSIFICATIONS

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.

Minimum Fund Balance Policy. The Library's policy manual states that the General Fund should maintain a minimum fund balance equal to 35% of operating expenditures.

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.

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.

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

FUND BALANCE CLASSIFICATIONS - Continued

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

	General	Capital Projects Special Reserve	Nonmajor	Totals
Restricted	\$			
Workers Compensation	—	—	4,404	4,404
Unemployment Compensation	—	—	12,730	12,730
	—	—	17,134	17,134
Unassigned	359,070	—	—	359,070
Total Fund Balances	359,070	—	17,134	376,204

NET POSITION CLASSIFICATIONS

Investment in capital assets was comprised of the following as of December 31, 2022:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	<u>\$ 3,845,060</u>

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.

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

NOTE 4 - OTHER INFORMATION - Continued

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. The Library currently reports all its risk management activities in the General Fund. 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.

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN

Illinois Municipal Retirement Fund (IMRF)

The Library contributes to 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. 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 Descriptions

Plan Administration. All 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 provides two tiers of pension benefits. 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.

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:

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

Illinois Municipal Retirement Fund (IMRF) - Continued

Plan Descriptions - Continued

Benefits Provided - Continued.

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

Plan Membership. As of December 31, 2022, the measurement date, the following employees were covered by the benefit terms:

Active Plan Members

15

A detailed breakdown of IMRF membership for the City and Library combined is available in the City of Palos Heights' comprehensive annual financial report.

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 December 31, 2022, the Library's contribution was 10.58% of covered payroll.

Net Pension Liability. The Library's net pension liability was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed, as of December 31, 2022, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
Actuarial Assumptions	
Interest Rate	7.25%
Salary Increases	2.85% to 13.75%
Cost of Living Adjustments	2.75%
Inflation	2.25%

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

Illinois Municipal Retirement Fund (IMRF) - Continued

Plan Descriptions - Continued

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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	25.50%	4.90%
Domestic Equities	35.50%	6.50%
International Equities	18.00%	7.60%
Real Estate	10.50%	6.20%
Blended	9.50%	6.25% - 9.90%
Cash and Cash Equivalents	1.00%	4.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%, the same as the prior valuation. 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 Library contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

Illinois Municipal Retirement Fund (IMRF) - Continued

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the Library calculated using the discount rate as well as what the Library's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 1,275,264	686,589	220,067

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability/(Asset) (A) - (B)
Balances at December 31, 2021	\$ 4,431,475	4,707,397	(275,922)
Changes for the Year:			
Service Cost	64,843	—	64,843
Interest on the Total Pension Liability	316,960	—	316,960
Changes of Benefit Terms	—	—	—
Difference Between Expected and Actual Experience of the Total Pension Liability	88,803	—	88,803
Changes of Assumptions	—	—	—
Contributions - Employer	—	78,104	(78,104)
Contributions - Employees	—	32,909	(32,909)
Net Investment Income	—	(622,656)	622,656
Benefit Payments, Including Refunds of Employee Contributions	(255,136)	(255,136)	—
Other (Net Transfer)	—	19,738	(19,738)
Net Changes	215,470	(747,041)	962,511
Balances at December 31, 2022	4,646,945	3,960,356	686,589

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

Illinois Municipal Retirement Fund (IMRF) - Continued

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the Library recognized pension expense of \$159,280. At December 31, 2022, the Library reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 113,486	—	113,486
Change in Assumptions	—	(7,911)	(7,911)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	348,212	—	348,212
Total Deferred Amounts Related to IMRF	461,698	(7,911)	453,787

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Fiscal Year	Net Deferred Outflows of Resources
2023	\$ 55,440
2024	90,181
2025	116,698
2026	191,468
2027	—
Thereafter	—
Total	453,787

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Notes to the Financial Statements

December 31, 2022

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS

The Library has evaluated its potential other post-employment benefits liability. Former employees who choose to retain their rights to health insurance through the Library are required to pay 100% of the current premium. However, there is minimal participation. As the Library provides no explicit benefit, and there is minimal participation, there is no material implicit subsidy to calculate in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. Therefore, the Library has not recorded a liability as of December 31, 2022.

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 Employer Contributions
Illinois Municipal Retirement Fund

Schedule of Changes in the Employer's Net Pension Liability
Illinois Municipal Retirement Fund

Budgetary Comparison Schedules
General Fund

Notes to the Required Supplementary Information

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

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

**Illinois Municipal Retirement Fund
Schedule of Employer Contributions
December 31, 2022**

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 68,446	\$ 69,266	\$ 820	\$ 397,848	17.41%
2015	66,039	67,886	1,847	524,217	12.95%
2016	70,775	69,980	(795)	553,359	12.65%
2017	68,796	68,763	(33)	561,333	12.25%
2018	76,240	76,486	246	641,124	11.93%
2019	66,551	66,539	(12)	691,081	9.63%
2020	81,395	81,405	10	699,868	11.63%
2021	75,430	75,430	—	714,031	10.56%
2022	78,104	78,104	—	738,181	10.58%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	22 Years
Asset Valuation Method	5-Year Smoothed Fair Value
Inflation	2.50%
Salary Increases	3.35% - 14.25%
Investment Rate of Return	7.25%
Retirement Age	See the Notes to the Financial Statements
Mortality	IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015).

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

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Illinois Municipal Retirement Fund

Schedule of Changes in the Employer's Net Pension Liability

December 31, 2022

	<u>2014</u>
Total Pension Liability	
Service Cost	\$ 61,740
Interest	202,781
Changes in Benefit Terms	—
Differences Between Expected and Actual Experience	(31,239)
Change of Assumptions	99,530
Benefit Payments, Including Refunds of Member Contributions	<u>(119,832)</u>
Net Change in Total Pension Liability	212,980
Total Pension Liability - Beginning	<u>2,732,782</u>
Total Pension Liability - Ending	<u><u>2,945,762</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 69,266
Contributions - Members	24,563
Net Investment Income	151,674
Benefit Payments, Including Refunds of Member Contributions	(119,832)
Other (Net Transfer)	<u>(26,348)</u>
Net Change in Plan Fiduciary Net Position	99,323
Plan Net Position - Beginning	<u>2,499,469</u>
Plan Net Position - Ending	<u><u>2,598,792</u></u>
Employer's Net Pension Liability/(Asset)	<u><u>\$ 346,970</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.22%
Covered Payroll	\$ 397,848
Employer's Net Pension Liability as a Percentage of Covered Payroll	87.21%

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

2015	2016	2017	2018	2019	2020	2021	2022
55,331	59,144	56,162	59,824	67,538	65,212	67,479	64,843
178,937	258,488	216,180	258,248	486,212	240,100	314,956	316,960
—	—	—	—	—	—	—	—
20,985	(56,904)	(10,091)	97,208	(25,642)	259,810	26,706	88,803
3,624	(7,948)	(106,300)	109,090	—	(50,545)	—	—
(120,109)	(132,446)	(138,446)	(153,884)	(174,960)	(200,823)	(237,423)	(255,136)
138,768	120,334	17,505	370,486	353,148	313,754	171,718	215,470
2,945,762	3,084,530	3,204,864	3,222,369	3,592,855	3,946,003	4,259,757	4,431,475
3,084,530	3,204,864	3,222,369	3,592,855	3,946,003	4,259,757	4,431,475	4,646,945
67,886	69,980	68,763	76,486	66,539	81,405	75,430	78,104
22,963	25,063	31,161	29,059	31,110	33,225	32,142	32,909
11,070	177,905	464,281	(166,979)	787,187	473,208	715,477	(622,656)
(120,109)	(132,446)	(138,446)	(153,884)	(174,960)	(200,823)	(237,423)	(255,136)
27,320	10,076	(83,223)	92,480	30,814	47,974	(32,106)	19,738
9,130	150,578	342,536	(122,838)	740,690	434,989	553,520	(747,041)
2,598,792	2,607,922	2,758,500	3,101,036	2,978,198	3,718,888	4,153,877	4,707,397
2,607,922	2,758,500	3,101,036	2,978,198	3,718,888	4,153,877	4,707,397	3,960,356
476,608	446,364	121,333	614,657	227,115	105,880	(275,922)	686,589
84.55%	86.07%	96.23%	82.89%	94.24%	97.51%	106.23%	85.22%
524,217	553,359	561,333	641,124	691,081	699,868	714,033	738,310
90.92%	80.66%	21.62%	95.87%	32.86%	15.13%	(38.64%)	92.99%

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

General Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2022**

	Original and Final Budget	Actual
Revenues		
Taxes	\$ 1,623,635	1,610,936
Intergovernmental	26,860	32,601
Fines and Fees	6,500	5,355
Investment Income (Loss)	239	4,908
Miscellaneous	50,700	224,912
Total Revenues	1,707,934	1,878,712
Expenditures		
Culture and Recreation		
Library Materials	206,880	188,375
Capital Equipment	2,500	2,033
Office Expenditures	32,537	28,300
Staff and Board Development	10,900	8,487
Professional Services	7,055	5,880
Contractual, Printing and Maintenance	396,687	218,099
Personnel	1,031,500	1,019,041
Total Expenditures	1,688,059	1,470,215
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,875	408,497
Other Financing (Uses)		
Transfers Out	—	(741,208)
Net Change in Fund Balance	19,875	(332,711)
Fund Balance - Beginning		691,781
Fund Balance - Ending		359,070

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

Budgetary Comparison Schedules - Major Governmental Funds

Combining Statements - Nonmajor Governmental Funds

Budgetary Comparison Schedules - Nonmajor Governmental Funds

INDIVIDUAL FUND DESCRIPTIONS

GENERAL FUND

The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Illinois Municipal Retirement Fund

The Illinois Municipal Retirement Fund is used to account for the Library's participation in the Illinois Municipal Retirement Fund. Financing is provided by a specific annual property tax levy which produces a sufficient amount to pay the Library's contributions to the fund on behalf of its employees.

Social Security Fund

The Social Security Fund is used to account for revenues derived from a specific annual property tax levy and expenditures of these monies for payment of the employer's portion of Federal Social Security and Medicare taxes.

Audit Fund

The Audit Fund is used to account for revenues derived from a specific annual property tax levy and expenditures of these monies for the annual audit of the Library.

Liability Insurance Fund

The Liability Insurance Fund is used to account for revenues derived from a specific annual property tax levy and expenditures of these monies for the general liability insurance of the Library.

Workers Compensation Fund

The Workers Compensation Fund is used to account for revenues derived from a specific annual property tax levy and expenditures of these monies for payment of the employer's workers compensation taxes.

INDIVIDUAL FUND DESCRIPTIONS - Continued

SPECIAL REVENUE FUNDS - Continued

Unemployment Compensation Fund

The Unemployment Compensation Fund is used to account for revenues derived from a specific annual property tax levy and expenditures of these monies for payment of the employer's unemployment compensation taxes.

CAPITAL PROJECTS FUND

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital assets (other than those financed by business-type/proprietary funds).

Special Reserve Fund

The Special Reserve Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital asset, excluding those types of capital related outflows financed by proprietary funds.

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual

For the Fiscal Year Ended December 31, 2022

	Original and Final Budget	Actual
Taxes		
Property Taxes	\$ 1,623,635	1,610,936
Intergovernmental		
Per Capita Grant	18,460	17,800
Personal Property Replacement Taxes	8,400	14,801
Total Intergovernmental	26,860	32,601
Fines and Fees	6,500	5,355
Investment Income (Loss)	239	4,908
Miscellaneous		
Friends Book Sales	11,000	11,113
Copier	5,000	3,366
Miscellaneous - Front Desk	2,500	1,738
Miscellaneous	1,200	11,128
Gifts/Donations	31,000	197,567
Total Miscellaneous	50,700	224,912
Total Revenues	1,707,934	1,878,712

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual

For the Fiscal Year Ended December 31, 2022

	Original and Final Budget	Actual
Culture and Recreation		
Library Materials		
Books, Periodicals and Audiovisuals	\$ 206,880	188,375
Capital Equipment		
Landscaping	2,500	2,033
Office Expenditures		
Office Supplies	15,950	12,484
Equipment Maintenance	8,197	7,816
Cleaning Supplies	4,450	3,877
Mailing Expenditures	3,940	4,123
Total Office Expenditures	32,537	28,300
Staff and Board Development		
Membership Fees	2,400	2,539
Board Development	800	779
Administrator	500	652
Professional Staff	5,000	3,213
Support Staff	1,000	900
Mileage Reimbursement	1,200	404
Total Staff and Board Development	10,900	8,487
Professional Services		
Legal Fees	2,200	810
Professional Fees	4,855	5,070
Total Professional Services	7,055	5,880

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued

For the Fiscal Year Ended December 31, 2022

	Original and Final Budget	Actual
Culture and Recreation - Continued		
Contractual, Printing and Maintenance		
Contractual Services	\$ 102,990	104,757
Printing	16,525	17,304
Maintenance - Building/Facility	34,435	34,813
Library Program	25,500	27,763
Public Relations	3,000	2,894
Utilities	14,237	16,950
Contingency	200,000	13,618
Total Contractual, Printing and Maintenance	396,687	218,099
Personnel		
Salaried Employees	711,092	714,232
Hourly Employees	198,021	181,535
Additional Compensation	5,000	4,954
Employee Benefits	117,387	118,320
Total Personnel	1,031,500	1,019,041
Total Expenditures	1,688,059	1,470,215

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Special Reserve - Capital Projects Fund

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

For the Fiscal Year Ended December 31, 2022

	Original and Final Budget	Actual
Revenues		
Investment Income	\$ —	3,218
Expenditures		
Capital Outlay	1,186,000	1,291,459
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,186,000)	(1,288,241)
Other Financing Sources		
Transfers In	—	689,418
Net Change in Fund Balance	<u>(1,186,000)</u>	(598,823)
Fund Balance - Beginning		<u>598,823</u>
Fund Balance - Ending		<u>—</u>

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Nonmajor Governmental Funds

Combining Balance Sheet

December 31, 2022

See Following Page

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

**Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2022**

	<hr/> <hr/>	
	Illinois Municipal Retirement	Special Social Security
	<hr/>	
ASSETS		
Cash and Investments	\$ —	—
Receivables - Net of Allowances		
Property Taxes	80,344	80,623
	<hr/>	
Total Assets	80,344	80,623
	<hr/> <hr/>	
LIABILITIES		
Due to Other Funds	11,134	9,231
	<hr/>	
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	69,210	71,392
	<hr/>	
Total Liabilities and Deferred Inflows of Resources	80,344	80,623
	<hr/>	
FUND BALANCES		
Restricted	—	—
	<hr/>	
Total Deferred Inflows of Resources and Fund Balances	80,344	80,623
	<hr/> <hr/>	

Revenue				
Audit	Liability Insurance	Workers Compensation	Unemployment Compensation	Totals
—	—	4,404	12,730	17,134
7,831	2,534.00	2,382	—	173,714
7,831	2,534	6,786	12,730	190,848
899	283	311	—	21,858
6,932	2,251	2,071	—	151,856
7,831	2,534	2,382	—	173,714
—	—	4,404	12,730	17,134
7,831	2,534	6,786	12,730	190,848

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

For the Fiscal Year Ended December 31, 2022

	Illinois Municipal Retirement	Special Social Security
Revenues		
Taxes	\$ 61,077	50,644
Expenditures		
Culture and Recreation	78,838	67,445
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,761)	(16,801)
Other Financing Sources		
Transfers In	16,616	15,853
Net Change in Fund Balance	(1,145)	(948.00)
Fund Balance - Beginning	1,145	948
Fund Balance - Ending	—	—

Revenue				
Audit	Liability Insurance	Workers Compensation	Unemployment Compensation	Totals
4,932	1,550	1,705	—	119,908
6,640	19,255	1,944	—	174,122
(1,708)	(17,705)	(239)	—	(54,214)
1,616	17,705	—	—	51,790
(92)	—	(239)	—	(2,424)
92	—	4,643	12,730	19,558
—	—	4,404	12,730	17,134

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Illinois Municipal Retirement - Special Revenue Fund

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

For the Fiscal Year Ended December 31, 2022

	Original and Final Budget	Actual
Revenues		
Taxes		
Property Taxes	\$ 80,146	61,077
Expenditures		
Culture and Recreation		
Illinois Municipal Retirement	80,222	78,838
Excess (Deficiency) of Revenues Over (Under) Expenditures	(76)	(17,761)
Other Financing Sources		
Transfers In	—	16,616
Net Change in Fund Balance	(76)	(1,145)
Fund Balance - Beginning		1,145
Fund Balance - Ending		—

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Social Security - Special Revenue Fund

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

For the Fiscal Year Ended December 31, 2022

	Original and Final Budget	Actual
Revenues		
Taxes		
Property Taxes	\$ 68,788	50,644
Expenditures		
Culture and Recreation		
Social Security	69,547	67,445
Excess (Deficiency) of Revenues Over (Under) Expenditures	(759)	(16,801)
Other Financing Sources		
Transfers In	—	15,853
Net Change in Fund Balance	(759)	(948)
Fund Balance - Beginning		948
Fund Balance - Ending		—

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Audit - Special Revenue Fund

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

For the Fiscal Year Ended December 31, 2022

	Original and Final Budget	Actual
Revenues		
Taxes		
Property Taxes	\$ 6,640	4,932
Expenditures		
Culture and Recreation		
Audit	6,640	6,640
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(1,708)
Other Financing Sources		
Transfers In	—	1,616
Net Change in Fund Balance	—	(92)
Fund Balance - Beginning		92
Fund Balance - Ending		—

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Liability Insurance - Special Revenue Fund

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

For the Fiscal Year Ended December 31, 2022

	Original and Final Budget	Actual
Revenues		
Taxes		
Property Taxes	\$ —	1,550
Expenditures		
Culture and Recreation		
Liability Insurance	19,040	19,255
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,040)	(17,705)
Other Financing Sources		
Transfers In	—	17,705
Net Change in Fund Balance	(19,040)	—
Fund Balance - Beginning		—
Fund Balance - Ending		—

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

Workers Compensation - Special Revenue Fund

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

For the Fiscal Year Ended December 31, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Taxes		
Property Taxes	\$ 2,228	1,705
Expenditures		
Culture and Recreation		
Workers Compensation	<u>2,228</u>	<u>1,944</u>
Net Change in Fund Balance	<u>—</u>	(239)
Fund Balance - Beginning		<u>4,643</u>
Fund Balance - Ending		<u>4,404</u>

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS

A COMPONENT UNIT OF THE CITY OF PALOS HEIGHTS, ILLINOIS

MANAGEMENT LETTER



PALOS HEIGHTS
PUBLIC LIBRARY

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

12501 S 71st Avenue
Palos Heights, IL 60463
Phone: 708.4489.1473
www.phlibrary.org



May 8, 2023

Members of the Board of Trustees
Palos Heights Public Library
Palos Heights, Illinois

In planning and performing our audit of the financial statements of the Palos Heights Public Library, (the Library) for the year ended December 31, 2022, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We do not intend to imply that our audit failed to disclose commendable aspects of your system and structure. For your consideration we herein submit our comments and suggestions which are designed to assist in effecting improvements in internal controls and procedures. Those less significant matters, if any, which arose during the course of the audit, were reviewed with management as the audit field work progressed.

The accompanying comments and recommendations are intended solely for the information and use of the Board of Trustees, management, and others within the Palos Heights Public Library.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Library personnel. We would be pleased to discuss our comments and suggestions in further detail with you at your convenience, to perform any additional study of these matters, or to review the procedures necessary to bring about desirable changes.

We commend the finance department for the well-prepared audit package and we appreciate the courtesy and assistance given to us by the entire Library staff.

Lauterbach & Amen, LLP
LAUTERBACH & AMEN, LLP

CURRENT RECOMMENDATION

1. **GASB STATEMENT NO. 96 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

Comment

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements, which provides guidance regarding the information needs of financial statement users by improving accounting and financial reporting for Subscription-Based Information Technology Arrangements (SBITAs) by governments. It establishes uniform accounting and financial reporting requirements for SBITAs, improves the comparability of financial statements among governments that have entered into SBITAs, and enhances the understandability, reliability, relevance, and consistency of information about SBITAs. GASB Statement No. 96, Subscription-Based Information Technology Arrangements is applicable to the Library's financial statements for the year ended December 31, 2023.

Recommendation

Lauterbach & Amen, LLP will work directly with the Library to review the new SBITA criteria in conjunction with the Library's current arrangements to determine the appropriate financial reporting for these activities under GASB Statement No. 96.

Management Response

Management acknowledges this comment and will work with Lauterbach and Amen, LLP to implement it by December 31, 2023, as required by GASB.

2. **FUND NOT IN COMPLIANCE WITH FUND BALANCE POLICY**

Comment

During our current year-end audit procedures, we noted the following fund with fund balance that was not in compliance with the Board approved fund balance policy:

	Per 2022 Actual Expenditures	Unassigned Fund Balance per AFR	Amount not in Compliance
General Fund Minimum Operating Expenditures	\$ 1,688,059		
45% CY Expenditures	<u>45%</u>		
	759,627	376,204	383,423

Recommendation

We recommend the Library investigate the fund balances and adopt future budgets to address these items not in compliance.

Management Response

Management acknowledges this comment and will work to correct it in the coming year.

PRIOR RECOMMENDATIONS

1. GASB STATEMENT NO. 87 LEASES

Comment

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which provides guidance regarding the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. In accordance with GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which was issued as temporary relieve to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 87, *Leases* is applicable to the Library's financial statements for the year ended December 31, 2022.

Recommendation

Lauterbach & Amen, LLP will work directly with the Library to review the new lease criteria in conjunction with the Library's current leases to determine the appropriate financial reporting for these activities under GASB Statement No. 87.

Status

As the Library has no material leases, there was no impact on the financial statements in the current year, therefore this comment is considered implemented. The Library and Lauterbach & Amen will continue to monitor leases in the future to determine if additional reporting is required.

2. FUNDS OVER BUDGET

Comment

Previously and during our current year-end audit procedures, we noted that the following funds had an excess of actual expenditures over budget for the fiscal year:

Fund	12/31/22	12/31/21
Special Reserve	\$ 105,459	73,489
Liability Insurance	215	—

Status

This comment has not been implemented and will be repeated in the future.

Management Response

Management acknowledges the overages and will work to correct them in the following year.

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS				
Audit Journal Entries				
December 31, 2022				
AJE	Account	Account		
#	Number	Description	Debit	Credit
1	10-2102	2102 · Accrued Expenses		3,948
	10-2XXX.2022.1	2XXX - Accrued Payroll		15,170
	10-2999	2999 · Opening Bal Equity	19,118	
	40-2102	2102 · Accrued Expenses		12,030
	40-2999	2999 · Opening Bal Equity - SPECIAL RESERVE	12,030	
Entry to correct opening fund balance in General Fund and Special Reserve Fund and post balance sheet items from FY21 A				
2	No AJE Recorded			
3	10-2102	2102 · Accrued Expenses	3,948	
	10-4362	4362 · Legal Fees		748
	10-4416	4416 · Maintenance		3,200
	40-2102	2102 · Accrued Expenses	12,030	
	40-7000	7000 · SPECIAL RESERVES FUND PROJECTS		12,030
Entry to reverse out FY21 Accounts Payable				
4	10-2XXX.2021	2XXX - Accrued Payroll		1,791
	10-4311	4311 · Salaried Employees	1,791	
Entry to adjust Accrued Payroll to actual for FY22				
5	10-2102	2102 · Accrued Expenses		3,120
	10-4418	4418 · Technology	3,120	
	40-2102	2102 · Accrued Expenses	83,455	
	40-7001	7001 · Special Reserves Projects		83,455
Entry to record FY22 Accrued Expenses				
6	10-3101	3101 · Tax Levies- Prior Years	1,438	
	10-3103	3103 · Tax Levies-Current FY		16,015
	10-3105	3105 · Tax Levies-Last Yr	14,565	
	10-3382	3382 · Prior Years Taxes	12	
Entry to reallocate Property Tax Revenue to CY Revenue Account				
7	10-12XX.2022.1	12XX - Property Tax Receivable	315,504	
	10-3103	3103 · Tax Levies-Current FY		315,504
Entry to record additional expected property tax receipts based on historical collection percentages				
8	10-1105	1105-A · GF CHECKING - OLD NATIONAL BANK		98,050
	10-3103	3103 · Tax Levies-Current FY	98,050	
	20-1105	1105-A · GF CHECKING - OLD NATIONAL BANK	49,943	
	20-3103	3103 · Tax Levies-Current FY		49,943
	21-1105	1105-A · GF CHECKING - OLD NATIONAL BANK	41,413	
	21-3103	3103 · Tax Levies-Current FY		41,413
	22-1105	1105-A · GF CHECKING - OLD NATIONAL BANK	4,033	
	22-3103	3103 · Tax Levies-Current FY		4,033
	23-1105	1105-A · GF CHECKING - OLD NATIONAL BANK	1,267	
	23-3103	3103 · Tax Levies-Current FY		1,267
	24-1105	1105-A · GF CHECKING - OLD NATIONAL BANK	1,394	
	24-3103	3103 · Tax Levies-Current FY		1,394
Entry to split out property taxes to different funds for FY22				
9	10-12XX.2022.1	12XX - Property Tax Receivable	1,698,418	
	10-21XX.2022.1	21XX - Deferred Property Taxes		1,720,276
	10-3103	3103 · Tax Levies-Current FY	21,858	
	20-12XX.2022.1	12XX - Property Tax Receivable	80,344	
	20-21XX.2022.1	21XX - Deferred Property Taxes		69,210

PALOS HEIGHTS PUBLIC LIBRARY, ILLINOIS				
Audit Journal Entries				
December 31, 2022				
AJE	Account	Account		
#	Number	Description	Debit	Credit
	20-3103	3103 · Tax Levies-Current FY		11,134
	21-12XX.2022.1	12XX - Property Tax Receivable	80,623	
	21-21XX.2022.1	21XX - Deferred Property Taxes		71,392
	21-3103	3103 · Tax Levies-Current FY		9,231
	22-12XX.2022.1	12XX - Property Tax Receivable	7,831	
	22-21XX.2022.1	21XX - Deferred Property Taxes		6,932
	22-3103	3103 · Tax Levies-Current FY		899
	23-12XX.2022.1	12XX - Property Tax Receivable	2,534	
	23-21XX.2022.1	21XX - Deferred Property Taxes		2,251
	23-3103	3103 · Tax Levies-Current FY		283
	24-12XX.2022.1	12XX - Property Tax Receivable	2,382	
	24-21XX.2022.1	21XX - Deferred Property Taxes		2,071
	24-3103	3103 · Tax Levies-Current FY		311
Entry to record FY22 Property Tax Receivable & Deferred and record the additional fund Property Tax Revenue based on c				
10	10-2XXX.2022.2	2XXX.2022.2 - Due to Other Gov'ts		431,250
	10-3251	3251 · Miscellaneous	431,250	
Entry to reclassify Short Term Loan from City of Palos Heights out of revenue and into Short Term Liability				
11	40-2103X2022.1	2103X2022.1 - Retainage Payable		13,275
	40-7001	7001 · Special Reserves Projects	13,275	
Entry to record retainage payable on Lo Destro Library Renovation Projects as of FYE				
12	10-1105	1105-A · GF CHECKING - OLD NATIONAL BANK		741,208
	10-5XXX.2022.1	5XXX.2022.1 · Transfer Out	741,208	
	20-1105	1105-A · GF CHECKING - OLD NATIONAL BANK	16,616	
	20-4XXX.2022.1	4XXX.2022.1 - Transfer In		16,616
	21-1105	1105-A · GF CHECKING - OLD NATIONAL BANK	15,853	
	21-4XXX.2022.1	4XXX.2022.1 - Transfer In		15,853
	22-1105	1105-A · GF CHECKING - OLD NATIONAL BANK	1,616	
	22-4XXX.2022.1	4XXX.2022.1 - Transfer In		1,616
	23-1105	1105-A · GF CHECKING - OLD NATIONAL BANK	17,705	
	23-4XXX.2022.1	4XXX.2022.1 - Transfer In		17,705
	40-1105	1105-A · GF CHECKING - OLD NATIONAL BANK	689,418	
	40-4XXX.2022.1	4XXX.2022.1 - Transfer In		689,418
Entry to remove non-general funds' fund balance with a transfer to the General Fund.				
		TOTAL	4,484,042	4,484,042
				-
ALL AJEs RECORDED AS NOTED ABOVE. NO PASSED AJEs FROM THE AUDIT.				